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**Permanent virtual corporation. Advantages,
potential drawbacks and organisational
requirements**

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”In the converging information, communication and entertainment sector, which types of organisations and business ventures are suitable to form virtual corporations and why ?”

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SUMMARY

In a virtual organisation, connected by information technology, independent firms join their complementary core competencies to achieve a common goal. If those firms incorporate into a legal entity the virtual organisation, which is a temporary concept, transforms into a permanent virtual corporation. Advantages, potential drawbacks and organisational requirements of the virtual corporation are illustrated in the first part of this study.

However, the virtual corporation is not just another chapter in the book of organisational theory, but a strategic tool for companies to succeed in a particular market. The industry which this study examines is the information, communication and entertainment sector. The sector is converging and industry structures change accordingly. Therefore companies operating in it need to cope with the effects of a rapidly changing market environment. As the virtual corporation promises to make firms more flexible, it may hence provide a viable solution for those firms.

To assess if this assumption is true, this study proposes that a firm must look at its industry environment, its strategic objectives and its organisational capabilities. Only if there is a corresponding fit between those three factors, a firm is suited to become part of a virtual partnership.

A number of interviews attempt to validate the above framework. The result: even though a final proof would have to be delivered through a more extensive survey or questionnaires, the outcome of the interviews in principle corresponds to the theoretical findings. These findings were, that the virtual corporation will be a useful tool for a firm, which operates in a market with a moderate level of risk and stable industry standards. The firm adapts to the market and wants to seize business opportunities by placing selective bets to defend or extend its current competitive position. Moreover, the company has the general organisational capabilities needed for a virtual working environment and a specific core competence that adds value to the joint venture.

As these requirements, especially the moderate level of market risk, do not necessarily apply to the majority of firms from the information, communication and entertainment sector, one must conclude that the virtual corporation will not be a panacea. The model, however, can be useful for service providers or for firms, which operate in a relatively protected, well defined niche market of the sector.

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