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## THE CONCEPT OF A FLEXIBLE ENTERPRISE

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### ABSTRACT

*In the wake of globalization of business, the enterprise is supposed to be highly adaptive, responsive and agile. This paper presents the conceptual framework for a flexible enterprise in terms of its definition and composition. The SSS (Strategy-Structure-Systems) framework is used as a basis to propose the concept of a flexible enterprise. It provides a selective review of various aspects of flexibility in the enterprise. A flexible enterprise is supposed to have flexibility at the levels of strategy, structure, systems and people. The various types of flexibility in an enterprise such as strategic flexibility, organizational flexibility, human resource flexibility, marketing flexibility, financial flexibility and information systems flexibility are conceptualized and illustrated in the paper. The paper presents the concept of a flexible enterprise with the help of case examples on various fronts. Some important cases referred in the paper are that of ABB, Nokia, Hero, E-Education Industry, Priceline, Dell, Microsoft and so on.*

**Keywords:** Enterprise flexibility, Flexible enterprise

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### Introduction

The handling of paradoxes and strategic dilemmas is a major concern in the modern day organizations. One major strategic dilemma is that, whether to move ahead on the lines of continuity or to initiate change for progress. The traditional strategic management thinking went for an 'either-or' framework, i.e. to either choose continuity or change. Conventionally, under the stable environment, the strategic thinkers as well as practitioners preferred the strategic route of continuity. But the forces of competition and globalization have proven to be dominant to let the strategic choice heavily tilted towards change in the last two decades. Both continuity and change have a lot of promise to offer for the growth of the enterprise and opening new vistas of opportunities and possibilities, and it's a challenge to strategically leverage each one of the opposing forces together. The post-modern management thinking, in general, is tilted towards a 'both-and' approach rather than the conventional 'either-or' one. The paradigm of flexibility in general and strategic flexibility in particular provides the philosophical basis and act as fountain head for channelizing the flowing stream strategy framework (Sushil, 2005). This paper first clarifies the concept of flexibility in general terms and then builds the concept of flexible enterprise.

Flexibility has multiple connotations as per the situation, some of the important ones are: adaptiveness to the changes in the environment; adjustment to situation; agility in action; amiability in relationships; autonomy in functioning; balance in competing opposites; broadening of mind; compromising for betterment; contingency in planning; customizing solutions; elasticity under tension; freedom of thought and expression; informal attitude; liberalization from controls;

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localness in organization; openness in thinking; resilience in implementation; responsiveness to customers' requirements; variability in parameters and specifications; mobility in transactions; and versatility in solutions and operations. This is only a representative list and many more connotations of flexibility can be identified and added to it (Sushil, 1997, 1999).

### **Flexibility in Management**

The concept of flexibility is multi-dimensional in nature. To grasp and explain such a multi-dimensional concept, the concept of paradox/continuum is used. A paradox is in the form of a pair of polar opposites: a thesis and an antithesis, forming a continuum from thesis to the antithesis, for example, above-below, light-dark, male-female, etc. In the organizational context, some leading paradoxes or dichotomies are centralization-decentralization, continuity-change, stability-dynamism, and so on. If we treat the thesis as rigidity, then can we say that the antithesis is flexibility? Is flexibility the opposite of rigidity? These are the basic questions that would clarify the concept of systemic flexibility (Sushil, 2000b).

By simply moving from the thesis to the antithesis, we need not necessarily bring flexibility; rather the system may lose its identity if pushed to extreme antithesis. For example, if an organization with high degree of centralization opts for the antithesis, i.e. extreme decentralization, it may lead to disintegration or fragmentation of the organization as was experienced by HP and Motorola, who ultimately opted for recentralization. HP, prior to merger of Compaq, adopted restructuring to recentralize it from a number of divisions to four divisions only: two on the front end for corporate and individual customers; and two on the back end for computers and peripherals. A flexible organization would be a "collective", bimodal or multimodal organization having centralization and decentralization at the same time and changing their degree over time as per the requirement.

"Flexibility is the exercise of free will or freedom of choice on the continuum to synthesize the dynamic interplay of thesis and antithesis in an interactive and innovative manner, capturing the ambiguity in systems and expanding the continuum with minimum time and efforts" (Sushil, 1999).

This definition of systemic flexibility involves three keywords:

- i. Options
- ii. Change
- iii. Freedom of choice

Hence, in order to define flexibility in any area we can identify the following:

- What is the range of "options" created in the process or systems? These can be mapped on the continuum ranging from the thesis to the antithesis.
- What types of "change mechanisms" or dynamic synthesis are created for continuous renewal and adaptation? These can be listed down according to the process or system under consideration.
- What are the domains of "freedom of choice" of participating actors? These can be identified in terms of various actors involved in the problem context. Let us take the example of a flexible organization on the following continuum.

