



TenStep Supplemental Paper

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Virtual Organization -The New Buzzword

Are you always intrigued by new trends in organizational structures? Ever wondered what suited your organization the best: tall or flat, centralized or decentralized, specialized or generalized or the latest VIRTUAL ORGANIZATIONS?

People tend to very liberally use terminologies like centralized, decentralized, flat and tall structures when discussing organizations. What do we mean by this? Centralization and decentralization are of three types.

1. Geographical concentration or dispersion of operations
2. Functional concentration or dispersion of tasks
3. Retention or delegation of decision-making prerogative

Tall structures are often viewed negatively by today's modern organizations. They have more hierarchical levels, the span of control is limited, delegation of authority is less and too much emphasis is placed on the line and staff concept. In such structures, communication is a time-consuming process because of the hierarchy. Coordination at times is impaired and dispersion of communication is greater. With the advent of information technology, organizational structures have become more flat. Some of the other types of organizational structures are Project design, Matrix design and Network design.

The Network design is the predecessor to the **Virtual design**. The term itself represents the new information age. Today, partnering and outsourcing arrangements are found in many global companies. It is more like the concept of virtual memory in computers or the concept of hybridization in genetics. A virtual organization is a temporary network of companies that come together to exploit the fast changing opportunities. Unlike mergers and acquisitions, there is a sharing of cost, skill and access. Each partner contributes to the partnership in his core competency area. They are network organizations with spice, like Ford-Harley-Davidson-ABB Airtel.

Briefly summarized are the key attributes of Virtual organizations:

1. **Technology.** An information network enables far-flung companies to link up, based on electronic contracts, to fulfill the needs of technology companies. Infosys and Satyam are technological contactors for many multinationals.
2. **Opportunism.** Partnerships are less permanent, less formal and more opportunistic. Companies bond together for a particular market opportunity, and more often than not fall apart once the need evaporates.
3. **No borders.** It redefines traditional boundaries. The amount of cooperation seen between the companies makes it difficult to determine where one company ends and the other begins.
4. **Trust.** The fates of the companies are interdependent.



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5. **Excellence.** Since each of them brings their core competencies, there is a constant effort to create the best of everything.

All your internal alliances with management consultants, chartered accounting firms, law firms and your external alliances with suppliers, advertising agencies or InfoTech solution providers come under this category. The principal customer also becomes a part of this virtual organization.