

# Strategic Management

## TASK 2

### The Emergence of Virtual Organizations - Gitlab



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## **Introduction**

The coming of the virtual management era brought about not only a change in organizational structure but also in leadership styles working within the digital age. Maintaining effective communication and cohesiveness within the team are some of the problems unique to virtual organizations. On the other hand, they also hold huge potential, which comes in the form of greater flexibility and the ability to harness global talent. In the quest to adapt to this model, organizations will have to contend with various issues related to planning, designing, and managing virtual structures (Marx, et al., 2021). In that regard, the most effective management is attained if technology is used, a sound virtual culture is built, and structured protocols are instituted in order to have high performance and high engagement across the workforce when it is scattered in nature.

## **The Emergence of Virtual Organisations**

As per Gilch and Sieweke, (2021), The concept of virtual organizations has been gaining great momentum in the current business environment. This is largely due to the fact that technological developments, coupled with an increasing feeling of the need for flexibility in work environments, have been seen to catalyse this trend. Virtual organizations are those in which the primary activities are performed electronically, and they do not have a headquarters physically. This is, therefore, quite a different structure of doing business as compared to the traditional ways. It is one of the changes that is revolutionizing the way businesses are run, the way teams are managed, and the way services are offered with distinct opportunities and problems. The development of technologies that facilitate communication and collaboration is another main factor that gave birth to virtual organizations. Staff can collaborate effectively while being located in different geographic areas only by using video conferencing, cloud computing, and software for managing projects (Wall et al., 2024). Such technologies have diminished the demand for a physical office, as they have enabled businesses to access a talent pool located all around the world and function on a continual basis. This flexibility reduces the overhead costs of maintaining physical buildings but increases productivity as workers can now work from places that better suit their individual tastes and needs.

A second force that has contributed to the emergence of virtual organisations is the changing nature of work and employment relations. Moreover, the creation of a better balance between work and private life is a consistently increasing demand likely to be found, especially in the younger generation, which virtual organizations can offer their employees through flexible working places. This raises job satisfaction and lowers staff turnover. Moreover, the COVID-19 epidemic accelerated this shift to work from home, which provided an opportunity for numerous businesses to change their operations and include virtual environments. During the pandemic, the fact that it went well was sufficient proof that firms could hold up their productivity at the exact level or higher while working virtually, hence making it evidence that virtual organisations could be viable (Pradana, et al., 2022).

However, the growth of virtual organisations also brings a number of serious opportunities. Not least of these is the challenge of creating an appropriate robust organisational culture. Brick-and-mortar offices present the shared space in which employee relationship development and collaboration are easier and more natural, resulting in community and a stronger sense of shared purpose. Virtual organizations must make a conscious effort to create opportunities for engagement and be team-bound. These organizations often use digital tools and hold virtual meetings to bridge the distance between their employees. In an attempt to simulate the social dynamics of a real office, this could be quite challenging as it demands a purposeful endeavor and proper use of technology (Martínez-Caro, et al., 2020).

Also, managing a virtual workforce needs a new set of skills and methodologies compared to traditional ways of management. Leaders in virtual organization have to be knowledgeable in the use of digital tools, competent in achieving communication across many time zones, and capable of managing a team that may never meet face-to-face (Kunz and Fischer, 2020). New management strategies are needed to accomplish this shift. Setting the expectations includes working with performance metrics that correlate with remote work and developing trust amongst the team members. Furthermore, for a virtual organization to have the two desired traits of justice and efficiency, it should take into account issues that have to be dealt with, such as data security and the digital gap, which refers to the fact that some of the employees do not have good enough internet or workspaces to make this even work.

## **Virtual Organisation in Gitlab**

The story of GitLab, a firm started in Ukraine, is an inspiring example of successful practices in virtual management. As one of the largest firms in the world with total operations from distant locations, GitLab developed a complete and integrated approach to virtual management for its fully distributed staff. The company has no physical headquarters, and all employees work remotely from over 65 countries to allow the smooth running of its operations. Much emphasis is placed on documentation transparency and communication, which form the bedrock of this virtual management paradigm. GitLab practices what it preaches by using its own platform for project management, tracking work, and even communicating (GitLab, 2024). It guarantees that all team members can have access to the same information and tools from anywhere. "Handbook-first" is what GitLab calls the essence of the company's virtual management system. This guarantees that anything within the company's operation, from procedures to cultural standards, gets painfully documented in an open-source handbook, to which all employees are supposed to have access. This handbook empowers employees to work independently while staying aligned with the goals and processes of the company. Making meetings truly optional - a place where key decisions and updates are made asynchronously - is a further way that the company really throws its cards on the table around transparency (GitLab, 2024).

