The nature of work is changing—to adapt to the global market. Many enterprises will concentrate on core activities and outsource other services to those with specialist expertise. Outsourcing is one way in which the pool of available knowledge can be enlarged and enhanced. Virtual enterprises are likely to rely on such knowledge to meet customers’ demands on a customer-built or small batch production basis. Although information technology plays an important role in linking the core company with its partner companies, it remains subservient to the humans that form the virtual enterprise. For effective knowledge management, it is clear that the electronic handshake would need to be based on trust between partner companies as well as the correct protocol. However, current practice showed that trust between top management teams was rarely considered in the selection of partner companies. A review of the relevant literature indicated that neither scholars nor practitioners agree on a single model of inter-firm trust that applies to all partner evaluation contexts. Hence a decision support system based on neural network and data mining technologies is proposed. A case example is used to illustrate the feasibility of incorporating inter-firm trust in real industrial situations.
These are seen as an effective and flexible means of bringing both skills and expertise to bear on specific problems. This form of organisation is called virtual enterprises, which comprises a network of alliances, temporarily linked together for competitive advantage, that share common value chains and business processes supported by distributed information technology (Davidow & Malone, 1992; Business Week, 1993). A virtual enterprise aims to incorporate one or more best practice core competencies from one organisation with different best practice core competencies from additional organisation(s) through networking and forming alliances to produce a very high-level product or service which would be difficult to compete against.

Virtual enterprises can provide growth quickly at a fraction of the cost of tackling the market alone. In the past it was more cost-effective to own all aspects of the value chain—vertical integration was the business model of choice. In today’s global market, focus is critical. Owning the value chain may actually put an organisation at a competitive disadvantage due to the lack of flexibility and financial commitment true vertical integration represents. Selecting the right partners and nurturing these relationships can help a company focus on what creates the most value for customers and concentrate on its core activities. Virtual enterprises also offer versatility. They create new, viable market options and allow companies to deal more effectively with the uncertainties and complexities of today’s highly competitive global market.

Following Jarvenpaa et al. (1998), we define a global virtual team to be a temporary, culturally diverse, geographically dispersed, electronically communicating work group. The notion of temporary in the definition describes teams where members may have never worked together before and who may not expect to work together again as a group (Lipnack & Stamps, 1997). The characterization of virtual teams as global implies culturally diverse and globally spanning members that can think and act in concert with the diversity of the global environment (DeSanctis & Poole, 1997). Finally, it is a heavy reliance on computer-mediated communication technology that allows members separated by time and space to engage in collaborative work.

The reasons that virtual enterprises are becoming so prevalent nowadays include: low overhead, flexibility, minimum investment, and high productivity. By owning few resources and focusing in on the organisation’s expertise, the company can keep high levels of productivity while allowing its partners to do the same. Both the partners in a virtual enterprise and the individuals who work for a virtual enterprise are allotted greater flexibility. The partners can focus on core competencies, while individual workers may have the ability to telecommute from their homes. In a virtual enterprise, companies are linked by the free flow of information. There is no hierarchy, no central office, and no vertical integration: just the skills and resources needed to do the job. Each participating company contributes what it is best at. It can be seen that since no single company will have all the skills necessary to compete in the Global Electronic Market, these arrangements will become the norm. One of the keys to the success of the virtual enterprise is the use of information technology (IT) to facilitate these alliances.
Knowledge Management: The Missing Element in Business Continuity Planning