Centralization ————— Decentralization

*Options:* A rigid organization would choose the extremes, whereas a flexible organization will have a range of options from centralization to decentralization at the same time. It may have:

- Highly centralized financial control systems as well as
- Highly localized cross-functional teams to respond to customer requirements.

**Change:** The flexible organization may create organizational architectures to learn, renew and adapt over time such as:

- Cross-functional teams with distributors and customers
- Dialogue projects
- Quality circles
- Suggestion schemes
- Knowledge management systems.

**Freedom of choice:** The flexible organization creates a set-up to provide more external freedom to managers and releases their internal freedom (from biases) by creating a learning organization. They may have freedom to choose their projects, teams, approach and tools.

### Types of Flexibility

Further, there are various types of flexibilities in an enterprise, such as strategic flexibility, organizational flexibility, financial flexibility, manufacturing flexibility, information systems flexibility, marketing flexibility, operational flexibility, technology management flexibility, and so on. Under each category, there are further many types of flexibilities. For example, the manufacturing flexibility encompasses product flexibility, process flexibility, volume flexibility, routing flexibility, tooling flexibility, labor flexibility, static flexibility, dynamic flexibility and so on (Sushil, 2000).

Similarly, financial flexibility would incorporate outlay flexibility, investment flexibility, flexible budgets and flexible exchange rates to hedge the risk and uncertainty around. The organizational flexibility deals with flexible structure and processes, and flexible work processes like flexi-time and flexi-place.

Depending upon the variety and speed combination, the flexibility could be of four types, viz. static flexibility (low variety-low speed), operational flexibility (low variety-high speed), structural flexibility (high variety-low speed) and strategic flexibility (high variety-high speed) (Volberda, 1998). The flexibility dimensions provided by e-Education industry are shown in Table 1.

Table 1: Flexibility Dimensions provided by the e-Education Industry

Dimension of Flexibility	External Flexibility (For outside world, competitors and customers)	Internal Flexibility (Internal management and employees)
<i>Adaptiveness</i>	Adapting to the Global Standards of IT Education	Adapting to flexible hierarchies in the organization in the new business model
<i>Responsive-ness</i>	Responsiveness to customer's needs of "anytime, anywhere" education	Responsiveness to individual employees' needs to have a better quality of life
<i>Elasticity</i>	Expanding markets-domestic as well as global	Elasticity in the definition of roles and responsibilities of key managers (focus on innovation and stretch)
<i>Agility</i>	Faster change in education contents and style	Faster hiring, and firing too.

### Enterprise Flexibility: A Conceptual Framework

"Enterprise flexibility means creating *options* at various levels in the enterprise, developing ways and means of *change* across the range of options, and providing *freedom of choice* to



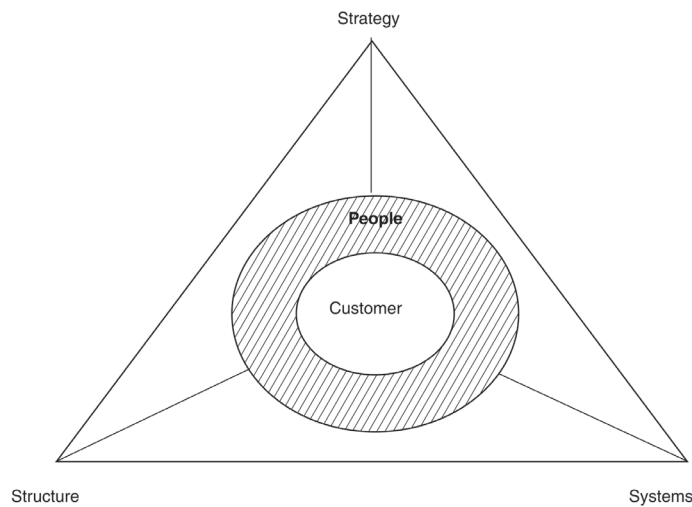
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various actors in the enterprise to make this change happen with minimum time and efforts.” (Sushil, 2001b). Select continua of enterprise flexibility are given below.

**Select Continua of Enterprise Flexibility**

Centralization	-----	Decentralization
Bureaucracy	-----	Adhocracy
Hierarchy	-----	Network
Formal	-----	Informal
Closed Systems	-----	Open Systems
Monolithic	-----	Plural
Procedure	-----	Innovation
Specialization	-----	Multiskilling
Simple	-----	Complex
Continuity	-----	Change
Gradual	-----	Radical

The enterprise triangle of Strategy-Structure-Systems (SSS) is shown in Figure 1, which is used as the basis for developing the concept of a flexible enterprise.



