

## Virtual Organizations are a Strategy for creating Blue Oceans

### المنظمات الافتراضية إستراتيجية لخلق المحيطات الزرقاء

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#### Abstract

Demand creation is the meeting point of Virtual Organizations, the Blue Ocean Strategy and the point of separation, where Virtual Organization are built on the basis of demand, but at the same time they work to create their own demand by seizing opportunities, here lies the thin thread in order to find new markets (what is known as Blue Ocean) or working in the same markets (what is known as Bloody Read Ocean).

Through this research paper, a new type of organization will be shed light on (Virtual Organization) and how to create new markets within the Blue Ocean Strategy.

**JEL Classification Codes** M1 ; L22 ; L1

#### Keywords

Virtual Organization ;  
Blue Ocean Strategy ;  
new markets ;

#### الكلمات المفتاحية

المنظمات الافتراضية؛  
إستراتيجية المحيط الأزرق؛  
أسواق جديدة.

#### الملخص

يعتبر خلق الطلب نقطة الالتقاء بين المنظمات الافتراضية وإستراتيجية المحيط الأزرق ونقطة الانفصال، حيث تبنى المنظمات الافتراضية على أساس الطلب لكنها في نفس الوقت تعمل على خلق طلب خاص بها من خلال اغتنام الفرص، هنا يكمن ذلك الخيط الرفيع من أجل إيجاد أسواق جديدة - ما يعرف بالمحيطات الزرقاء - أو العمل في نفس الأسواق - ما يعرف بالمحيطات الحمراء الدامية.

من خلال هذه الورقة البحثية سوف يتم تسليط الضوء على نوع جديد من المنظمات هي المنظمات الافتراضية وكيفية خلقها لأسواق جديدة ضمن إستراتيجية المحيط الأزرق.

**تصنيف JEL:** M1 ؛ L22 ؛ L1

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## **I.INTRODUCTION:**

Virtual Organizations face many changes and challenges, especially in light of the current economic conditions, as they work to build a base that enables them to control markets, these organizations use networks to link opinions with properties and ideas, they can ally with suppliers, customers and even competitors to create and the distribution of new products and services without being limited by the traditional borders of the organization or geographical locations, this idea is considered the core of the Blue Ocean Strategy, as it is based on the simple idea that organizations do not enter into a battle with competitors for a limited market, while there are other spaces that are free of competition it can be entered and active.

From here, the research problem can be formulated as follows:

### **How virtual organizations can create Blue Oceans?**

To answer this problem, the following sub-questions must be answered:

- ✓ What is meant by Virtual Organizations? And what are its characteristics?
- ✓ What is the Blue Ocean Strategy?
- ✓ How can blue ocean be accessed through virtual organizations?
- ✓ **Study hypotheses:**
- ✓ Virtual Organization is a network of independent companies connected to information technology to share skills, expenses and market access.
- ✓ The Blue Ocean Strategy is a strategy that creates new markets through value creation.
- ✓ Virtual organizations build new markets by creating new customers.
- ✓ The importance of studying: The importance of the study lies in introducing a new type of organization, Virtual Organization and their characteristics, and linking them with the Blue Ocean Strategy, and trying to highlight the way in which virtual organizations open up new markets.
- ✓ **Objectives of the study:**
- ✓ Highlighting Virtual Organization as a new market leadership mechanism;
- ✓ Determine the most important characteristics of Virtual Organizations;
- ✓ Introducing the Blue Ocean Strategy as a modern strategy that ensures leadership in the market;
- ✓ Know the most important steps to reach new markets;
- ✓ An attempt to reveal the organizational obstacles that virtual organizations face in implementing the Blue Ocean Strategy and how to overcome them.
- ✓ Linking Virtual Organizations and steps to reach blue oceans.

**The method that was used:** To address the problem at hand, the descriptive-analytical approach was used, which allows to describe the study variables (Blue Ocean Strategy, Virtual Organization) and to prove the validity of the hypotheses.

## **II.THEORETICAL FRAMEWORK :**

### **1.virtual organizations**

the virtual company concretely illustrates the different aspects of the new mutualist relationship between organizations and ICT. canceling out time and space. this one gives to the company.

gradually. the gifts of ubiquity. of omnipresence. omniscience. But entering the virtual layer of "world sound" implies an insider status. while networks are gaining in power and capacity to structure economic flows according to the strategies of operators and nations. using these new gifts will not be without conduct.(Denis Ettighoffer, 2001, p142).

