Chapter 3
Management of Virtual Teams and Capabilities in Business Networks

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ABSTRACT
This chapter investigates and analyzes the management of capabilities in virtual teams in a business network context. This is a qualitative case study in the ICT-sector in Finland. This chapter will demonstrate that the organizations have a good chance to succeed if they can harness the external and internal knowledge and utilize the capabilities and knowledge in virtual teams to support organizational goals and strategies. It also illustrates the importance of trust in building and maintaining relationships. This chapter aims to contribute to the prior strategic management and business networks research.

INTRODUCTION
The relational and dynamic aspects of virtual teams in business networks and interdependence of network actors produce crucial, but insufficiently addressed, challenge for management. This chapter describes a new business development based on multiple business models and networks. In addition, a pioneering actor as the case organization in this study was, it had to develop specific managerial capabilities in order to be able to fine-tune the existing processes to adjust to new demands and market changes, to launch new services, and to advance from the development of basic technologies to the commercialization and marketing of ICT products and home commerce services. Its services included new technologies, like broadband, Internet, and mobile in Finland.
According to Henry Chesbrough (2006, pp. 45-52), firms need to leverage the abundance of knowledge outside their own companies to be successful. Furthermore, recent years have shown an exceptional growth in demand for inter-organizational collaboration (Achrol & Kotler, 1999; Brandenburger & Nalebuff, 1996; Gulati, 1998; Hagedoorn, 1990, 1995; Powell, et al., 1996; Speckman, et al., 2000) resulting from the rapid pace of technology development along with the dispersion of knowledge and technological resources. To be competitive and survive in a network economy, companies need technological knowledge and resources to develop products and processes. Specifically, they need to connect their organization through vertical and horizontal networking strategies to other market players in order to gain new knowledge and innovations beyond their immediate organizational boundaries (Håkansson & Snehota, 1995; Kogut & Zander, 1997; Powell, et al., 1996; Teece, et al., 1997; Teece, 2000). These different forms of interorganizational collaborations consist of supplier and marketing or distribution networks, technological-innovation and product-development networks, and various competitive alliances used, for example, to establish industry standards (Ford, et al., 2002; Frels, et al., 2003; Möller & Halinen, 1999).

New business creation is not an independent, isolated process but a collective process that requires interaction and cooperation with other actors. It involves the establishment and maintenance of a network of relationships with other organizations including suppliers, competitors, and customers (cf. Håkansson & Snehota, 1995). It also involves creation and maintenance of capabilities needed in management and production of services. Over and above the managerial challenges inherent in a business creation, high-tech firms, like in this case study, face unique challenges due to technology-driven services and markets. These firms need to cope with exceptionally short product life cycles in the face of fast changing technology and R&D-partnerships are often used for creating new technological platforms and dominant solutions (Blomqvist, 2002; Möller & Rajala, 1999). Therefore, an understanding the management of resultant business relationships and capabilities needed has become a critical factor determining success in contemporary business. This study will demonstrate that the business development and success in this case study was based on adaptive and adjusting virtual teams and management of different business networks. It also discusses of what kind of network management capabilities were needed in virtual team management. This is a qualitative, longitudinal, single case study in the ICT-sector in Finland. This chapter aims to contribute to the prior strategic management and business networks research.

BACKGROUND AND KEY TERMS

The research builds on the prior strategic management literature, Resource-Based View of the firm (RBV), economic sociology and social networks research, and industrial network approach by examining the previous research of strategic management and business networks. This section will also present the concept definitions used in this chapter.

There is a vast amount of previous research of business networks, and therefore, this chapter presents only the most relevant ones in this chapter. The amount of literature also results in multiple concept definitions, like the researchers in strategic management and Resource-Based View (RBV) (See e.g. Brandenburger & Nalebuff, 1996; Jarillo, 1993; Parolini, 1999) consider networks strategic networks and value nets, whereas economic sociology and social networks research (Powell, et al., 1996) and industrial network approach (e.g. Håkansson & Ford, 2002; Håkansson & Snehota, 1995) argue the character and evolution of business networks.