

Strategies for Virtual Organizations

Juha Kettunen

Turku University of Applied Sciences, Finland

INTRODUCTION

Regional development has been playing an increasingly important role in the activities of higher education institutions (HEIs). The planning of regional strategies is notably different from that of other strategies, because there is no single institution or organisational unit who owns the strategy. This study presents techniques for networked and virtual organisations to gain commitment to a common strategy with applications for regional development.

The approach of the Balanced Scorecard developed by Kaplan and Norton (2001, 2004) is used to implement the regional strategy. The fundamental characteristic of the Balanced Scorecard is that it allows the decision-makers to view the organisation from four perspectives simultaneously: customer, financial, internal processes and learning and growth. The Balanced Scorecard provides information from many perspectives, but it also minimises information overload by limiting the number of measures included.

This study presents an approach where strategies have not been defined to correspond to a single organisation, but the strategies can be shared to achieve synergy across autonomous organisations. The strategies for clusters and the regional strategy of HEIs illustrate how strategies and scorecards can be created even though a single organisation does not exist to implement the strategy. The strategy of regional development involves multiple operators, each of which has their own activities.

The empirical part of this study presents examples of how the strategies for networks have been applied in regional development. One example is the formulation of the regional strategy to promote the development and coherence of the main clusters in Southwest Finland. Another example is the planning of the regional strategy for the HEIs in the Turku Region. The purpose is to promote co-operation between the institutions in order to increase their external impact.

BACKGROUND

Balanced Scorecard in Regional Development

It is popular for HEIs to ask their managers and teachers to aim for higher external regional impact or customer satisfaction. These institutions, however, do not provide their people with the means to meet such ambitious goals. The Balanced Scorecard approach is a powerful tool to stretch targets, because it emphasises cause-and-effect relationships and different perspectives for achieving outstanding performance from the whole organisation rather than concentrating on just improving performance in isolated target measures. The approach is used in this study for regional networks, but it can also be used for virtual organisations, which have no geographical location and are kept together predominantly through telecommunication tools.

The Balanced Scorecard provides a framework for the implementation of the strategy from four different perspectives, which are balanced between the external measures for customers, the measures of finance that result from past efforts, the measures of internal processes, and the learning measures that drive future performance (Kettunen, 2004). These perspectives have been found to be necessary, sufficient and robust across a wide variety of organisations (Kaplan & Norton, 2001, 2004). The circumstances and strategy of an organisation may require one or more additional perspectives.

The customer objectives may need to be rethought for an educational institution that educates young people. Such an institution educates those who are the most talented and best able to secure the future of next generation, retired persons and the local community as a whole. Clearly the true customers for such organisations are the citizens at large who benefit from economic growth and improved standards of welfare.

The senior staff of the Turku University of Applied Sciences (TUAS) discussed whether the four

perspectives were adequate and appropriate for its scorecard. Some suggested adding the customer-related perspective of regional development. It was, however, introduced as an objective in the customer perspective to address the organisation's relationship with the local community. Consequently the customer perspective includes the objective of regional development and the customers' objective including measures for the satisfaction of students and employers.

The strategy and the Balanced Scorecard provide the discipline to describe important strategic themes. The purpose of the TUAS is to take advantage of changes of the environment and achieve a positive external impact. The scorecards contain the desired outcomes and forces driving performance that are required for the outcomes to be achieved. Individual organisational units then define their own strategies and scorecards that define their contributions to the objectives articulated in the regional strategy.

Examining the linkages between the perspectives and objectives leads to the conclusion that an increase in the target measure would result from drivers for the customer perspective. The inclusion of performance drivers and lead indicators enables managers to identify the factors that must be created if the ambitious final targets are to be achieved.

The vertical strategic themes describe the chain of cause-and-effect relationships between the drivers that will lead to the strategic and desired outcomes. The strategy maps by Kaplan & Norton (2001) provide a logical way to communicate the organisation's desired outcomes and how these outcomes can be achieved. The linkages in strategy maps are based on the strategic themes and describe the cause-and-effect relationships for value creation over the planning horizon.

The process begins in a top-down fashion, defining the objectives and measures of the customer perspective. It should describe how the HEI serves its region and its target customers. Then the process continues by asking, "What has to be done regarding the internal processes perspective?" It is connected with the financial perspective, where the question is, "What financial resources have to be allocated to achieve the objectives of the internal perspective?" The final question is, "What skill and knowledge is required and is there any need for the in-house training?"

According to Porter (1996) the essence of strategy is in the activities. It is a choice to perform activities differently or to perform different activities than others

do. The activities are embodied in the value chain, which can be described by the cooperation between different organisational units in the internal processes perspective. The value chain becomes simpler to understand and manage when it is viewed as a sequential process moving from left to right on the diagram.

The horizontal strategic themes that are connected with the value chain describe the causal chain of value creation. The strategy requires an organisational theory about the causal chains. It is a description about the sequential process including research and development, support activities and teaching. In the long term the purpose is that research and development provide results for high quality learning. In the medium term the purpose is to increase customer value by support activities and in the short term to achieve operational excellence in teaching.

THE MAIN FOCUS OF THE ARTICLE

Strategies for Clusters

Clusters are geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions in particular fields that compete but also cooperate (Porter, 1998). The prevalence of clusters rather than isolated industries, companies and institutions reveals important insights into the nature of the role of location and co-operation in competitive advantage. The presence of clusters suggests that much of the success of institutions lies outside a given HEI, residing in its location. The networks, working groups and informal communities of practice have an essential role in the exchange of information and knowledge (Hakkarainen et al., 2004; Kettunen & Kantola, 2006).

The presence of HEIs often enhances the productivity of local firms and vice versa. The mere presence of HEIs does not by itself guarantee prosperity if the firms are unproductive. The firms cannot operate efficiently if the innovation system from basic research to applied research and development, teaching, and business is not aligned. The whole innovation system, which is a cluster-specific value chain, has to be balanced in order to obtain productivity growth, welfare and other results.

Some clusters centre on HEIs, while others draw little on the resources of educational institutions. Clusters

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