

**Analyse the potential benefits that can be achieved as well as the limitations and challenges of  
a virtual organisation structure?**

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## **Introduction**

A virtual organisation is an organisation that involves disseminated and detached entities and requires information technology for supporting the work and communication. This is not an attribute of the firms, rather it is one of the form of the organisations. The virtual organisational structure relies highly on the information technology (Griffin and Moorhead, 2011). However, it is important to mention that up till now its precise definition is not agreed upon by the researchers. This structure implies the innovative and novel relationships among individuals and organisations. The term virtual is defined as something which is not physically present and it relies on some software for its existence. This virtual structure is also defined as the ‘unreal but looking real’ structure. It outlines the contemporary organisation where there is a conventional cooperation which does not exist physically and this entirely represents the digital process of independent web associates. Such structure has the limited physical resource and value is added through knowledge instead of equipment. As time is passing, the virtual structure is becoming common and many contemporary organisations has adopted this structure (Bellini et al., 2016). This structure has many advantages and benefits, therefore, many organisations are adopting it. This essay reviews the potential benefits of virtual structure. Furthermore, it is important to highlight that there are many limitations and challenges of this structure which often demotivates the organisations to adopt it. This essay also sheds light on the limitations and challenges of the virtual structure.

## **Main Body**

A virtual organisation is considered to be a business concern that is present inside a space where no legal as well as physical structures’ compulsion exist (Child, 2015). The main three features of virtual organisations include reporting associations and extent of control, grouping of personnel into divisions and divisions into the business concerns, and efficient communication along with direction and incorporation. In virtual organisations, work can be performed and can be conducted anytime and anywhere (Lin, 2011).

According to Bowditch, Buono and Stewart (2007), virtual workplaces and teleworking as well as telecommunication are almost one thing. In all of these, workers work from another site external to the outdated workplace. Virtual workplaces and teleworking have become vastly common for some managers, and happened with apprehension by other people. The idea is a comparatively novel one, which makes it problematic to make absolute strategies that set clear limits for working

external to the outdated office setting. Just like other work settings, there are benefits and drawbacks to virtual workplaces and teleworking.

As mentioned by Griffin and Moorhead (2011), there are numerous benefits of virtual business. Virtual structure is time saving, with no transportation expenditures and removes lack of contact to specialists. Ashkenas et al., (2015) told that the members can be managed whether or not they are in practical contact with one another. Help from external specialists can be taken without experiencing expenditures for transportation, classification and interruption. Workers can main work life balance. According to Hoch and Kozlowski (2014), with the help of virtual teams, companies can increase their probable labour markets allowing them to recruit and keep the best persons irrespective of their physical positions. As said by Bellini, Pereira and Becker (2016), the main benefit of virtual team appreciated by an association is the related with cost reduction. According to Daim et al., (2012), the main benefit of virtual structure is that the business can rescue enormous expenditures infrastructure, office places, utilities bills such as gas, electricity, water. Several companies contract out their processes to the low-cost areas. Therefore, manufacturing cost also declines with the decreased raw material expense, operational expenses as well as lesser salaries of the staffs in these physical sites.

As said by Starbird and Palen(2013), virtual business structure permits companies to look for aptitude beyond their country. This takes together the specialists and authorities from around the world to work together on the plan. The improved information sharing and better modernisation occurs as company's human capital share their knowledge of international and native marketplaces. Bartel, Wrzesniewski and Wiesenfeld (2012) stated that workers in a virtual team have a tendency to have improved attention on the current task. Flatter structure is focused by virtual teams. The workers do not need to deal with pointless administration which reduces the decision making process. This improves the output which indicates huge revenues.

Cummings and Worley (2014) highlighted that the team members of virtual team live in different countries where the time zone is always different. That is why, the members are available 24/7. For example, when one person sleeps then the other member living in another country can work. This reduces the product development time and the response time become rapid. Nalbandian et al., (2013) mentioned that virtual teams have formed innovative opportunities for persons who stay at home and tentative to move due to either house hold obligation or physical problem. In the modern

world of virtual teams, any person can work from home and no physical presence is needed. Any work that can be performed with the help of communication technology can be done by the members of virtual teams. Thus, virtual organisations provide benefits to the persons to work from home.

