



Chapter II

An Investigation into the Barriers to Introducing Virtual Enterprise Networks

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Abstract

This chapter reports on a preliminary investigation into the barriers related to the development of a virtual enterprise network in the creative digital industries sector in South Yorkshire, United Kingdom. Based on the concept of a virtual organization, it is argued that the key factors in delivering an integrated virtual value chain are trust and the control of risk. The connection between trust and the control of risk is demonstrated. Trust can be examined along three dimensions: competence, integrity, and benevolence. These dimensions of trust were used by the small and medium-sized enterprises (SMEs) in this study as the criteria for choosing business partners. Risks such as poaching, stealing, transaction-specific, information asymmetries, and loss of resource control were confirmed by the SMEs as the main sources of their resistance to participation in a virtual value chain. It is proposed that managers should pay attention to trust building and the control of risks at all stages of the development of a virtual value chain in order to drive collaboration forward

Introduction

Business Link South Yorkshire (BLSY) is a UK Government-funded organization dedicated to the support of small and medium-sized enterprises (SMEs) in South Yorkshire. The South Yorkshire region is currently undergoing a significant economic reconstruction after the decline of the traditional coal and steel industries during the 1980s. Prior to the 1980s, the coal and steel industries were the main employers in the region, and they were typically nationalized and large in size. This distinctive historical background is reflected not only in the fewer number of SMEs in South Yorkshire than in the rest of the Yorkshire and Humberside economic region but also in its significantly lower gross domestic product (GDP) than the rest of the UK. Hence, South Yorkshire's economic redevelopment and reconstruction concentrates on fostering enterprise among SMEs.

Within the scope of this regional redevelopment project, supply chain development was identified as a key to improving the competitive profiles of SMEs in South Yorkshire. BLSY was aware of the concept of the Virtual Enterprise Network (VEN), developed by the regional development agency, Yorkshire Forward. The aim of the VEN is to introduce new levels of collaboration among businesses beyond the traditional "back-to-back" supply chain contracting process and to encourage SMEs to join a VEN to tender for a large project and deliver it jointly.

This chapter presents a preliminary study to identify the challenges of implementing the concept of the virtual value chain in the creative and digital industry in South Yorkshire and to draw some lessons for further development of virtual supply chain management.

The organization of the chapter is as follows. The next section outlines the theoretical assumptions of the concept of the VEN and introduces the components of the model of the VEN developed by Yorkshire Forward. Then, the research design of this work is described, followed by the data analysis. The discussion section synthesizes and presents the findings. A concluding section outlines the implications of the research for future research and practices.

Background

This section presents the framework of VEN developed by Yorkshire Forward that is used by Business Link South Yorkshire to promote collaborative supply chain management among local SMEs. The section briefly reviews the concept

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