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Chapter II

Which Way Is Forward? Direction and Control in Virtual Space

Malcolm Warner
University of Cambridge, UK

Morgen Witzel
London Business School, UK

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The virtual organization offers many advantages, and can be a powerful strategic option for firms attempting to extend the scope and reach of their operations. However, it is by no means an easy option. Physical dispersal of the organization brings with it many associated problems of management and control. In this chapter, we look at some of these management issues and some of the options for managing more effectively in virtual space. In particular, we argue that management in virtual organizations still requires attention to the fundamentals of management. "Going virtual" should be seen as a strategic option which requires firms to achieve the optimal mix of physical and virtual elements and systems. In particular, we argue that a mastery of the skills of knowledge management is necessary in order to manage virtual systems and structures. Firms which fail to develop these skills run significant risks when taking the virtual option.

INTRODUCTION

Throughout the past decade, the concepts of virtual organization and knowledge management have both been the subject of a growing literature. Our work over the past few years (Warner and Witzel, 1998, 1999, 2000) has concentrated on

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showing how these two concepts are to a great extent interlocked, both in terms of theory and practice. Knowledge management takes place in virtual space, we argue, whether that space be created by computer technology or the human mind. Likewise, the virtual organization–and this is particularly true of virtual Web organizations–cannot exist without knowledge. Information technology provides the means by which such organizations are created, but knowledge flows are the process whereby they exist and function.

The virtual organization offers many advantages and can be a powerful strategic option for firms attempting to extend the scope and reach of their operations. However, it is by no means an easy option. Physical dispersal of the organization brings with it many associated problems of management and control. In this chapter, we look at some of these management issues and some of the options for managing more effectively in virtual space, taking our arguments one stage further. In particular, we argue that management in virtual organizations still requires attention to the fundamentals of management. We draw on the elements of management first identified by Henri Fayol (1984) and show how these, with some amendment, remain relevant and important in virtual organizations.

Although this chapter treats the problems of virtual organizations generally, it should be assumed that its comments are even more relevant to virtual Web organizations. In virtual Webs, the problems we discuss–fuzzy boundaries, the need for direction and planning, the difficulties of auditing–are even more crucial. Similarly, the need for knowledge management skills and systems, functioning and well-planned networks of relationships and the need for clear definitions of roles and responsibilities are even more important for success.

We begin by looking at how virtual organizations are situated in time and space and briefly rehearse the relationship between virtual organizations and knowledge management. We show how virtual organization is not an all-embracing concept and how choosing to "go virtual" actually involves developing a strategic mix of virtual and non-virtual components. We then look at how moving into virtual space poses challenges to the way in which the firm is managed and identify the key challenges and responses, using Fayol's scheme and suggesting how it might be modified.

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THE ORGANIZATION IN TIME AND SPACE

Most theorizing about the history of "organizational behavior" has implied that organizations exist in time and space (see Warner, 1994); that is, they are subject to the laws of physics and have a concrete existence that evolves over time. However, these organizational dimensions are being transformed by the information revolution, itself driven by advances in communications and information technology. "Time," for example, has become compressed; many activities such as information exchange which formerly took days or weeks now take seconds, and many others such as transportation and distribution are now much faster as well.

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