**Figure 1: The Enterprise Triangle**

Let us take the example of enterprise flexibility in terms of the options created by **Maruti Suzuki** to withstand the competitive pressures so far, as given below:

- 15 models with almost *82 variants* aimed at both the domestic and the export markets.
- Product variants to suit the needs of customer groups.
- Product range covers a broad spectrum of market segments starting from economy to luxury segment.
- Continuous upgradation of products to offer “Value for Money” to the customers.

The crucial make or buy decisions have been made by **Tata Motors** keeping in mind various



aspects.

- Global shopping has brought off the shelf products without a premium for customization.
- Changes can be made by using Tata Motors in-house capabilities.
- Tata Motors sourced design from Italy (IDEA), engine from France (*Institut Francais de Petrol*) and integrated them using its engineering skills.
- The assembly line was imported from Nissan, Australia (second hand) and modified to suit local requirements.
- Target costing was employed to contain component costs.
- Innovative logistic management techniques (optimum container size to hub, daily delivery to factory) are being used.

The Situation-Actor-Process (SAP) model (Sushil, 2001, 2001a) of the enterprise triangle is shown in Figure 2. In this model, Customer represents the Situation, People act as Actor, and SSS are the Process dimensions. The Options Field in terms of actions to create enterprise flexibility on different dimensions is exhibited in Table 2.

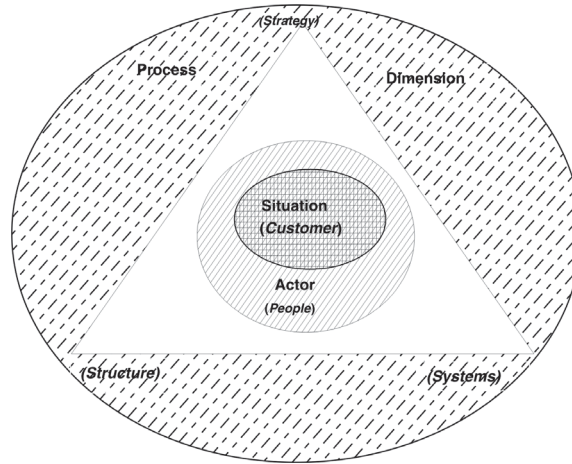


Figure 2: SAP Model of Enterprise Triangle

Table 2: Actions to Create Enterprise Flexibility in Different Dimensions

Strategy	Structure	Systems	People
<ul style="list-style-type: none"> <li>• Shared vision</li> <li>• Entrepreneurial strategies</li> <li>• Dynamic balancing of paired opposites</li> <li>• SAP-LAP (Situation-Actor -Process-Learning-Action-Performance) Paradigm</li> <li>• Open environment</li> <li>• Paradoxical Strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Fluid and Flexible structure</li> <li>• Flatter and networked organization</li> <li>• Informal organization</li> <li>• Localness and collective organization</li> <li>• Open communication</li> </ul>	<ul style="list-style-type: none"> <li>• Process oriented systems</li> <li>• Knowledge based learning systems</li> <li>• Customer oriented systems</li> <li>• Self-organizing teams</li> <li>• Systems balancing paradoxes</li> <li>• Systems thinking</li> </ul>	<ul style="list-style-type: none"> <li>• Learning environment</li> <li>• Multiskilling</li> <li>• Empowerment</li> <li>• Cultural Diversity</li> <li>• Innovation Culture</li> <li>• Creative tension</li> </ul>

The enterprise triangle is used as a base to identify various types of flexibility in the enterprise. The strategy dimension relates with 'Strategic flexibility', the people and structure dimensions connote the 'Organizational flexibility' and the systems dimension relates with a variety of flexibilities in different systems such as 'Financial flexibility', 'IS flexibility' and



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'Manufacturing flexibility' as shown in Figure 3. The different types of flexibility act as cornerstones of creating a flexible enterprise, as shown in Figure 4 (Sushil, 2000). The hierarchy of various types of flexibility is shown in Figure 5. In the subsequent sections, definitions, purpose and best practices of various types of flexibility in an enterprise are summarized.

