

Managing Distress due to Dispersion and Diversity in Organizations

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Abstract

Two significant phenomena are having an impact on almost all organizations across the world. The first is the geographic spread of the business foot-print (either on account of globalization or deeper penetration into local markets) and the second is virtualization or the performance of business activities through the virtual medium either on account of the dispersion of organizational activities or on account of the push towards online business models. The demands on managers in these new age organizations are multifarious and call for an order of magnitude increase in the level of dexterity to anticipate issues and optimize performance. Strangely the tools used have not changed very much and organizations are managing more by intuition and individual expertise rather than by re-calibrated methodologies and proven frameworks that have a higher probability of reducing risk and ensuring success in a highly dynamic environment. The article provides a glimpse of a few conceptual frameworks that have been evolved after extensive research across many organizations. These can be customized and deployed in the context of any business regardless of its size or domain. The article highlights the fact that there is too much at stake for organizations to attempt to survive in this new milieu merely through trial and error. Success needs to be anchored on tools and techniques that are reliable, just as potential failure needs to be flagged through structured, early warning mechanisms.

Introduction

Not too long ago an organization (let us call it the ‘Good Old Organization’ or GOO) meant one big homogeneous work group, with usually a father figure as the head of the organization, clear hierarchies, work culture and practices as determined by the leadership, a preponderance of a certain geography in which the company would operate, a single dominant language of communication among most employees, and customers that you could actually see and talk to. Not anymore. Today organizational dispersion has become a norm. What is more, an organization is no longer one single organization. Often it is a clutch of organizations working together to deliver a solution through a combination of products and services. Cost and quality being the primary determinants of survival, organizations have necessarily got to resort to geo-sourcing. They collaborate with supply chain partners, based entirely on business interests, regardless of their geographic origin. Since all these dispersed physical entities have to work together to deliver business results, they necessarily have to be virtually linked. And thus the Virtual Organization (VO) is now a reality.

It is not physical dispersion of the value chain alone that has led to the virtualization of the Good Old Organization. The primary mantra for organizations has been growth. While charting the course for such growth, organizations have not restricted themselves to “known territories”. They have relentlessly pursued market opportunities with an explorer’s zeal, regardless of the geographies they are in. The pursuit of global opportunities and the need to scale up rapidly through new collaborators and partners has seen an exponential increase in the geographic spread as well as the levels of heterogeneity within organizations. Organizations are also constantly looking to forge alliances with other businesses based on their geographic presence and knowledge of local markets, besides increasing their own foot-print in new markets, leading to both organic and inorganic growth. In this massive outreach to the customer, they have reached out both physically and virtually. The virtual outreach has most often out-paced its physical counter-part. Businesses are fiercely competing with each other to increase their online presence in pursuit of additional market share. Therefore the virtualization of markets is also driving geographic dispersion! This has resulted in organizations becoming a lot more heterogeneous as compared to the largely homogeneous structures that were predominantly the characteristic of the GOO.

In a number of ways, a Virtual Organization (VO) is **The Great Equalizer**. Technology has enabled even small start-ups in developing nations to have the reach and resources that are comparable to large conglomerates. Success in such an environment is no longer predicated on the quantum of resources and infrastructure alone, but by the manner in which these new possibilities in a physically dispersed but virtually interlinked world are being intelligently leveraged. On the other hand, the phenomenal power and potential of the VO has made brick and mortar giants quickly chart out their virtualization strategies for rapid growth. A recent example is that of Walmart that ceded its business in UK to acquire a virtual pure-play like Flipkart in India, with the objective of quickly capturing market share in developing markets.

With dispersion comes diversity. Most organizations today have suddenly grown into a potpourri of multiple cultures, capabilities and practices. They are spread across multiple geographies with people speaking different languages and having different management styles. With decentralized structures, hierarchies have blurred. The customer cannot necessarily be “seen” but can be “heard” loudly and rapidly through the virtual medium and social networking sites. The

pace of business has moved from being a comfortable trot to being a relentless gallop. The GOO has rapidly metamorphosed into the brave new VO. But have management techniques kept pace? Has the management in these new age organizations seamlessly shifted gears to cater to the demands of the new model or are they struggling to cope by trial and error?

Extensive interactions with a cross-section of organizations have revealed that they appear to be grappling with similar questions. Is there some way CEOs and CFOs can scientifically predict if a foray into a new geography is going to be viable? If their organizations have already grown both organically and inorganically, are their tools available by which they can detect vulnerabilities? Do the levels of heterogeneity become counter-productive when they cross some threshold? How then would organizations balance this against the need to grow? Are there ways to measure and manage these differences? Are there ways by which CFO's can predict if things are going wrong much before the top-line or bottom-line patterns start emerging? Can such problems be diagnosed and fixed pro-actively? Do traditional brick and mortar organizations blindly jump into the online bandwagon? How much of virtuality is good for them? How do they decide what goes virtual and what stays physical?