#### **A. Define virtual organizations**

In a bid to define the concept of Virtual Organization Structures, it is first imperative to understand that the term virtual originates from a Latin word "virtus" The terms mean apparent, hence referring to something that may be perceived not to be real but feasibly exists. From a more precise perspective, the term virtual can be seen as a force that exists but cannot be observed. Upon understanding that, then the virtual organization is often used to refer to the network of an independent firm that tends to join to produce a service or even a product together. The relationship, however, is perceived to be temporal in most cases. In that case, a business that embraces this structure operates in such a manner that members or workers are situated apart from a geographical perspective (Mowshowitz, 2007, P 32).

Through the following, we will provide the most important definitions about virtual organizations.

✓ **Virtual organization** is a new form of organization that is referred gathering group of people that are scattered geographically and they are not depend on same organization and to achieve a goal through information technology in touch with each other.( Reza Nazari, 2013, p42)

✓ Which is understood as anninnovative network from which temporary alignment are formed in order deliver to deliver value to a market. (Karim Mohammed Rezaul, 2012, p55)

✓ **Virtual organization**, a small central organization that provides resources to other organizations, a virtual organization in terms of structure, is highly concentrated and, rarely, contains units or task expertise(Stephen,2009).

#### **B. Characteristics of a virtual organization:**

Virtual organizations have the following characteristics:( Hans Jägers, 1998, pp72 74)

- boundary crossing
- complementary core competencies/the pooling of resources
- geographical dispersion
- changing participants
- participant equality
- electronic communication
- Temporariness

✓ **boundary crossing:** The increasing uncertainty due to changes in the business environment has led to a greater need for flexibility, and the need for flexibility can only be ensured through virtual organizations that can interact immediately with customer requirements and desires.

✓ **complementary core competencies/the pooling of resources:** The primary characteristic of a virtual organization is the pooling of the participant's core competencies or core processes/activities (core businesses).

There is much discussion in the existing literature regarding whether the combination of core competencies typifies the virtual organization, or the combination of core activities. We find this issue of minor importance. The choice for core activities usually stems from and is intrinsic to the organization's core competencies.

One of the virtual organization's great advantages, is that the participating organizations can take on additional and larger projects in a more flexible and swift fashion than would be the case for an individual. In strategic alliances, the combination of methods to attain greater achievement also counts as an advantage. And yet here, by definition, swiftness and flexibility are of a lesser degree than in the virtual organization, as collaboration is regulated in a more formal manner (via fixed contracts). The pooling of resources takes place because participants realize their strong dependence on one another and that continued participation in the network necessitates this sharing.

✓ **geographical dispersion:** Another characteristic of a virtual organization (as well as of many other network forms) is the geographic dispersion of activities. Because communication between participants is taken care of by ICT, the work location is no longer of significance. It is possible to communicate within seconds on a world-wide scale. This causes a breakdown of traditional organization form characteristics. Until just a few years ago, to develop and bring software to the market was a time consuming activity. With the current information technology methods, software can be market ready much more swiftly.

✓ **changing participants:** When talking about organizations, it is often defined as a collaboration between people and methods in order to achieve specific goals. But when talking about virtual organizations, the goals are often temporary, and this means their demise. On the contrary, virtual organizations are based on direct redevelopment.

The client assumes that business procedures are carried out by a single organization, whereas the rendering of service takes place through a network of organizations.

✓ **participant equality:** Increased dependence in virtual organizations leads to a greater equality in participant relations. Each partner in this collaborative effort plays his own role, contributes to the improvement of the end product and forms a link, regardless of location, in the functional process of the virtual organization. In this way, a culture based on the desire to share skills and information replaces the older control based culture. To want and to be able to take risks is an absolute prerequisite.

✓ **electronic communication:** Electronic communication The essence of the virtual organization is to break up the unity of time, location and trade. The often changing and geographically dispersed collaborations that have come into existence are based on information and communication technology applications. This is an essential prerequisite for the proper functioning of virtual organizations and is largely recognized as being a 'condition sine qua non'. The possibilities of the virtual organization grow ever larger as a direct result of ICT.

✓ **Temporariness:** The virtual organization could also have an undetermined duration; the organization will remain functional for as long as customer demand exists and/or the participants find their collaboration to be beneficial.