Specialized Slack channels for non-work discussion topics, virtual coffee breaks, and team social calls foster casual interaction between colleagues to help establish relationships and maintain a sense of community among colleagues who might never have met. What is more, leadership in GitLab is very instrumental in virtual management since it acts as an example of best practices regarding remote work, such as open feedback and a sustainable work-life balance. The manner in which GitLab approaches virtual management has not only improved productivity and rates of pleasure but also set an example for other companies wishing to enable remote work (GitLab, 2024).

GitLab has succeeded in virtual management: aiming to enhance technology, a clear form of communication, and a transparent culture in the execution of tasks. In fact, it has proved that a totally distributed workforce can be as efficient, if not more efficient than the average in-office team.

## **Challenges and Opportunities in Virtual Arrangements**

### **In the Context of Planning:**

In terms of the development of virtual arrangements, organizations are faced with several major challenges as well as a number of opportunities that are quite unique. Among the major challenges comes the difficulty of building effective communication and teamwork among groups spatially separated from each other (Pescatore, et al., 2022). It may be difficult to ensure transparent and timely communication and to build a culture of integration among the team members without physical contact. In the planning phase, it would be essential to discuss using digital technologies so that time zones can be suitably managed and communication can be ensured. By doing so, the whole team will be on the same page and fully engaged.

Virtual arrangements, on the other hand, allow for flexibility and access to an even more diversified pool of talent. If they accept the idea of a remote setting, a company can hire the best talent from every corner of the globe. They thus break the geographical barrier which limits the candidate pool. It is this flexibility that places an individual in an environment formulated according to his needs. This may lead to higher job satisfaction and productivity levels.

Effective planning of virtual environment arrangements should be led by a strong support for a digital infrastructure, formulation of clear protocols of communication, and fostering of a culture, inclusive of distance. This involves strategic exploitation of technology, clear expectations, and regular feedback in order to solve issues but reap advantages from having a remote workforce (Anthony Jnr and Abbas Petersen, 2021). It is via careful preparation within these components that companies can enable their virtual teams to maximize efficiency and ensure that their employees are happy with their work.

### **In the Context of Designing:**

There exist a set of problems and potentialities that go into constructing an organization able to accommodate virtual arrangements, every one of which has to be very carefully considered. According to Baptista, J., Stein, M.K., Klein, S., Watson-Manheim, M.B. and Lee, J., (2020), the most critical challenges may be the creation of a structure that will assist efficient workflows and accountability without the usual face-to-face oversight that is available. This is imperative: virtual

organizations must define roles, responsibilities, and the process by which these are undertaken in order to ensure that their members remain productive and aligned with organizational goals. Doing this often entails the use of sophisticated project management technologies and communication technologies that facilitate transparency and the right tracking of progress.

On the other hand, virtual arrangements provide ample opportunity for creative innovation in the construction of organizational structures. If they dispel the constraints of physical offices, then maybe organizations are granted, as a result of the flexibility and adaptability within their structure, the potential of a rapid response to the shifts of the market. It is this flexibility that can provide the ability to scale rapidly by assembling specialized teams from around the world, thus contributing to size ability. There are no geographical boundaries that work specifically to the advantage of the organization by cashing in on a greater diversity of skills and perspectives. This is another advantage of the virtual model that makes it possible for various forms of inclusive work practices.

### **In the Context of Leading:**

This suggests that virtual organization leadership has its own set of challenges and opportunities and develops new strategies and competencies. First of all, problems can concern the maintenance of the team's cohesion and the motivation of its members when they are not present. The charge is on leaders to find effective ways of creating an environment where members of a team who may never physically meet each other in their lives come to trust and feel a part of something. Doing this will require proactive communication strategies, coupled with regular virtual meetings, in addition to team bonding and participation programs (Asatiani, et al., 2021).

On the other hand, virtual arrangements afford leaders a chance to shift toward a more flexible and inclusive leadership style. With the use of digital tools, leaders have the ability to track performance and provide real-time feedback, from wherever to support their people. This flexibility allows leaders to basically draw upon a virtual talent pool of almost global proportions, bringing additional vantage points and competencies to the enterprise. Moreover, the virtual model has the added force that obliges leaders to come up with creative ways of working together and solving problems to improve creativity and productivity. Perhaps one of the most salient additional advantages of this model is this very forcing function.

Leaders who lead virtually need to emphasis a lot on clear communication, open expectations, and transparency; they need to close the gap caused by different physical locations through technology. If leaders tackle the problems of this space and really use its many opportunities, they will be able to create a dynamic, resilient virtual organization that thrives in the digital world (Pradana, et al., 2022).