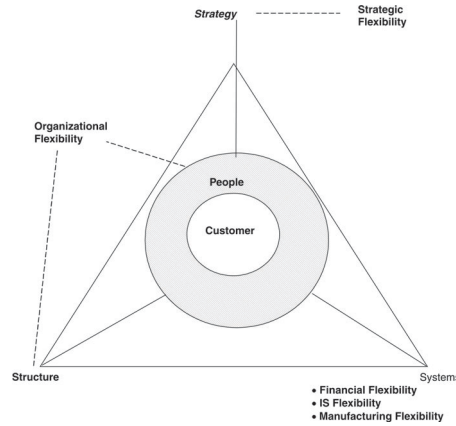


Figure 3: Types of Flexibility in Enterprise Triangle

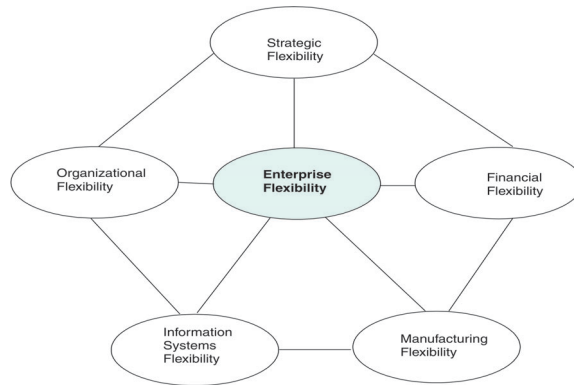


Figure 4: Cornerstones of Enterprise Flexibility

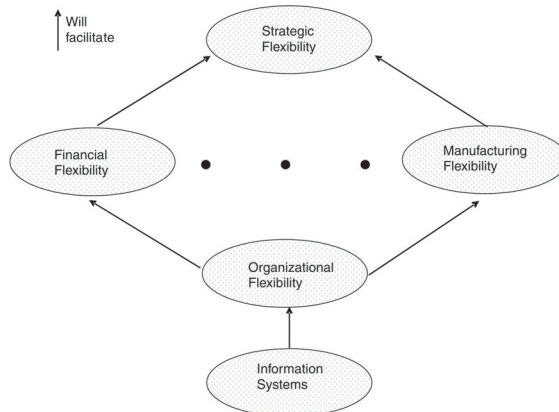


Figure 5: Hierarchy of Flexibilities in an Enterprise



### **Strategic Flexibility**

The *strategic flexibility* provides transformational capability in terms of perpetual renewal of the enterprise as well as dynamic balancing of the paradoxical strategic options. This provides openness, focus, change and resilience in the strategy formulation and implementation like a flowing stream. The case-let of Hero Group of Industries in India is discussed below highlighting strategic flexibility exhibited on various fronts.

#### **Hero group**

Hero displayed strategic flexibility in making earnest attempt to give real time fast response to changing environment (Customers' needs and competitors' moves) and there was continuous interaction between environmental turbulence and strategy formulation and Hero's responsiveness to environmental change. It also required reframing of strategies at several stages, which are mentioned as under:

- Hero hived off the engine making unit of Hero Motors to another joint venture Hero Briggs and Stratton. This resulted in conversion of fixed costs to variable costs, which has reduced break-even point of Hero Motors, which would in turn given boost to bottom-line. This strategy can be called organizational restructuring.
- It established exclusive dealerships in the south, the biggest moped market and one where Hero had negligible presence. This strategy aimed at increasing marketing efforts in new territory to follow the leader – TVS Suzuki.
- Hero planed to go beyond mere consolidation. Hero tied up with BMW to sell high-end bikes. It was radical experiment. A company, which was operating in high volume, low value markets wanted to venture in a high value, low volume business. This is clear evidence of adaptability and flexibility of Hero to move to diagonally opposite ends of product and market matrix.
- For starting new venture of scooters, the logic was that moped market was crowded with several players, but scooters market has an overwhelming presence of only two players– Bajaj and LML, along with TVS- Suzuki's Spectra. This strategy implies charting into new market with now product having some synergy with existing product lines – Motorcycles and Mopeds

#### **Purpose**

To generate growth and renewal capabilities under an environment of complexity and chaos enabling management of strategic paradoxes.

#### **Best Practices**

- Incorporating emergence in the planning
- Entering into new market spaces
- Managing confluence of continuity and change
- Redefining the enterprise and the industry
- Reinventing the strategy
- Creating strategic architecture
- Developing scenario planning
- Evolving the shared vision
- Entering into alliances and strategic networks

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- Strategically changing the scope by mergers and acquisitions
- Corporate restructuring
- Developing new business models and implementing e-business architecture
- Building innovative products and services
- Redefining bases of customer value
- Quick launch of new products and services
- Providing new knowledge based services

#### **Organizational Flexibility**

The *organizational flexibility* is the change making capability of the organization in its structure, processes, people, and culture, so as to carry more than one option on the same continua at the same time and to dynamically interplay across the organizational options.

#### **Purpose**

To provide change preparedness, learning and adaptation for organizational transformation.