**2.the blue ocean strategy Subtitle:**

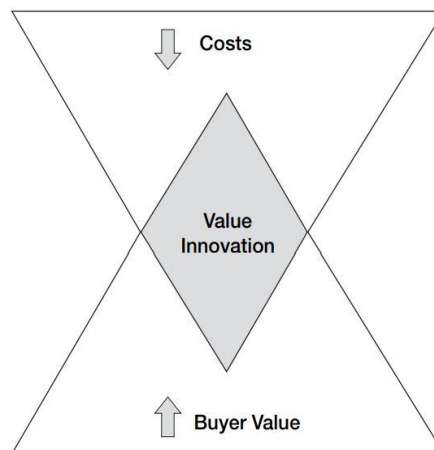
The reason for naming this strategy is due to the expression of the lack of competition, as organizations are in a state of reassurance, unlike the red ocean, which refers to the state of the market known as competition, the intensity and crowding of competitors, losses to organizations, conflict over customers, market shares, and wars Prices...etc., all of which indicate the intensity of pressure and conflict in the organizations.

**A. Blue ocean strategy definition:**

The Blue Ocean Strategy appeared in 2005 with the publication of the book "The Blue Ocean Strategy". Among the most important definitions provided for it are:

- ✓ the blue ocean strategy is a mechanism that ensures the elimination of the existing state of competition in order to build a non-competitive strategy. (Bouzidi darine, 2010, p12)
- ✓ The Blue Ocean strategy is the path through which you determine how to unlock new, previously uncharted market space and create demand and growth opportunities. (Raad Adnan Raouf, 2010, p04)
- ✓ The blue ocean strategy is the strategy that focuses on industries that have not yet come into existence. It is the way through which it determines how to open a previously untapped market space and create demand and growth opportunities, and adopt a strategy that guarantees the creation of demand and not the search for it and trying to meet it, and it is thus moving towards Stand out from competitors, not crowd them. (Sadok Fatiha, 2019, p64)
- ✓ Value innovation: The Cornerstone of Blue Ocean Strategy: Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates.

**Figure (1): Value innovation: The Cornerstone of Blue Ocean Strategy**



**Source:** W.Cham Kim, Renée Mauborgne (2005), **Blue Ocean Strategy- how to create uncontested market space and make the competition irrelevant-**, Harvard Business School Press, P 16.

**B. How to get to the blue Oceans (the new markets)**

Most of the strategies during the last quarter focused on competition, concepts and methods, The idea of creating Blue Oceans remained a wish and did not turn into a real practice .

Through the following, we will review the most important steps to reach the virgin markets, or what is known as the Blue Oceans.

✓ **Rebuilding market boundaries:** by thinking beyond the traditional limits of competition, we can see how the institution can disrupt traditions and make strategic moves to establish the process of rebuilding market boundaries and creating Blue Ocean.

**Table(1): depicts the new market space**

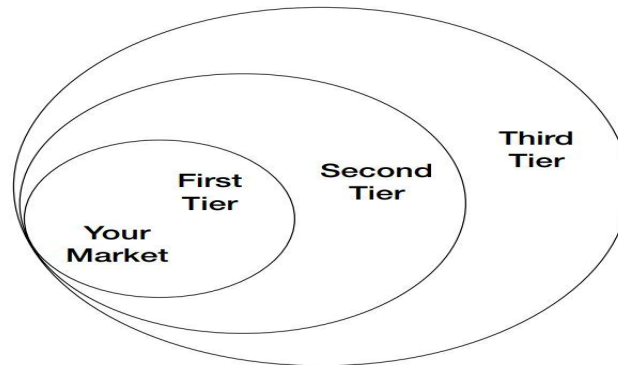
	The competition	Finding the Blue Ocean
Industry	Focuses on competition within the industry	Looking at similar industries
Strategic group	Focuses on the competitive position within its strategic group	Consider strategic groups in the industry
Customer group	Focus on providing better service to customer groups	Redefine the customer group in this industry
Perspective for product display	Focuses on increasing the value of a product or service within the boundaries of its industry	Look at the offerings of complementary products and services.

**Source:** Raad Adnan Raouf (2010), **The role of the dimensions of the Blue Ocean Strategy in marketing performance**, Rafidain Development Magazine, N 98, P6.

