Chapter II

The Knowledge-Based View (KBV) of the Virtual Web, the Virtual Corporation, and the Net-Broker

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This chapter describes virtual organization from an inter-organization perspective. The virtual web is a network of equal and independent companies from which virtual corporations derive. Virtual corporations are temporary partnerships, which are only established in response to market opportunities or customer needs. The net-broker manages and administrates the virtual web and configures virtual corporations. Since knowledge has been identified as a key resource to gain competitive advantage, the knowledge-based perspective of the virtual web/corporation concept is used to argue why virtual corporations have theoretically the potential to build core know-how and therefore to gain competitive advantage. The chapter finalizes with a discussion of whether virtual corporations might be in a better position to achieve competitive advantage than other forms of inter-organizational partnerships.

Today, knowledge is regarded as the key resource to gain competitive advantage. This chapter begins by reviewing the recently emerging new organizational form of virtual organizations. Taking the inter-organizational perspective, the virtual web is a pool of pre-qualified independent companies, which are willing to cooperate. Virtual corporations derive from the virtual web and they are the temporary operating units that create value. The net-broker initiates and maintains the virtual web and formats virtual corporations. Furthermore, this chapter introduces the ‘knowledge-based view of the firm’, and develops a knowledge-based framework grounded on the existing academic literature. The objective of this chapter is to describe the implications of the knowledge-based view for the virtual web/corporation concept as well as the net-broker. In addition, it analyses and explains why virtual corporations have the potential to build core know-how and are

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therefore in the position to gain sustainable competitive advantage. In order to support this argument a practical example of the knowledge management of a virtual web/corporation is provided. The chapter concludes with a discussion of why the virtual web/corporation concept is likely to be more efficient in achieving competitive advantages than other forms of cooperations.

THE VIRTUAL ORGANIZATION

Lipman and Stamps (1994) argued that each historical age has its distinct organizational form. Similar to the industrial age and its bureaucracy, the organizational form of the information age will be the ‘boundary-spanning networks’. Today’s strategic challenge of doing more with less has led firms to look outward as well as inward for solutions to improve their ability to compete without adding internal resources (Kanter, 1989). She proposed three strategic options for firms to cope with increasingly competitive markets. Firms can either pool their resources with others, form alliances to exploit market opportunities, or link their organizational systems in partnerships.

Basically, the ‘virtual organization’ is a partnership network. The term ‘virtual’ originates from the Latin word ‘virtus’ which basically means ‘proficiency, manliness’ (Scholz, 1994), it defines an attribute of a thing, which is not really existing, but would have the possibility to exist (Scholz, 1996).

Since Mowshowitz (1986) used the term ‘virtual organization’ for the first time, many other authors have created a variety of different terms and definitions to describe this new form of network organization, such as virtual company (Goldman and Nagel, 1993), virtual enterprise (Hardwick et al., 1996), virtual factory (Upton and McAfee, 1996), and virtual office (Davenport and Pearlson, 1998).

Bultje and Wijk (1998) noted that the different definitions of ‘virtual organization’ partly depend on the view the authors have of the concept ‘virtual’ (see Figure 1).

What does the concept of ‘virtuality’ means for organizations. Venkatraman and Henderson (1996) proposed that: “Virtualness is the ability of the organization to consistently obtain and coordinate critical competencies through its design of value-adding business processes and governance mechanisms involving external and internal constituencies to deliver differential, superior value in the market place” (p.4).

Figure 1: The Concept of ‘Virtual’

The meaning of virtual:

- Unreal, but looking real, i.e., 'virtual reality'
- Immaterial supported by IT, i.e., 'virtual shopping mall'
- Potential present, i.e., 'virtual memory'
- Existing, but changing, i.e., 'virtual corporation'
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