Chapter X

Building Virtual Relationships in Distributed Organisational Environment

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Small and medium-size companies are increasingly competing globally by forming horizontal alliances. To support this process there is a growing need for formation of virtual teams across company boundaries that can jointly develop new products and processes. A review of previous research shows that, although virtual teams have been well defined as a concept, the key variables involved in the formation of inter-organisational teams and the managerial implications remain comparatively unknown. The chapter provides a process perspective for researching virtual team formation and interaction patterns. By combining cross-disciplinary theoretical approaches, the reported study offers a conceptual overview for collective teaming in virtual settings. The research findings so far confirm that virtual team formation and evolution follow specific development patterns, which can be described as cyclical self-energising processes.

INTRODUCTION

The global economic environment today is characterised by dramatic changes influenced by factors such as shortening product lifecycles, increasing levels of technological sophistication, highly competitive, more demanding and increasingly diverse customer markets. In order to remain competitive under conditions of uncertainty and discontinuity, organisations should constantly strengthen their main areas of expertise. Knowledge, therefore, is increasingly recognised as the most important source of lasting competitive advantage (Chase, 1997; Johnson, 1997). However, the key to obtaining long-term competitiveness is not to be found in the...
administration of existing knowledge but in the ability to constantly generate new knowledge about products and services by encouraging behaviour of continuous knowledge-seeking and knowledge-creation (Seufert et al., 1999).

Often because of lack of physical, financial and human resources, the creation of knowledge within a company is not sufficient. Therefore, the traditional knowledge-creation model within organisational boundaries can no longer satisfy the pending needs of businesses. As a result businesses are gradually changing from well-structured and manageable systems with clear identities into integrated network systems with blurrier boundaries characterised by such terms as virtual, boundary-less or networked (Davidow & Malone, 1992; Galbraith, 1995; O’Hara-Devereaux & Johansen, 1994). Advances in information technology have made feasible these types of organisational structures, in which independent firms across the globe join together and function as if they were a single corporation (Grenier & Metes, 1995; Jarvenpaa & Ives, 1994). Byrne (1993, pp. 99) defined a virtual corporation as “a temporary network of independent companies—suppliers, customers, even erst-while rivals—linked by information technology to share skills, costs and access to one another’s markets.” The virtual organisational model is fluid and flexible, composed of “a group of collaborators that quickly unite to exploit a specific opportunity. Once the opportunity is met, the venture will, more often than not, disband” (Byrne, 1993, pp. 99). Each company that is linked in a virtual corporation contributes only with what it regards as its core competencies, creating a “best-of-everything” organisation (Miles & Snow, 1995).

As today’s companies continue to open their boundaries to other organisations, the need for virtual teaming will become even greater. A number of benefits are associated with virtual teams such as flexibility, responsiveness, lower costs and improved resource utilisation necessary to meet ever-changing task requirements in highly turbulent and dynamic global business environments (Steward, 1994; Mowshowitz, 1997; Snow et al., 1996; Kristof et al., 1995).

Virtual teams formed across organisational boundaries and organised around an opportunity are a relatively new area of research. The review of previous research shows that, although virtual teams have been well defined as a concept, only a few studies have contributed to the understanding of the processes of assembling and maintaining effective virtual teams. The key factors for success and failure and the processes involved in virtual teams’ formation remain relatively unknown.

**STRATEGIC MOTIVATION FOR THE STUDY**

It has been previously argued that as there are different types of ventures, so there are different types of venture teams. Management theories point out that the increased information sophistication and its impact on communication patterns will be accompanied by major changes in the working practices (Boje & Dennehy, 1994). The introduction of innovative organisational concepts is also likely to transform conventional collective behaviour. Drucker (1988) describes such new organisations as constituting teams of self-managed knowledge workers, linked by information technology to share skills, costs and access to each other’s markets. Virtual teaming has been also considered as the most appropriate framework for successfully implementing Concurrent Engineering practices across a distributed supply chain.
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