Moreover, Child (2015) stated that virtual organisations provide advantage to the environment for the reason that less persons are moving in wagons, cars and other vehicles which drops the amount of vehicle releases and reduces fuel consumption. It was broadcasted by CNET in 2007 that in Texas there are large number of advantages associated with teleworking with statistics relating to mobbing and traffic. Travelers face noteworthy rises in traffic crowding in all 437 urban areas in the US. By totalling all the relevant costs, the Texas Transportation Institute in early 2000 determined that congestion cost \$78 billion yearly, including 4.2 billion lost hours. Furthermore, 2.9 billion gallons of fuel was wasted due to congestion. A bigger share of the day can be dedicated to job responsibilities, plans and other professional tasks since traveling time is removed. In some compactly occupied zones, travellers devote up to 10 hours per week in travelling towards office. Teleworkers could set to consume the saved time by devoting more of their time to office task, or to attaining a work life balance by giving time to family as well as friends. Workers from the newer age group of, Generation X and Generation Y, specially consider virtual job as a marvellous one. Virtual workplaces and teleworking provide flexibility, and the ease of being capable to work self-sufficiently without complaining to job compulsions, including uniforms well as outdated work times. Teleworking is attractive to some employees for the reason that it stops the frequently needless and unwanted disruptions by colleagues and supervisors that can obstruct output and concentration. The study carried out by Texas Transportation Institute in 1995 indicated that there are various advantages of telecommuting. These include improved worker output, increased confidence and promise, reductions in sick leave, workers' retention and staffing of personnel.

According to Cummings and Worley (2015), the importance of virtual teams is increasing day by day because it gives certain benefits to the companies as well as to the workers. Virtual teams are considered to be highly affordable. With virtual teams, businesses give money only for the extent of work they need. Moreover, companies bear much lesser expenses than they would for expert consulting businesses and companies that have huge set-ups and charge high fees. There are no overhead expenses for the related facilities including computers, working area and communication technologies. Flexible support is provided to the workers. According to Robbins and Barnwell (2006),

corporations recognise the necessities/ needs and virtual teams fulfil the requirement. Corporations can decide the duration of the service as per their requirements. Virtual organisations provide access to numerous disciplines in various physical areas. If a company run the virtual teams then low overhead costs are incurred. No cost is incurred on hiring the workplace, purchasing equipment as well as bills. Companies can operate virtual teams by opening a single head office, by employing few workers. The virtual team members are the satisfied ones for the reason that employees have to work for flexible hours and at ease. Another benefit of virtual team is that talented workforce is hired and they easily work by sitting in the TV lounge. Due to ease and comfort to work, more employees are hired by virtual teams. Another benefit of virtual team is that it provides higher scalability. In physical offices, when more people are hired by the company then larger office space is required. Due to big office area, the administrative cost of business also increases. But in case of a virtual team, owner can scale up his/her business without getting worried about the area or space needed to set up workplace (Wickham and Wilcock, 2012).

There are different advantages linked with virtual organisational structure. But, certain issues and problems are also faced by virtual teams and companies. Cummings and Worley (2014) mentioned that there is no physical contact between virtual members and boss. Moreover, no verbal and non-verbal cues along with face-to-face communication happens in case of virtual organisation structures. In addition, non-verbal cues including voice, eye contact as well as facial appearance, and gestures are not present in virtual organisation structures. Likewise, Pitta and Franzak (2013) mentioned that in case of virtual organisation structures, the team members never meet each other as they are working from different corners of world. The worker can be allocated to several, simultaneous teams.

According to Daim et al., (2012), in virtual organisation structures, the communication between team members happens via online platforms and mediums only. The virtual teams and structures can be formed and handled with the help of effective technology as well as software. These technologies include e-mailing, skypeing, video chatting and many others. Such technologies are costly and incur expenses. Expenditure incurs on buying equipment like computers and installation as well as management of tools. In virtual organisation structures, people from different corners work like a team. As told by Janssen Charalabidis and Zuiderwijk (2012), there are huge cultural differences between the workers of virtual teams. This give birth to conflicts and issues. For instance, whereas an American would write a direct email telling a worse state, this would be supposed as rude

by a South Asian (say Chinese) fellow in the virtual team. In result, a conflict will rise leading towards distrust and problems in productive teamwork (Crisp and Jarvenpaa, 2013). As said by Galliers and Leidner (2014), this can negatively impact the success of virtual team operations. In virtual organisation structures, **various** associates are badly influenced by the absence of physical connections. Majority of the communications in virtual setting is task-centred. In current society where work is a significant social power for most of personnel for the reason that many of office co-workers also becomes close friends. But in case of virtual organisation structures, an issue of social isolation is observed. It can lead towards low efficiency and output of the virtual organisation.

In an interview with American Society of Association Executives in 2008, Deb Keary, human resources director for the Society for Human Resource Management, quoted two probable difficulties with teleworking. First is, teleworker isn't right for working externally to the workplace, and the work is badly influenced. Secondly, when the supervisor is not suitable for work then he/she will not be able to work for a business. This highlights another limitation of the virtual structure. It was also stated by her that every supervisor cannot manage teleworkers. Moreover, there are some jobs that clearly are inappropriate for telecom settings, including labourers and clinicians. Though, posts that need negligible personal communication may be very well suitable to teleworking from virtual workplaces. Virtual organisation structures need self-control, inspiration and a marvellous amount of attention. Persons who do their best effort self-reliantly are often the gladdest with teleworking than labours who want to have consistent interaction with other members. The supervisors who oversee teleworkers tolerate a big accountability. Handling staff at all can be very inspiring, and it is eventually the supervisor's accountability for identifying which of their staff prove the essential capabilities and characters for accomplishing effectively in a distant site (Daft, Murphy and Willmott, 2010).