Organizations seem to be managing businesses largely using traditional management techniques, perhaps with some tweaking here and there. Given the need to grow, distances and diversity are being managed by intuition rather than by structured models and methodologies. However this is often inadequate. For, in the VO, one has to manage not just the people to people interface but also the virtual interfaces with the associated imponderables as well. Success stories abound, as do unmitigated disasters! In recent years some in-depth research has resulted in the development of a gamut of frameworks and tools¹ to help managers find scientific answers to the questions voiced earlier. A brief description of a few (of the many) conceptual building blocks are shared below. These lay the foundation for organizations to create templates in the context of their specific organizations and develop virtualization strategies where risks could be assessed objectively and managed in a manner that increases the probability of success.

Understanding and Measuring Distances

In making that leap from the GOO to the VO, organizations find that they have to learn how to manage distances – not merely physical distance but virtual distances as well. Sustainability of competitive advantage in such dispersed organizational arrangements is going to depend not on cost considerations alone but on an organization's ability to operate seamlessly across multiple organizational boundaries. However, often, organizations focus almost entirely on bridging geographic distance, little realizing that geographic dispersion and the agglomeration of different entities having to work together gives rise to a whole host of other distances. The first step is to understand what kind of distances could potentially arise within an organization or between an organization and its partners. Conversations with business leaders revealed some of the distances that they have been dealing with in their organizations. These can be referred to loosely as Virtual Distances. Some of these are capability distance, cultural distance, organizational distance, trust, temporal distance, social distance and environmental distance. Several factors can contribute to each of these distances. Structured instruments are available for actually measuring each of these distances within and across organizational boundaries.

Understanding the VIPs!

It is one thing to talk about distances. One could argue, that it is quite another to figure out when, where and how these virtual distances are to be measured. In any physical distance, the location for measurement is quite clear. However, is it possible to identify appropriate location(s) while assessing virtual distances? After all, no organization is a monolithic homogeneous entity. As a first step it requires structural stability and tenacity while still affording the flexibility that a VO by its very definition is intended to facilitate.

The structure embodies the physical entities that combine to form the Virtual Organization. A VO entails inter-linkages across business locations that could be dispersed. The Primary Organizational Unit will be the organization that represents the core of the business activities. This will have virtual extensions into other units which might represent non-co-located facilities of the same organization or its suppliers or retailers or distributors or other value chain partners or geo-sourcing entities or customers or alliance partners or any combination of these depending on the manifestation of the virtual organization.

¹ *These are available in the author's book 'Managing the reality of virtual organizations' published by Springer*

The V.I.Ps (Virtual Interconnect Points), are quite literally and metaphorically very important, for they are integral to understanding and managing V.Os. The concept and its importance are explained below.

- Virtual Interconnect Points (or VIPs), are the points of interconnection between two or more dispersed physical entities of the virtual organization. These form the gateways between what could often be two very different or disparate organizations or organizational entities. These reflect points of high sensitivity to relative differences between the two sides.
- Identifying VIPs within an organization is relatively easy. If a business activity has moved from a physical interaction to a virtual interaction, or alternatively has been configured as a virtual one right from the outset, there is a strong likelihood of on-going interaction or exchange between two physical entities at either end of this virtual connection. Unlike in GOOs where the members are collocated and have a higher probability of having adequate working knowledge of each other, the extent of mutual knowledge may not be as high in virtual connections. Identifying these VIPs becomes the first step to managing this ambiguity and preventing potential problems.
- Across the VIP there are likely to be multiple types of virtual distances. As discussed earlier, these distances could be on account of various factors. For eg. A perceptible difference in knowledge and skill levels might lead to capability distance, a difference in management styles or business processes could lead to high levels of organizational distance across the VIP and so on.
- While there is likely to be homogeneity of factor characteristics within each side of the VIP, there is always a strong likelihood of heterogeneity *across* the VIP.
- Each VIP is likely to be characterized by a different set of distance factors that get manifested in each case.
- The success of the seamless working of the VO would lie in:
 1. Identification of all the possible VIPs of the V.O. These need to be prioritized based on:
 - a. Interconnections that are expected to have a very high virtual distance (on account of any one or more factors) across the VIP.
 - b. Criticality of the business function
 2. Identification of all the relevant distance factors across the prioritized VIPs
 3. Effective mechanisms to deal with the distance factors for seamless integration across the VIP.s

While the concept outlined above can be used as a generic framework for all types of virtual organizations, the VO strategy will need to be customized specifically in the context of each organization. Organizations will be able to garner better competitive advantage through better synchronization strategies across their VIPs.