**Conclusion:**

Conclusively, it can be said that virtual organisations must remove communication barriers, foster team cohesion, and implement digital tools to enable their members to work effectively. By adopting the latest concepts in leadership and designing flexible organizational models, they are better positioned to seize the benefits accruing from home-based work by accessing a large talent pool and enjoying increased operational flexibility. If these practices are adhered to and there are continual changes in technology, then organisations will thrive in a virtual environment. Thereby, they remain to be effective and competitive within a shifting digital environment.

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## Appendix:

### Task 1 – Presentation Slides

**Title: Corporate Governance and Management Opportunistic Behaviour**

**Authors: Henry Osahon Osazevbaru and Emmanuel Mitaire Tarhuror**

## **Corporate Governance and Management Opportunistic Behaviour**

### **Introduction:**

- ❖ Investigates managerial opportunism within business governance.
- ❖ Focuses on executive compensation's role in reducing impulsive executive actions in Nigerian companies.

### **Problem Identification:**

- ❖ Managerial opportunism linked to information asymmetry.
- ❖ Principal-agent theory: misalignment of managers' and owners' goals.
- ❖ Emphasizes need for effective corporate oversight to align interests.
- ❖ Managers exploit superior knowledge for personal gain, often harming owners and stakeholders.

### **Motivation for Research:**

- ❖ Addresses the negative impacts of managerial greed, such as accounting misreporting and investor distrust.
- ❖ Aims to provide evidence on the effectiveness of performance-based executive rewards in reducing opportunistic behaviors in Nigerian firms.

### **Hypothesis and Theoretical Framework:**

- ❖ Information imbalance is negatively correlated with the ratio of CEO compensation and benefits.
- ❖ Long term incentive by CEO correlated with the long-term reward composition of CEOs.
- ❖ The imbalance of information is negatively correlated with executive incentives and advantages (with the exception of the CEO).

## **Task 1 – Precis (Group Work)**

### **Corporate Governance and Management Opportunistic Behaviour**

Within the framework of business governance, the subject of managerial opportunity is investigated in the paper titled “Corporate Governance and Management Opportunistic Behaviour” written by Henry Osahon Osazevbaru and Emmanuel Mitaire Tarhuror. The purpose of the author is to gain an understanding of how well the systems of business governance, notably executive compensation that is based on performance, have the potential to diminish the impulsive actions displayed by executives in Nigerian Companies.

#### **Methodology:**

- The research employs primary data that was obtained from 125 of the most prominent leaders in Nigerian companies.
- The author utilises OLS (Ordinary Least Squares) modelling of regression to investigate the correlation between managerial greed (modelled as knowledge asymmetry) and mechanism of corporate oversight (estimated by incentive compensation schemes).
- Dependent variable: Analysts’ following as a measure of the degree of information asymmetry.
- Compensation systems are divided into three sections: the chairman’s incentive compensation proportion, senior benefits along with incentives, and the power source CEO over time mix.

#### **Key Findings:**

The paper focuses on presenting the various key findings which are as follows:

- The correlation test on CEO benefits and bonuses ratio and information asymmetry yielded a coefficient with a negative sign but not significantly different from zero.
- Among the control variables, executive benefits and bonuses also had a negative accord with information asymmetry but the coefficients were insignificant.
- Hypothesis H2: There was a positive and statistically significant correlation between CEO long-term mix and information asymmetry, although it was in the opposite direction of the prediction.

- The combined effect of all executive compensation variables significantly influenced information asymmetry.

### **Conclusions:**

There are somewhat ambiguous findings regarding the impact of PER and executive compensation for mitigating managerial opportunism. While some elements reveal the signs to curb the opportunistic behaviour, some of the other components may worsen it subjectively. This shows why it's challenging to create a proper framework for a company's corporate governance and compensation system. It is emphasised in the research that the business community is more transparent, accountable and trustworthy when robust business governance processes are in place.

### **Limitations:**

- The collected primary data can be biased
- A factor that could affect the generalization of the results is the size of the sample in relation to the population.
- Concentrate on the variables that relate to the remuneration of executives without any regard to the other instruments of governance.
- Restriction of firms to Nigeria

### **Recommendations:**

- Restraining self-interest: to control opportunistic behaviour, managerial benefit or bonus and chief executive officers' benefits and ratio should be used carefully.
- A concept that needs to be reviewed is the use of CEO long-term mix since it will lead to information asymmetry.
- More research is required with bigger sample, different geographic areas, and other forms of governance.

**Implications:**

This research participates in the current discourse on measuring adequate corporate governance structures and stresses that considerably more concern should be given to the procedure when developing performance incentive structures for executives to ensure their goals are consistent with the shareholders.