#### **Best Practices**

- Creating empowerment and localness of decision-making
- Developing multi-skilling across the organization
- Institutionalizing organizational learning
- Leading management of change
- Creating innovative culture
- Working through self-organizing cross-functional teams
- Organizational restructuring
- Reengineering business processes
- Becoming a Total Quality Organization
- Downsizing and delayering the organization
- Designing a network and virtual organization
- Implementing dialogue projects and suggestion schemes
- Acquiring, sharing and storing the knowledge
- Integration and interconnectedness for creating a boundryless organization
- Disaggregating and re-aggregating the value chain
- Cross-cultural management
- Experimenting flexi-time, flexi-place and telecommuting

#### **Financial Flexibility**

The *financial flexibility* can be defined as exercise of freedom of choice within the framework of Government monetary and fiscal policy, capital market regulations, investors risk-return preferences and corporate strategy to evolve the financial processes with versatility, adaptiveness and transparency so as to have better resonance with the business environment.

**Purpose**

To generate more financial options and change across these options under-turbulence so as to enhance financial performance and manage risk.

**Best Practices**

- Defining a range for financial ratios
- Account for multiple future financial options and compute modified discounted cash flow incorporating alternative options
- Generating new instruments by integration of debt and equity
- Implementing flexible interest rates
- Flexible exchange rates
- Planning flexible budgets
- Flexible pricing to suit the customer
- Following activity based costing
- Venture capital financing to promote entrepreneurship
- Providing multiple dividend options
- Developing a flexible capital Structure

**Information Systems Flexibility**

The *information systems flexibility* (IS) the capacity of the information systems to change or to adapt and adjust in response to new conditions, demands or circumstances both within and outside the enterprise. It is composed of both systemic flexibility (flexible for organization requirements), and usage flexibility (flexible for usage) (Palanisamy and Sushil, 2003).

**Purpose**

To make the information systems (IS) more active and intelligent to enable organizational change and generate competitive advantage.

**Best Practices**

- Designing network based IS
- Utilizing the power of Internet
- Using client-server architecture
- Introducing e-business architecture
- Implementing integrated IS within and beyond the enterprise
  - Enterprise Resource Planning
  - Supply Chain Management
  - Customer Relationship Management
- Providing an environment for end-user computing
- Distributed and parallel processing
- Experiencing virtual reality /Video conferencing
- Implementing knowledge tone applications



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- Providing higher connectivity, compatibility and upgradability
- Building artificial intelligence in IS
- Implementing knowledge based decision support and management support systems
- Involving users in planning, analysis and design of IS
- Utilizing the convergence of technologies effectively

#### **Manufacturing Flexibility**

The *manufacturing flexibility* is the ability of the manufacturing systems to change or adapt to both external and internal conditions with minimum time and efforts (Sharma and Sushil, 2002).

#### **Purpose**

To be able to manufacture as per the changing customer requirements with agility and at a low cost so as to gain competitive advantage by reducing the cycle time.

#### **Best Practices**

- Implementing flexible manufacturing technology, such as CNC machines, Flexible Manufacturing Systems, Automated Guided Vehicles, Robotics etc.
- Implementing manufacturing resource planning and Enterprise resource planning systems
- Enhancing labour flexibility
- Integrating just in time manufacturing and TQM
- Carrying out R&D for manufacturing innovation
- Making job rotation and multiskilling a routine
- Designing flexible manufacturing cells and using group technology
- Integrating IT for computer integrated manufacturing
- Building artificial intelligence in manufacturing systems
- Effective supply chain management

#### **Case Studies**

##### ***Restructuring of ABB***

The president and chief executive officer of ABB moved aggressively to build a new organizational model for tomorrow; an exemplary model for companies both Indian and foreign. Here, a brief analysis of this model is provided in terms of the factors which led to its development as a flexible organization. It deals with the restructuring of top level management at ABB from a slow, inflexible, bureaucratic structure towards a flexible, dynamic and open system.

Percy Barnevik (Ex. CEO and President ABB) created a structural foundation of small frontline units. He reconstructed ABB as 1300 little companies that operate individual businesses, acting as the company's profit centers and building blocks of organization. ABB's matrix requires the managers of each frontline unit to report to both a regional manager and a worldwide business head. Project teams consisting of an entrepreneur with an idea and a small team that believes in it, grow into departments. They control their own balance-sheets, borrow money independently and retain a substantial portion of their savings.

The three paradoxes that have been synthesized in this restructuring matrix are:

Centralization ----- Decentralization



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The new structure gives high degree of autonomy to project teams on the one hand, and gives control in the hands of top management to shake up operating units that have become stagnant or unprofitable on the other.

Global ----- Local

The company is having a global strategy and local delivery mechanism through operating units.

Vertical ----- Horizontal

The organization is having a matrix structure comprising of vertical integration with business areas and horizontal integration with regional units.

### **Nokia**

Nokia made the major strategic decision to divest its non-core operations and focus on telecommunications. The keywords of systemic flexibility, i.e. options, change and freedom of choice are illustrated in this case let.