✓ **Focus on the big picture:** Finding new factors in the field of specialization or the industry that you produce which leads to a new market for you alone, Hence, The correct strategic arrangement can be reached, Not on the numbers, This means striving to keep the overall picture of the situation in front of your eyes so as not to get lost among the numbers of strategies, which usually leads to the loss of the main goal among a large number of data. (Al-Adaili, 2009, P1)

✓ **Reach Beyond existing Demand :** If companies want to increase the size of their Blue Ocean, Companies need to take the opposite path, instead of focusing on customers, they need to look at noncustomers, rather than focusing on differences between customers, it should base its business on strong commonalities of value to consumers. This allows companies to extend beyond the current demand to open up a new mass of customers that did not exist before. (chan Kim, Mauborgne, 2005, pp101 102)

Figure (2):The Three Tiers of Noncustomers



**Source:** W.Cham Kim, Renée Mauborgne (2005), **Blue Ocean Strategy- how to create uncontested market space and make the competition irrelevant-**, Harvard Business School Press, P 104.

**First Tier:** "Soon-To-Be" noncustomers who are on the edge of your market, waiting to jump ship.

**Second Tier:** "Refusing" noncustomers who consciously choose against your market.

**Third Tier:** "Unexplored" noncustomers who are in markets distant from yours.

✓ **The right strategic sequence:** The formulation of the strategy represents the step of shifting from the general framework of the strategic direction and environmental analysis of the organization to meaningful evidence that is used when making various decisions, the formulation of the strategy requires analytical, intellectual and synthetic skills, that take into account the possibility of the correct connection between studies, data, theoretical and field analysis and between appropriate application. (Cham Kim, Mauborgne, 2005, p119).

### 3.The Third axis: Blue Ocean Strategy and Virtual Organization

The attempt by most companies in the contemporary business world demands that radical changes be made to address the rising challenges in the contemporary economic environment. (Maznevski et.al 2000)

#### A- How to overcome organizational obstacles to implement the blue ocean strategy through virtual organizations

✓ **Limited resource obstacle:** The virtual organization sometimes appears in the form of virtual teams to avoid changing locations and to give them a great deal of flexibility, as individuals work in



the location that suits them, and there are also virtual offices, where traditional offices are replaced with quick and flexible office services without a specific place, which saves effort and cost.

✓ **The moral obstacle (the organization is affected and linked to the existing situation):** Virtual organizations practice their work in a competitive environment full of factors and information that carry with them many opportunities and threats. This is why they are required to study and analyze these factors in addition to their dependence on information and communication technology. The virtual organization may be permanent in its activity and all its operations include the term virtual, whether in management, teams, or Activities, as virtual organizations may be temporary in response to a specific opportunity available in the market. A virtual project is established and with the growth and recovery of the market, the organization appears. (Haitham Hmoud Alshibly, 2008, P347).

✓ **Motivation obstacle:** The leader of the Virtual organization should have a long-term vision that he works to innovate to change his organization, by motivating individuals to give the best according to this vision to achieve the success and distinction of the organization, and many experiences have revealed that the path is the one who can influence for access to the most valuable and self-resources that individuals have without interfering with the details of how individuals perform their work and without prior rules for performance. (Sadok Fatiha, Dif Ahmed 2018, P 60).

✓ **Political obstacle:** Virtual organization are a complex subject which requires an interdisciplinary approach. In the absence of specific legislation, consolidated doctrine and case law, jurists can resort to three main cornerstones: agreement between members and with third parties, analogical application of laws in force, and informal rules and trade usage. The preliminary step is to define the object of analysis as clearly as possible by building a model definition of Virtual organization for the legal research. On the basis of the model's features, the most relevant legal issues can be outlined. (Claudia Cevenini, 2002, p318)

### **B- Apply the principles of the Blue Ocean strategy to build Virtual Organization:**

The Blue Ocean Strategy is based on three basic principles: strategic action, action within the framework of strategic groups, and a framework of action with four activities. Through the following, we will try to link them with Virtual organization.

✓ **Strategic action and Virtual organization:** The history of the industry shows that the conditions and boundaries of the industry are not fixed, and the organizations do not have to compete for a limited space and that the organization and the industry are not the best unit of analysis when studying the roots of performance, where the strategic move is the appropriate unit of analysis and not the organization or industry in order to explain the creation of ocean blue and sustainable global performance. This is what we see in "Amazon", the American institution for electronic commerce, where it began selling books and then expanded its work to revolutionize the world of marketing and electronic stores, as the "Amazon" foundation opened its virtual doors on the global internet in July 1995. The manager chose the name "Amazon" because of his far-reaching view of the "Amazon" river, which is the largest in the world. The world, which is consistent with its goal to have the largest virtual institution in the world."Amazon focused on customer obsession rather than

