

Coping with Risks in Virtual Corporations

Mag. Art./MA Maja Laumann

Chair of Business Management,

esp. Human Resource Management

Department of Business Management and Economics

Dresden University of Technology

Germany

Multi-disciplinary project **@virtu**

Virtual corporations and their potentials

Definiton:

- inter-firm co-operation in order to render a service or to realise a project
- temporary duration
- legal independence of participating firms
- often requiring co-operation of employees

Potential gains:

- combining and complementing competencies and capacities helps:
- saving resources and investments
 - gaining know-how
 - increasing reputation of company
 - ensuring business relations
 - winning new customers
 - getting entry into new markets

Behaviour of employees as risk

- holding back of performance, outcomes, information or knowledge
- distorting information important to members of partner firms or to the supervisor
- insufficient or inappropriate representation of firm interests and objectives
- inappropriately passing on firm-specific know-how or knowledge
- movement of labour

Research objectives

- so far literature without empirically grounded recommendations for managers on how to cope with such risks
- publications offering:
 - conceptual approaches such as self-leadership of teams or
 - approaches considering virtuality as an intra-organisational concept, e.g. virtual teams
- not considering superiors in participating firms and their leadership role



tips from successful virtual corporations in practice on how to cope with risks relating to employee behaviour



empirically grounded recommendations for effective management of employees in co-operating firms

Analysis of coping strategies of superiors in participating firms

Strategies

Conditions

Focus on behaviour:

- low task interdependency
- sufficient opportunities to monitor behaviour

Outcome orientation:

- low task interdependency
- suitability of employee competencies
- sufficient opportunities to monitor outcomes

Transfer to project leader:

- high task interdependency
- insufficient suitability of employee competencies
- insufficient monitoring opportunities
- high competencies of project leader

Methods and sample

Study:

- December 2004 - April 2005
- qualitative interviews (60-120 minutes) and
- standardised questionnaires (referring to the last finished inter-firm project)

Interview partners:

- 26 superiors of participating firms in different regions in Germany and of different sectors

Project tasks:

| | <i>frequency</i> |
|--|------------------|
| - craft and construction | 11 |
| - research and development of technologies | 10 |
| - research and development of concepts | 1 |
| - production | 2 |
| - production-services | 1 |
| - IT-services | 1 |
| - total | 26 |

Conditions in virtual corporations

Task inter- dependency:

| | <i>frequency</i> |
|---------------------------|------------------|
| - no dependence | 4 |
| - one-sided dependence | 4 |
| - double-sided dependence | 18 |
| - total | 26 |

Suitability of employees:

| | <i>frequency</i> |
|---------|------------------|
| - yes | 16 |
| - no | 10 |
| - total | 26 |

Monitoring opportunities for superiors:

| | <i>frequency</i> |
|----------|------------------|
| - low | 5 |
| - medium | 7 |
| - high | 14 |
| - total | 26 |

Coping strategies in practice

Transfer to project leader:

| | <i>frequency</i> |
|------------|------------------|
| - none | 8 |
| - partly | 16 |
| - entirely | 2 |
| - total | 26 |

Focus on behaviour:

- *instructions* relating to behaviour of employees involved in all 24 cases where superiors (partly) were in charge of employees
- monitoring employee behaviour in 15 cases

Outcome orientation:

- monitoring outcomes in 14 cases, whereas in 7 cases where also behaviour was monitored

Combined strategies:

| <i>monitoring of</i> | <i>frequency</i> |
|----------------------|------------------|
| - behaviour | 8 |
| - outcomes | 7 |
| - both | 7 |
| - missings | 2 |
| - total | 24 |

| <i>monitoring of</i> | <i>transfer to project leader</i> | | |
|----------------------|-----------------------------------|--------|-------|
| | none | partly | total |
| - behaviour | 3 | 5 | 8 |
| - outcomes | 2 | 5 | 7 |
| - both | 3 | 4 | 7 |
| - missings | 0 | 2 | 2 |
| - total | 8 | 16 | 24 |

Conditions and transfer of leadership tasks

Transfer to project leader ...

Task inter-dependency:

- in most cases with high task interdependency (11)
- also in cases with medium or low task interdependency (5)

Suitability of employees:

- in 5 out of 10 cases with insufficient suitability of employee competencies
- also in most cases with given suitability of employees (13)

Monitoring opportunities for superiors:

- in all 5 cases with insufficient monitoring opportunities
- also in majority of cases with high monitoring opportunities (10)

Competencies of project leader:

- in 15 cases where project leader was known before start
- in 4 cases where deficits concerning project management skills were noticed
- in 1 case where leadership competencies were insufficient

Conditions and monitoring strategies of superiors

Task inter-dependency:

- no preferred monitoring strategy to observe with respect to the degree of task interdependency
- only slight tendency to monitor behaviour in cases with high interdependency

Suitability of employees:

- no preferred monitoring strategy to observe neither in cases with perceived suitability nor in cases with perceived insufficient suitability

Monitoring opportunities for superiors:

- monitoring employee behaviour as preferred strategy in cases with high monitoring opportunities
- outcome oriented monitoring as preferred strategy in cases with either medium or low monitoring opportunities

Main conclusions

- ➔ behaviour oriented control of employees in virtual corporations
 - is partly possible
 - preferred strategy particularly when
 - high monitoring opportunities

- ➔ outcome oriented control of employees in virtual corporations
 - is partly possible
 - preferred strategy particularly when
 - monitoring opportunities are rather small

- ➔ hardly any relations exist between either behaviour or outcome oriented control and:
 - suitability of employees' technical competencies
 - degree of task interdependence
 - transfer of management tasks to project leader at the same time

- ➔ (partly) transferring tasks to project leader
 - not necessarily bound to absence of conditions for behaviour and/or outcome oriented control
 - frequently preferred when superiors also remain in charge of employees
 - however, preferred strategy when
 - high task interdependency
 - insufficient monitoring opportunities

Thank you for your attention!