#### *Options*

*The Roll-out Management Package:* has been created for the customer if he desires independence from his system supplier, has sufficient in-house competence, and would like to take advantage of Nokia's Project Management expertise.

*The Time-to-Market Package:* is designed for the customer if a quick entry into the market is a main priority, but he would still like to maintain responsibility over Network Planning. With the Time-to- Market Package, he has a secured launch date, a single interface with his system supplier, can focus on his core business and has lower fixed costs.

*The Turnkey Responsibility Package:* can be opted by one who may select a total system supplier and will not be actively involved in the roll-out of his network. Instead, one can keep focus on his customers. The benefits can be manifold: lower risk for the cost schedule and network performance, one-stop shopping, and focus on core business.

*The Telecom or Datacom Deployment Package:* This package could be the right choice for the person if he desires independence from the system supplier, has the technical competence in-house and would like to maintain the responsibility and decisions regarding partners and subcontractors to himself.

The other opportunities available are:

- Opportunities for making the most out of the new technologies.
- More modularity for plugging in new applications.
- More openness for easier integration of new applications.
- More flexibility for managing combined second generation (2G) and third generation (3G) networks.
- More scalability for making a smooth migration to 3G.
- More efficiency for handling 3G complexity.

#### *Change*

Equal opportunity is a key part of the Nokia way. Nokia invests in the personal and professional learning of all its employees. Its target is to learn something every day and to secure the

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continuous learning of the entire team. Nokia also considers the balance of the personal and professional lives of its employees to be important.

As one of the fastest growing telecommunications companies in the world today, much of Nokia's growth can be attributed to its strength and presence in the world's fastest growing economies, the emerging markets. Capturing the lead in these markets, Nokia has advanced on competition with innovative technologies such as the introduction of the first Asian language interface in mobile phones and with the erection of new production facilities in Brazil, Hungary and China.

### *Freedom of Choice*

Freedom of peaceful assembly and association as well as freedom of thought, conscience and religion are respected in everyone's actions at Nokia. Freedom of opinion and expression are very much in line with Nokia's open and straightforward way of working and its corporate value, "Respect for the Individual."

To remain successful, Nokia provides and encourages teamwork, and the strength that comes from diversity. Working in a multicultural environment is considered to be an advantage and privilege.

### *Learning Issues for the Case Company ABC*

A case study of a new IT company in Indian context (ABC) was done to analyze unusually high degree of flexibility provided in the enterprise. The name is changed for the sake of confidentiality. The learning issues for the case company are presented both in the form of critique and advantages of providing high degree of flexibility.

#### *Critique*

- In absence of clearly defined policies, there is a state of confusion among employees who are relatively new in the company. Since jobs are not clearly defined, each consultant is told to find/create his/her own position in the company, initially it creates a lot of anxiety.
- Consultants coming from other environments usually find it difficult to adjust as it is difficult to believe such a system is possible. These consultants are used to basic handholding. They expect someone will be supervising their work and when they do not find anyone above them it becomes uneasy.
- People normally take this philosophy as a stunt. Since the organization is new, the management is facing a Herculean task in convincing the employees that it means what it says. Whereas, all those who want to join the organization, have a looming suspicion in their mind that there must be some catch.
- Perceived loss of authority for aspiring consultants may be a barrier for entry for some good consultants. The no hierarchy philosophy of the organization creates an embarrassing situation for senior members of the industry where they cannot *order* anybody to do a job. In this system they have to convince the other person that by doing that job, it is going to help all concerned.
- Lack of clarity about assessment of performance also creates confusion about a raise. This is one of the most difficult problems that the organization is facing. Most of the time, since no one is monitoring the performance, it is very difficult to benchmark one's own performance. The maturity level of each consultant has to be very high to appreciate the power of such a system.

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- A slight over commitment can be very costly. As it has been proved, in such a scenario, the consultant's expectations grow exponentially. Since each one of them is empowered and sees a chance of growth. In such scenario, if the consultants are not made aware of various constraints and barriers to growth, they might develop a distorted understanding of the situation and become frustrated.
- There is a potential danger of raising the expectation levels of consultants beyond control.
- Investment in training and development of personnel is higher to begin with. The time that an individual takes to adjust into the environment is added to the learning curve of the individual. Till a consultant is comfortable in the environment, the output of that consultant is not optimum and there is an apparent lack of initiative from within.