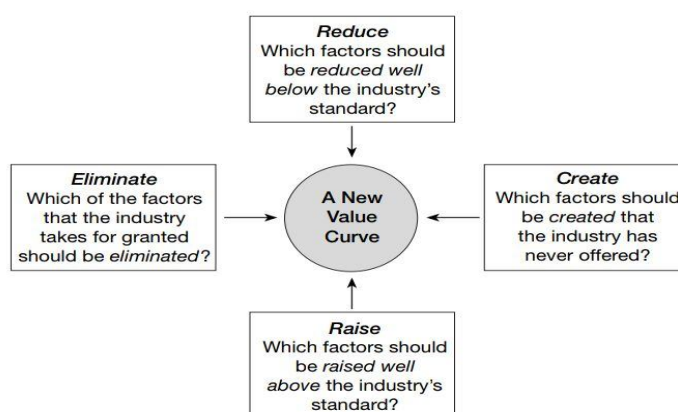


competitors, innovation, commitment to operational excellence, and long-term thinking in every segment and since the year 2000, the "Amazon" logo has emerged as a smile-like arrow running from the letter A to the last letter alphabet Z and indicates this that the institution provides all products from A to Z and aims to achieve the best, "Amazon has become the largest retail distributor on the globe through partnership strategies that it held with many international companies in the same field to turn it into an ally instead of a competitor.(Jesse D'Agostino, 2018, pp 19-22)

✓ **Work within the framework of strategic groups and virtual organization:** Any virtual organization especially the startup one, must build its own strategies and get all the possible benefits from virtual concept to reach their goals, mission, vision, and high profit. Firstly; they must evaluate the business environment, how it will affect their work such as: the competitive strength. Secondly; they must put in their mind the final products and services that will be delivered to their customers, did they satisfied them.(Aasim Zafar, 2015, p109). Virtual organization are formed by an alliance of organizations linked by a partnership for dealing with emerging challenges. Information and communication technologies play a fundamental rile facilitating cooperation, communication and collaboration among the virtual organization members. The main factor for finding blue ocean within a strategic group is to penetrate this narrow vision by understanding the factors that determine how the consumer decides to deal with one strategic group or another.

✓ **The four action framework and virtual organization:** Through the following figure, we review the elements of value in the context of drawing a new value curve, where it illustrates the strategic logic of making a business model, where the organization must reduce factors that are below the industry average, raise factors that are above the industry average and exclude unnecessary factors and there are new factors that industries have not yet focused on.

**Figure (3): The four Action Framework**



**Source:** W.Cham Kim, Renée Mauborgne (2005), op. cit, p29.

**III.CONCLUSION:**

The increasing uncertainty due to changes in the business environment has led to a greater need for flexibility. Flexibility can only be ensured through virtual organizations that work to interact with the client's requirements and desires, and the blue ocean strategy is a strategy that works to create blue oceans, and thus it is moving in the same direction as the virtual organizations.

**IV.RESULTS:**

- ✓ The Blue Ocean Strategy is a strategy that focuses on industries that have not yet entered the market, it aims to open up a new market space;
- ✓ There is a difference between the Blue Ocean Strategy and the traditional strategies, the first creates a market and the second competes in the same market;
- ✓ There are no specific rules in order to reach the blue oceans, but the following points can be referred to the construction of the Blue Ocean Strategy: Strategy action, strategic groups and the framework of action with four activities;
- ✓ The virtual organization sometimes appears in the form of virtual teams to avoid changing locations and to give them a great deal of flexibility, as individuals work in the location that suits them;
- ✓ A virtual project is established and with the growth and recovery of the market, the organization appears;
- ✓ The leader of the Virtual organization should have a long-term vision that he works to innovate to change his organization, by motivating individuals to give the best according to this vision to achieve the success and distinction of the organization;
- ✓ Virtual organization are a complex subject which requires an interdisciplinary approach. In the absence of specific legislation, consolidated doctrine and case law, jurists can resort to three main cornerstones: agreement between members and with third parties, analogical application of laws in force, and informal rules and trade usage;
- ✓ Strategic action is the basis of analysis in order to build a new market;
- ✓ Looking at strategic groups in order to build a new strategy

**V. RECOMMENDATIONS:**

- ✓ Virtual Organizations must reacquaint themselves with market realities in a radically new way;
- ✓ Virtual Organizations should focus on the big picture, expanding their market and working on that through various policies;
- ✓ The Blue Ocean Strategy is looking at new markets, so Virtual Organizations must adopt this strategy in order to ensure leadership in the market.

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