Assessing the Robustness of the VO - The SoI

As the saying goes, a chain is as strong as its weakest link. It would appear that in the context of Virtual Organizations, the strength of the virtual linkages determine the sustainability and the longevity of the VO. Therefore, it would be useful to determine a measure of how strong these linkages are. We call this the Strength of Interconnect (or SoI). The SoI can be directly correlated to the sustainability of the linkage between two organizational entities that form the VO, which in turn depends on the degree of compatibility across the two sides of a VIP. Compatibility need not necessarily be only in terms of the extent of similarity across the VIP on each of the distance factors. Rather, it would be determined by the extent of synergy between the two. While similarity in multiple dimensions, especially on people, process and technology is important compatibility could be predicated on other aspects as well. As in the case of human relations, in an organizational context too, compatibility is more to do with alignment and synergy. The degree of compatibility can be seen as the ease or willingness of one side of the VIP to align itself with the other in order to make it a near-seamless interconnect. One of the key influencers of compatibility could be the directional dependence between the two sides of the VIP. A uni-directional dependence essentially means that one entity can function with a fair amount of independence, except during periods of interaction which may not be frequent. A bi-directional dependence on the other hand connotes a much higher level of interactivity between the two sides, a greater level of interdependence and therefore a more difficult proposition to manage in terms of ensuring higher levels of SoI. For eg. If the virtual extension is by way of a customer interface point, then the parameters on one side of the VIP are pretty much pre-determined and therefore inflexible. In such a situation, there is little control over the 'behavior' of members on one side of the VIP. The other entity viz., the service provider has to ensure all the necessary changes to ensure complete compatibility with the customers' requirement or expectation on the other side of the VIP, be it by way of technology pre-requisites, interface mechanisms, content or even behavioral patterns. Take on the other hand an organization setting up a new manufacturing unit in a different country. This would entail significant knowledge transfers across the locations. Distance factors like language and work practices, become integral to determining the relative ease or otherwise of accomplishing the desired outcomes. Soft factors like Trust and Cultural synergies or distances (as the case may be) and the propensity to adapt are being increasingly recognized by organizations as important factors that they need to take into account while working out their globalization strategies. The good news is that instruments are now available to objectively measure and assess these soft factors that were hitherto considered to be rather fuzzy and very often swept under the carpet.

A Framework for linking SoI to Distance Factors

It would be rather simplistic to assume an inverse correlation between virtual distance and SoI. The analysis and inferences need to be a lot more granular if this has to aid managerial decision making. Distance has to be viewed in conjunction with the ease and cost of bridging it. If the cost of bridging a distance exceeds the benefits that are likely to accrue out of the virtual association, then the business decision obviously needs to be revisited. In this context, it would be useful to classify the distance factors based on ease of explication. Some factors can be easily documented, with interventions being planned in a structured manner if required. Examples of these would be business process, technology usage, infrastructure, organization structure etc. On the other hand there could be factors that lend themselves only to a tacit understanding and it may not be easy either to quantify or explicate them unambiguously or plan interventions to bridge them. Examples of such distance factors would be culture, trust, motivational levels, management style etc. There could be other factors like Knowledge or Skill levels, where the classification itself could vary depending on the process maturity for managing knowledge asymmetries within organizations. Over a period of time some organizations develop and hone their ability to quickly address these asymmetries and distances rapidly. So while there could be one organization or business unit that classifies this as a factor with a high level of explicability, there could be another organization that could classify it as being low. Table 1 gives an indicative classification of a few of the distance factors. (This is not an exhaustive list).

Table 1: Indicative Classification of Some Distance Factors

S.N.	Distance Factor	Ease of Explication (Low/Medium/High)
1	Business objectives	H
2	Business Process	H
3	Technology	H
4	Organization Structure	H
5	Infrastructure	H
6	Knowledge Levels	M
7	Task orientation	M
8	Motivational levels	L
9	Management style	L
10	Trust	L