#### *Advantages*

- **Long-term gains:** After initial period of confusion and state of indecision, when a consultant collects enough evidence that company means what it says, the commitment level of each consultant increases. As there is a scope for acquiring new skills, consultants enter into a long-term relationship with the organization.
- **Positive contribution from all employees:** The thinking and attitude of workforce turn positive. Consultants take pain to ensure those organizations' values and beliefs are not being exploited. Each consultant is always ready to help another in all possible ways.
- **Timely and correct feedback:** As the entire group observes, including management, consultant gets timely feedback about his/her performance and where should he/she focus.
- **Equal distribution of workload:** As the system is open and project manager is only a functional responsibility and most of the work is divided by a combined opinion of the team, the work load is not only uniform but is also balanced on the basis of the skill level of individuals.
- **A very healthy environment for work:** A good and open working environment has been provided, where management supports all new ideas and encourages the spirit of innovation and entrepreneurship. Problems and shortcomings are identified by the group and sorted out without intervention of management. Management only observes and is perceived as a monitoring authority. The environment promotes a very healthy competition among the employees which is reflected in the performance and the quality of the work produced.
- It is very easy to implement a new policy as everybody feels the need of it. Since all decisions are taken involving each employee, it becomes easy for management to implement a new policy or procedure.

#### **Creating a Flexible Enterprise**

According to SSS model of the enterprise, a flexible enterprise can be created by regenerating the strategy, restructuring the organization, reengineering the systems, reawakening the people and recreating the culture as shown in Figure 6. The flexible business designs are created by changing value drivers, creating operational excellence, continuous innovation excellence, generating strategic options, and integrating operations and systems. The new business models would create a flexible enterprise in terms of enhanced 'options' to both the customers and the enterprise operations, quicker 'change mechanisms' to adapt and synthesize options, and more 'freedom of choice' to all concerned.

#### **Flexible Business Designs**

The flexible business design demands expansion of the economic model as building digital



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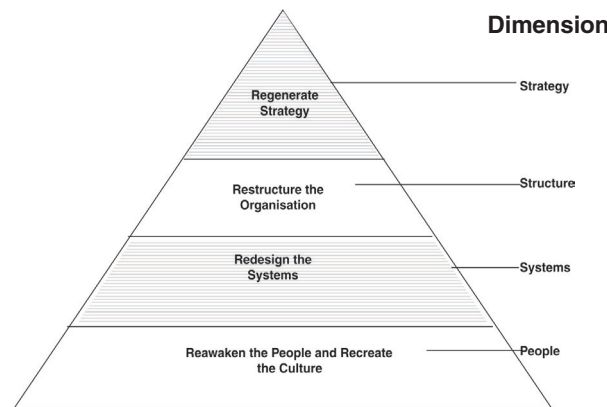


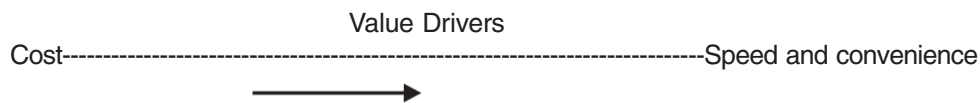
Figure 6: Transforming the Enterprise with Flexibility

brands around customer experiences are expansive. It demands to go for a number of different sources of revenue and adopting several different economic models to succeed.

- **Priceline**, for example, combines the “retail” and “media” models and therefore enjoys economics that are vastly superior to those of other travel agencies, both on-and off-line. Applying the retail model, the company aggregates suppliers of travel services, such as airlines. Applying the media model, it “monetizes” its audience to third party advertisers by suggesting products and services to its customers.
- **Dell** also combines two models-the “made-to-order manufacturing” and “do-it-yourself”models. The company offers computers shoppers an unparalleled choice of features and permutations. In addition, its on-line menu and instructions guide consumers through a selection process that is speedier and less prone to error than one handled by live customer service representatives. For Dell, the superior process is also less costly (Kalakota and Robinson, 2000).

**Changing Value Drivers**

In the new competitive business, the traditional definition of value is challenged. Though price remains an important factor in the new business models, certain new value drivers have gained prominence, viz. speed, convenience, personalization and experience.



- Speed
- Convenience
- Personalization
- Experience
- Price
- Service Excellence



- A significant example of service excellence is “**American Express**” which has moved to e-



business design from the traditional design. The key trends in this case are shifting from a product focus to a customer focus, and changing the rigid and functionally oriented systems to flexible and integrated service applications.

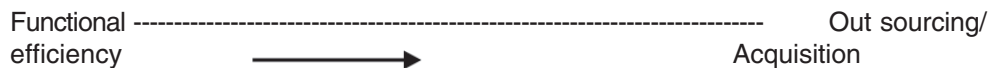
**Operational Excellence**

There is a shift taken place from a low-cost framework to provision of high quality customized solutions with speed and at reasonable price. An excellent example here is the case of **Dell**, which has followed a 'build-to-order' business design.