## **Task 1 – Individual Report (Summary)**

### **Critical Evaluation of the Article “Corporate Governance and Management Opportunistic Behaviour”**

#### **Introduction**

In the context of Nigerian businesses, the research article looks at how corporate governance practices might reduce management's opportunistic conduct. It draws attention to how management opportunism—fuelled by knowledge asymmetry—may result in the misappropriation of company assets. The study focuses on CEO remuneration plans connected to performance as a means of mitigating this opportunism. Based on an empirical review of 125 top executives' data, the report concludes that although some compensation structures—like CEO perks and bonuses—can successfully prevent opportunistic Behaviour, others may unintentionally foster it. Critical insights on optimizing CEO compensation to improve corporate governance are offered by the findings.

#### **Identification of the Problem**

The opportunist attitude exhibited by managers was the main topic of this research, particularly with regard to the knowledge and power imbalance that exists in the workplace. The term "information asymmetry" refers to a phenomenon in which supervisors, who have access to higher more extensive knowledge about their company than other parties involved, make use of this data superiority to their own benefit, often at expense of owners and other constituents. This can be accomplished through a wide range of inventive accounting procedures, including selective release of details, income abuse, and other methods that are designed to deceive customers and falsify the real financial standing of the company.

Underlying this issue is the concept of the principal-agent, which posits that administrators (agents) have a duty to act within the best intentions of the owners (principals). Nevertheless, managers may exhibit self-serving behaviours as a result of the mismatch of goals. The necessity of efficient corporate oversight tools to guarantee that executives act on behalf of every stakeholder is underscored by the collapse of numerous corporate titans as a result of management opportuneness.

The significance of corporate responsibility has emerged as a major concern for businesses all over the world, highlighting the significance of maintaining fairness, transparency, and openness in the leadership of company affairs. Nevertheless, management opportunism, that can be defined through the gratifying conduct of CEOs who make use of informational benefits for their own personal gain, frequently to the harm of stockholders or other customers, is a big problem. This problem is made worse by the fact that managers having the ability to obtain data that is more specific and down current than that which is available to others about the activities and financial health of the company. In light of this, it is of the utmost importance to investigate the methods that have the potential to reduce the impact of this opportunistic conduct and more closely match the goals of owners with the goals of executives.

### **Motivation for the Research**

This study is driven by the substantial negative consequences that managerial greed may have upon firms, such as accounting misreporting, investor distrust, and ultimate bankruptcy. The authors' objective is to make contributions to the existing body of research by offering concrete proof regarding the efficacy of governance techniques, primarily performance-based rewards for executives, in reducing these behaviours.

The research is primarily concentrated on Nigerian firms, as their approaches to corporate governance may differ in those in nations with greater economic development. By employing OLS regression modelling and initial information from a representative group of 125 senior managers in Nigerian companies, the authors aim to offer recent and relevant findings that can be used to inform policies as well as procedures with the context of Nigerian.

The urgent need to tackle management opportunism and information asymmetry in business governance drives this study. Strong corporate oversight reduces managerial opportunism-related agency costs, according to research. Increase openness and responsibility to achieve these standards. To add to this information, this study examines how associated with performance executive pay prevents management opportunist. Previous research has shown that pay schemes

that reflect business success can motivate executives to act in the best interests of investors. This study analyses primary data from Nigerian top executives to give current information into corporate governance procedures and challenges in a growing country. The research seeks current insights into these practices and issues.

## **Hypotheses and Theoretical Framework**

The connection between principals and agents and data asymmetry constitutes the paradigms of theory upon which the paper is based. It proposes that effective governance of businesses can mitigate the disparity in information, thus limiting the greed of managers. The research specifically investigates the function of performance-associated compensation for executives in that setting, positing that such systems of compensation may link the goals of leadership via those of investors, thereby reducing opportunist behaviours.

**H1: Information imbalance is negatively correlated with the ratio of CEO compensation and benefits.**

It posits that a greater allocation of performance-oriented incentives and benefits to the CEO will mitigate the information gap by matching the CEO's values to those of the stockholders, thus discourage opportunities to act.

**H2: Long term incentive by CEO correlated with the long-term reward composition of CEOs.**

It posits that CEOs will be motivated to prioritise the long-term growth of the company by over time promotions, like option grants or reward plans. This will reduce their propensity for engaging in impulsive actions that may result in quick profits in favour of future stability.

**H3: The imbalance of information is negatively correlated with executive incentives and advantages (with the exception of the CEO).**

He subsequently expands the investigation to include other senior managers, suggesting that performance-oriented systems of pay for these managers will also reduce the imbalance in information by encouraging behaviours that are consistent with shareholder goals.

## Measurement and Variables

These hypotheses are tested through the use of multiple regression analyses in the study. The factor that is dependent was asymmetry of data, determined by the number of analysts who make revenue projections for the company, which is known as experts' follow. For data inequalities, Report Phrase analysts' followings are a suitable proxy, as increased coverage by analysts correlates with decreased data disparity and increased transparency.

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