



The Virtual Organization: Network of Relationships for Innovation

The true power of the virtual enterprise will not be fully unleashed until large corporations understand the importance of virtual networks to disruptive innovation. It is networks of relationships that hold the future of innovation.

First defined by Clayton Christensen in 1995, disruptive innovation is innovation that is market changing, creating a new business value network that displaces existing products and services, distribution networks, or other business processes supplied by well-established, and usually very large, market leading firms. Disruptive innovation is typically produced by small, emerging companies that often take the market by surprise, seeming to come out of nowhere.

To remain competitive, the mega-corporations must also produce disruptive innovation but to do so must first realize that a new form of innovation, largely driven by the rapid fire pace of change of technology, needs a new approach. Utilizing the traditional business model and existing processes will produce next-generation products but not market-changing innovation.

It is not surprising then that mega-corporations are collaborating with startups, entrepreneurs, customers and suppliers, creating virtual networks of relationships capable of producing disruptive innovation

Collectively Disrupting

The virtual enterprise model is called the collective disruption model by Michael Docherty. He is author of the book "Collective Disruption: How Companies and Startups Can Co-create Transformative New Businesses" and CEO of Venture2. The premise of the book is that transformative innovation can redefine companies and generate whole new growth platforms, expanding on Christensen's original definition.

The purpose of transformative innovation is not about maintaining existing business, meaning using existing structure and processes is not effective. The new path to innovation is through collaboration with people and businesses, especially startups and entrepreneurs, who are most likely to be the market disruptors.



Though networking is not new, it has primarily focused on internal innovation and developing or enhancing existing value markets. The virtual enterprise is developed for the purpose of anticipating and developing disruptive innovation, or innovation that is market changing and creates new business value rather than simply expanding on the existing products and services.

The virtual enterprise brings together the multinational corporation and the smaller enterprises that are started and led by entrepreneurs who innovate with new perspectives. The network develops new business opportunities the multinational would have difficulty creating because of factors like an organizational culture that does not support collaboration and a commitment to current operations that produce a satisfactory profit, and traditional leadership practices that have not adapted to sharing resources or ideas with anyone outside the organization. The large corporation may be very good at enhancing existing products and services but is not effective at anticipating new technologies or recognizing new market opportunities that are outside the current business paths. It is also difficult for even the most agile and successful corporation to have all the knowledge it needs to recognize, develop, and manage disruptive innovation.

Gaining the Knowledge to Transform

The virtual enterprise is a means of accessing the desired knowledge and capabilities. It enables the corporation to connect with market innovators, gain new perspectives, learn about emerging technologies and market disruptors, and identify emerging market opportunities.

In return, network participants get access to wider markets and resources that only large corporations can provide. The virtual enterprise is a temporary alliance of businesses and people who share knowledge, skills, resources, and information in order to produce radical innovation in the form of new (not enhanced) products or services, opening up new market paths and gaining access to emerging technologies and ideas.

The network partners bring unique approaches that are leveraged as competitive advantages. The virtual enterprise is capable of making something unique in the way of products or services and is extremely agile and dynamic. The network brings a deeper understanding of unfamiliar markets and customers so that it is possible to develop products and services that have never existed before.

There are good examples of the successful use of virtual enterprises for innovation.

Unilever created the Unilever Foundry to collaborate with startups and people focused on sustainable living. The company uses the Foundry IDEAS platform which is powered by Spigit's



idea management software and enables the sharing of sustainable living ideas and collaboration. One new product idea that came out of the collaborative platform is waterless laundry powder.

Whirlpool is a sterling example of an established multinational corporation that re-imagined itself by partnering with a number of startups. The company went on a decade-long journey to reinvent itself as a company with lasting innovation capability and ended up transforming the entire appliance industry. The company embedded innovation in its culture using a series of steps that nurtured innovation. Reaching one milestone, leadership created I-turbo projects to support innovation expansion beyond the core, methodically introducing new voices into the process. At a later step, Whirlpool opened up its R&D boundaries through its Open Innovation strategy which established and nurtured a collaborative approach with external partners. Today, Whirlpool uses the virtual enterprise model to develop futuristic products, partnering with a variety of startups, including fledgling Silicon Valley tech companies.

Futuristic Goals

Many other companies have flourished due to virtual enterprises, including Jarden, Nike and Amazon. Generating transformative innovation requires more than acquiring new technologies for commercial production or having R&D concentrating on a particular product or service enhancement. Transformation is a process which depends on input from variety of people and organizations who have the right capabilities and forward thinking perspectives.

The virtual enterprise enables the company to take advantage of critical resources that it does not have within its own organization. More importantly, it brings new perspectives and information about emerging technologies and market opportunities. Staying ahead of the rapidly changing marketplace is not easy today, but it takes leadership and a strong culture of innovation.

Whirlpool is more than 100 years old and stands out as an example of what it takes to become a market disrupter. The virtual enterprise is ideal for the times, thriving on change and capturing new value through innovation.



- By Diversity Global Staff Writer

The article was excerpted from the Q1-2017 Issue of Diversity Global Magazine.

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