Web–Based Business Reporting in Virtual Enterprises

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THE EVOLUTION OF BUSINESS REPORTING

Knowledge-based companies are transforming everything: the way they are organized and managed, the way they do work and develop new products, the way they manage risks, and their relationships with other organizations in order to survive and compete in the rapidly changing business environment. The accomplished companies in this harsh competition are the ones that focus on the customer, get rid of the nonvalue and low-value activities, decentralize the decision making process, reduce the time required to perform key activities, and form new networks and collaborations with suppliers, customers, and competitors (AICPA, 1994).

Among knowledge-based companies, virtual organizations are becoming an increasingly important type of organization since they can respond rapidly to the changes in the market and make resource allocation more efficient and effective among the partners. In this environment, potential partners may be located at different geographical locations and have different core competition capabilities (Feng & Yamashiro, 2006). A virtual enterprise can be defined as a group of independent firms that are connected to each other and constitute a single temporary company (Khalil & Wang, 2002). Constituting virtual organizations is a new working strategy that is also necessary for preparing information, technology, and knowledge workers for an effective working environment in interorganizational teams (Larsen & McInerney, 2002).

Business reporting can be defined as the public reporting of operational and financial data by a business enterprise (Lymer, Debreceny, Gray, & Rahman, 1999). In this context, business reporting is more comprehen-sive than financial statements as it also includes both financial and nonfinancial information with financial statements as one of those elements. Traditionally, financial reporting by firms was print-based, and financial information was also released to media via press releases. The printed annual report has been a unique medium for the disclosing of corporate information to the public formally. Before, business information access was available only through the hard copies of annual reports. Not everyone had access to business information, so they had to either get the information from a library or from an analyst.

The exponential growth in computer and communication technology has led to revolution in the way business is performed and the way in which business information is disseminated. Recently, virtual organizations like many other organizations have been providing financial information by means of the Internet, especially the Word Wide Web (Web), in order to increase users' access to information and let preparers and various stakeholders exchange of information timely and efficiently (Boritz & No, 2005). In most of the countries, almost all large companies have Web sites. These Web sites have been used for business reporting. Web-based business reporting is defined by Lymer et al. (1999) as "the public reporting of operational and financial data by a business enterprise via Web or related Internet-based communications medium" (p. 3).

It is claimed that contemporary business reporting to stakeholders has moved almost entirely from the current primarily print-based mode to using the Web as the primary information dissemination channel, with the print-based mode as a secondary channel (Lymer et al., 1999). Most of the experts believe that Internet-based business reporting is becoming the fundamental norm and companies are placing all their business reports
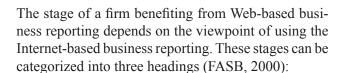
on the Web. Thus, the Internet is becoming the major medium for communications between a company and its stakeholders (Xiao, Jones, & Lymer, 2005). The drivers for such a change are obvious (Lymer et al., 1999): First, Web information dissemination is cheaper than for print; therefore, the Internet adds value to the information publisher. Second, business reporting in general and financial information in particular have high short-term temporal value. Third, while it is true that the value of business reporting information decays quickly over time, the same information can be reused in longitudinal and cross-sectional analyses. Last, the Web allows interactive information dissemination in a fashion that is impossible in print form.

Advantages of Web-Based Business Reporting

Web-based business reporting offers strategically important advantages both to internal and external users. The most important perceived advantages in respect to the disclosure of business information are listed below (Craven & Marston, 1999; FASB, 2000; Sortur, 2006):

- Reduces the cost and time of printing and posting business reports
- Offers instant access to data whenever it is needed
- Provides information symmetry of corporate reports for outside users. Moreover, larger international audiences can access business reports easily
- Improves updating potential to be much more dynamic
- Optimizes the limitations of information dissemination
- Enhances corporate reputation and image
- Increases the amount, type, and time series of data disclosed
- Supplements traditional disclosure applications
- Increases the ability of downloading data
- Improves transparency and accountability to shareholders
- Gives the chances of more accurate risk assessment to the investors
- Provides the presentation formats including hyperlinks, video and audio files, processable file formats, and dynamic graphics
- Increases the timeliness of information

Stages of Web-Based Business Reporting

The stage of a firm benefiting from Web-based business reporting depends on the viewpoint of using the Internet-based business reporting. These stages can be categorized into three headings (FASB, 2000):

- Complement to printed material
- Substitute for printed material
- Innovate with new offerings and tools

In the first stage, corporations use the Internet only as another distribution channel for printed business reports. In this stage, printed business reports are simply transformed into an electronic form of file formats such as PDF or HTML. Second, companies prefer Web-based business reporting in order to substitute electronic business reporting for printed copies. Those companies have become aware of eliminating certain printing and distribution costs and improving access by using electronic distribution as a substitute. Last, Web-based business reporting is seen as a way to innovate for the business reporting package from the point of new information contents and new tools. In this stage, corporations provide not only standard information that could not cost effectively be produced in a print format, so that electronic enhancements are used to present complex information in alternative ways (Beattie & Pratt, 2003; Debreceny, Gray, & Rahman, 2002).

CORPORATE GOVERNANCE IN VIRTUAL BUSINESS ENVIRONMENT

Virtual organizations, as mentioned earlier, consist of a number of autonomous entities, each of which has different capabilities and resources at their disposal in a ubiquitous virtual business world. Virtual enterprises just like the other forms of organizations attempt to attract potential customers by describing the quality of its services effectively and satisfy their stakeholders by disclosing the financial statements timely and accurately (Norman, Preece, Chalmers, Jennings, Luck, Dang, et al., 2004). Therefore, virtual organizations should have a well-designed corporate governance system in order to attain these goals.

Corporate governance can be described in a number of ways despite that most of the governance

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