According to Robbins and Barnwell (2006), it is highly useful to understand the disadvantages that are related with virtual organisation structures for becoming more effective and well-organised, chiefly by evading various faults that can lead to catastrophe. One of the major challenges include difficulty in communication. When the workers do not work in same physical site in virtual organisation structures then certain challenges can be faced. Wickham and Wickham (2008) stated that different technologies including video conferencing, international phone calls as well as project administration software are used to reduce the communication challenges in virtual organisation

structures. When the leadership in virtual organisation structures is poor then it can lead towards employees' dissatisfaction as well as demotivation. In case of virtual organisation structures, unskilled team members can be hired that lead towards poor productivity of team. [Employing the right team members](#) in virtual organisation structures is necessary for success.

Before forming a virtual team or focusing on virtual organisation structures, it is important to understand certain pitfalls. When the manager permits a virtual team to typically select their own working hours then the virtual organisation can be more disjointed. For instance, if an emergency happens, like a main equipment let down or severe IT matters, then calling a meeting for whole business deal with these disasters. The issues in certain software and technologies can negatively impact the working of team members in virtual organisation structures. Social contact does benefit inspire more efficient collaboration (Kiesler, 2014). In case of virtual organisation structures, though, there isn't abundant of a prospect for staff members to gather for unprepared discussions that can frequently improve relationship. When the customers come to know that business has a virtual structure then they may not consider the business real. In virtual organisation structures, various safety and compliance problems are observed. In some sectors, it is tremendously dangerous to have private information stored safely. For instance, the unintended damage or announcement of statistics in specific businesses, such as financial services and healthcare, can lead towards severe consequences (Lin, 2011). Bowditch, Buono and Stewart (2007) mentioned that virtual organisations can be very complicated as well as difficult. These companies can often fail or become unsuccessful. Amongst the various issues of the virtual organisation are tactical planning problems, border distorting, a loss of regulator, and requirement for new supervisory capabilities. Tactical planning imposes new challenges as virtual companies identify efficient combinations of fundamental capabilities. Shared vision between associates is typical to collaborating companies. Emphasised on a shared objective, companies create close interdependencies that may make it problematic to identify where one business ends and other starts.

Friedrich (2014) stated that in case of virtual organisation structures, managers become unable to handle different operations/activities and manager can lose control. In order to handle the issue of loss of control, virtual organisations need to focus on effective communication, management, and faith among the numerous associates, as well as a new set of administrative capabilities. Workers are required to remove [uncertainty](#) about company's membership, work tasks and accountabilities,



profession paths, and relations between manager and subordinate. This uncertainty needs supervision to reconsider rewards, welfares, worker growth, recruitment and other workers' associated matters. As per Bellini et al., (2013), there are certain best practices which should be focused by virtual organisation to become successful. These include improved collaboration, faith and authorisation. Moreover, it must be make sure that every partner contributes a recognisable asset or advantage. The required skills and abilities for virtual organisation structures should be present. It must be ensured that partners are flexible and able to perform certain roles as well as tasks. Face-to-face communication should be focused and team members should be given training. It should be ensured by virtual managers that used technology is suitable and effective (Barnes and Hunt, 2013).

## **Conclusion**

In this essay, the virtual organisational structure is critically analysed. as per the literal definition, a virtual organisation is considered to be a business concern that is present inside a space where no legal as well as physical structures' compulsion exist. In the contemporary world, the role of virtual organisations has become more dominant. More and more organisations are opting for this structure. This inclination of organisation towards this structure is due to the advantages which are attached with the virtual organisation structure. It is concluded that its main benefits are that it enables the organisations to obtain the resources and talent on the worldwide basis. Moreover, it provides better opportunities for enhancing the productivity and profitability as the scale and reach of the organisation could be increased. This is a quite flexible structure which allows organisations to become responsive to the organisational needs in an effective manner. Moreover, the biggest advantage of virtual organisational structure is that it provides the opportunity to reduce the administrative overhead costs. However, after studying the virtual organisations in a greater detail, it is found that there are many limitations and challenges which are attached with the virtual organisational structure. For example, managers lose the direct control over their employees and their activities. The process of managing relationships and conflicts become more complex. Moreover, the employee loyalty is an issue which becomes difficult to be developed. Hence, it is concluded that indeed many organisations are moving towards the adoption of this organisational structure. They should not ignore the potential limitations and challenges while adopting this structure.

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