



# Virtually Not

## Why the Promise of the Virtual Corporation Eludes Most Companies

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The idea of the virtual corporation has entranced business for the past many years. Touted by many management authorities as the organizational structure of the future, the virtual corporation model promises to minimize core staff and thereby fixed costs. Virtual or ad hoc resources would come to the business enterprise to complete a task and then depart, leaving a kernel of their specific expertise behind to further strengthen the core team.

This model is efficient, responsive, and built to enable servicing of multiple needs concurrently in the ever-changing marketplace of today. However, few companies have really adopted it. Similarly, many companies have endorsed the notion strongly, but then taken no action to enable it. The virtual corporation will not just happen; changes must be made in the organizational infrastructure to enable the transition to virtual operations, and passive adoption of the concept only frustrates progress. In short, we have a virtual mess.

The key advantages of the virtual corporation are flexibility and speed. The lean core staff is charged with prioritizing competing projects and, as such, has limited investment in any individual initiative. The virtual resources who complement the team give companies access to a given skill without buying it. Moreover, acquisition of these resources is immediate.

The inherent value of speed and flexibility seem to be lost in the way companies today are trying to execute virtual operations. The truth of the matter is that companies have not identified this acquisition of flexible talent as a new function. Rather they continue to use inappropriate employment-oriented mechanisms for qualifying and contracting with virtual expertise.

Securing a virtual manager, a consultant, is not the same and should not be the same process as hiring a regular management staff member. By definition, the analysis that must be done to see if the individual fits the corporate culture in the long run is irrelevant. The more important question is can the person perform the task at hand—period.



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At times, the task at hand requires some ancillary skills, like good interpersonal communication skills, expertise with a given system or process, or sensitivity to certain issues. Some of these tangential elements may even have cultural fit undercurrents, and all of these dimensions are certainly fair game in the virtual management screening process. However, the degree to which a virtual resource demonstrates that dimension is commensurate with the importance of that dimension to the task at hand.

All too frequently, companies put consultants through arduous screening processes which defy the logic of the market. Virtual expertise is a marketplace, a forum where talent will go for the prevailing price to a buyer. In the marketplace framework, the talent does not wait for a company to decide to interview him or her again, it moves on to the best opportunity.

Many companies fail to recognize the time sensitivity of the market for virtual expertise. This is a larger issue, when you consider that the talent you try to secure inefficiently may go to your competitor who has set up an infrastructure to accommodate quick contracting with virtual resources.

Moreover, the contracting process in many companies is highly time consuming. Most large companies have “standard” contracting agreements in excess of 10 pages, designed to work for plumbing contractors as well as the consultant designing the annual report. The legal review for the independent consultant can be onerous. Similarly, the insurance coverage required of the consultant is often inappropriate to the management task to be done. Again, this often stems from the fact that these agreements are meant for all contractors, not just management-level consultants. This type of red tape only serves to draw out the process and diminish the time value of virtual expertise.

This isn't to say that a company should not have a formalized contractual agreement with any vendor—whether company or consultant—from whom services are provided. Rather it is to suggest that many companies could benefit by reviewing their contracting procedure with an eye to making it as expeditious as possible while affording the appropriate level of protection. Specific consulting agreements addressing roles, responsibilities, intellectual property, non-disclosure, and liability issues can be quite effective.

If you think of the high-end labor market as just that—a market—a mode to harness the



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expertise becomes clear. The talent marketplace is highly fragmented; everyone has his or her own rolodex, so no one can have a “corner” on the marketplace. However, the discontinuity of the market makes it ripe for arbitrageurs to, as economists would say, perfect the market.

Arbitrageurs can create a market in talent, understand relative price movements, and rationalize differential pricing. An arbitrageur can locate scarce resources, in part because that is its charter—to make the market. In a perfect market, rates and terms are public information available in real time, and goods move instantaneously. The talent market is not so mature a market, but these arbitrageurs, like consultant brokers, play a key role in perfecting the expertise market.

Such arbitrageurs have sprung up in all corners of the labor market to increase efficiency. Some companies use them to gain access to talent. Others prefer to use their own network, their own rolodex to access critical resources. But, by definition, since these individuals are not market makers and are truly on the periphery of the market, the access to market rates and other market dynamics is lost.

To truly make the virtual commitment, companies must recognize the value of immediate access to comprehensive talent. They must streamline the process so that they can identify, secure, and contract with the right virtual manger who can competently handle the task and move on. Movement is implicit in this model and companies must move to make it happen.