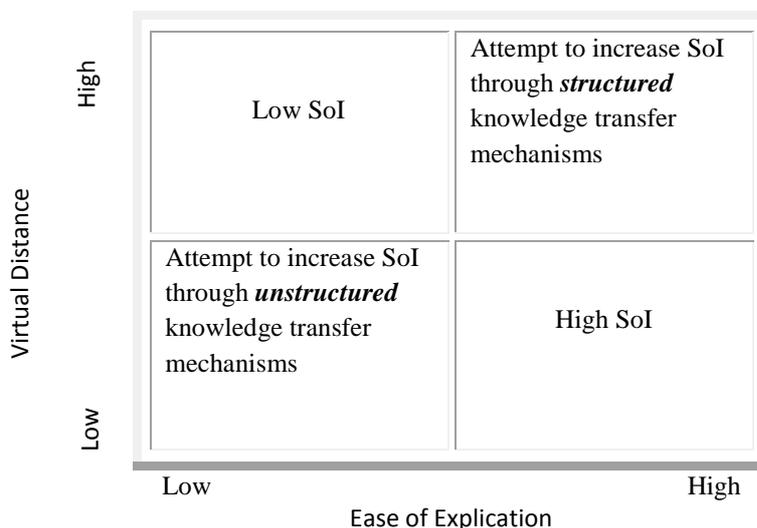


Figure 1: SoI Assessment Framework

As mentioned earlier compatibility across the VIP does not necessarily have a negative correlation with the degree of disparity or the magnitude of the distance factor. It is entirely possible that in a majority of the cases, especially those where the dependence is largely unidirectional in nature, one side can leverage the higher levels of factor maturity on the other side. For instance, if an organization is looking to forge an alliance to tap into high end expertise in another

organization in a niche area that is synergistic to its business, then the magnitude of the capability distance could actually have a very positive connotation. If the ease of transferability of this factor is high, then the SoI (or the Strength of Interconnect) can potentially be increased easily as well. The classification of the distance factors based on the ease of explication is useful because the higher the ease of explication, the higher the ease of transferability and alignment across the VIP. We can therefore arrive at the following framework (Fig. 1)

SoI would depend not only on the magnitude of the virtual distance but also on how easily or otherwise the distance can be bridged. Normally, it is easier to plan interventions to bridge distances in the case of factors that can be explicated easily. Technology can often be used very effectively to bridge such distances. If the distance factors are tacit and therefore fuzzy, the SoI would be lower. However organizations can evolve mechanisms and build channels to share unstructured information to create greater synergies across the VIP, provided the magnitude of the distance is not too high. An assessment of the feasibility and the cost of bridging the distance can aid managerial decision making. This could be used either before the commencement of a virtualization initiative to aid a go / no-go decision or for any mid-course corrections during the life of a project.

The stakes are high and expert judgment and intuition alone may not be sufficient to guide business decisions. Clearly the need of the hour is a robust bunch of tools, techniques, methodologies, triggers and decision aids that can help top management shift gears smoothly from the good old organization to the agile virtual organization¹.

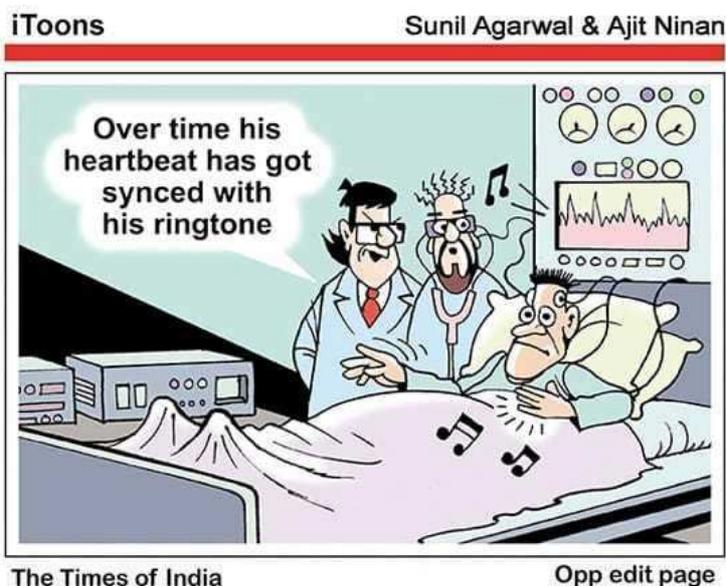
¹These issues are addressed in the author's book 'Managing the reality of virtual organizations' published by Springer



About the author: Dr. Sandhya Shekhar's work focuses on helping organizations manage the challenges of growth and global dispersion whilst leveraging market and innovation opportunities. She also works with educational institutions in India and abroad, both in an advisory capacity as well as a visiting faculty. Her competency areas include IT driven Business Strategy, Knowledge Management, Virtual Organizations, Innovation and Entrepreneurship, Enterprise Solutions, Business Process Optimization, Software Engineering and E-learning. She has occupied various C-level positions in the last two decades. She has worked at the confluence of industry and academic fraternities helping to build and scale a vibrant innovation ecosystem, in her former role as the first CEO of IIT Madras Research Park. Earlier she has worked as Director, Asia Pacific Consulting, Gartner Inc.; CTO - BconnectB.com; Head, Knowledge Management Research - Aptech; and Group Consultant - NIIT. She is an alumna of IIM Bangalore and IIT Madras. An author of several books, papers and articles, her latest book titled 'Managing the reality of virtual organizations' published by Springer has received worldwide acclaim. She serves as an independent director on the Boards of Bimetal Bearings Ltd. and IP Rings Ltd., and also serves on several advisory boards.

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**No condition is permanent in this world.
Be humble**