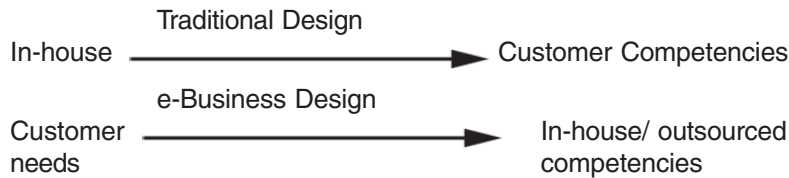
**Continuous Innovation Excellence**

Some enterprises have shifted the focus of innovation from functional efficiency to outsourcing or acquisition. **Cisco Systems** effectively depicts the new model of continuous innovation organized around networks and interdependencies of partners.

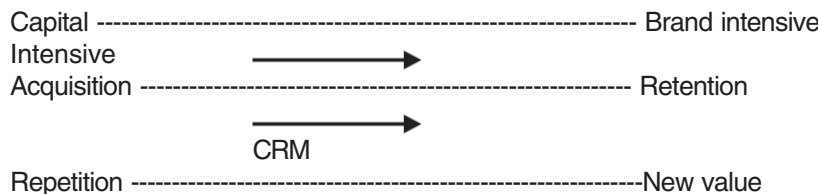


**Strategic Options**

Flexibility is created in enterprises via a variety of new strategic initiatives so as to adapt and respond to global change and competition. In the flexible design, the customer comes first and the competencies, both in-house and outsourced are developed to meet the changing customer needs.



- The processes adopted in **Microsoft** are flexible for all kinds of product development, be it operating systems or browser development or even for that matter e-commerce applications. Microsoft adopts a flexible approach towards its new products and leaves place for future solutions to be plugged in. The Internet Explorer is one such product that elucidates this approach. To counter Sun Microsystems Java language and Java enabled browsers for display of colorful and active graphics, Microsoft had changed the rules of the competition by making browser engines that were plug-and-play. So, it was easy for Microsoft to handle this external challenges as the browsers could be made Java enabled with a simple add on module.



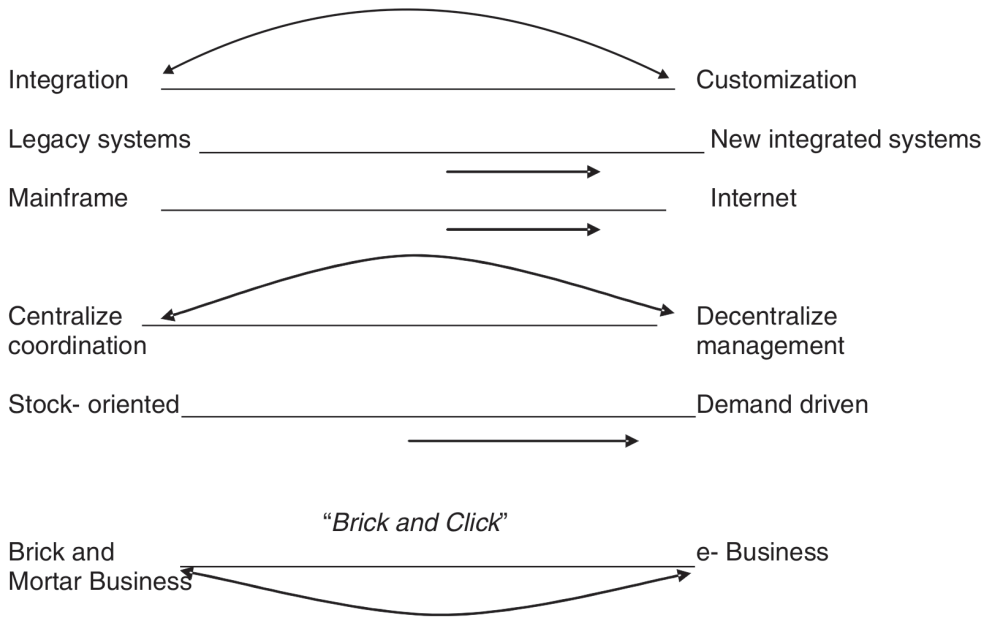


*The Concept of a Flexible Enterprise*



**Integrating Operations and Systems**

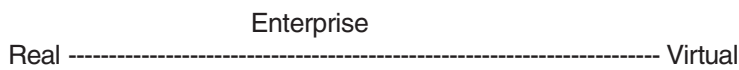
A significant duality in the working of enterprises is of customization v/s integration. The flexible e-business enterprise is bimodal and is able to generate value by both customization and integration.



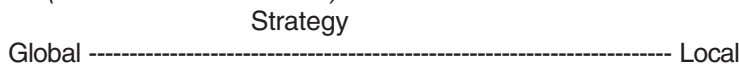
**Future Enterprise**

The future flexible enterprise would be a synthesis of the thesis and antithesis on multiple planes taking the 'both-and' approach rather than the 'either-or' approach.

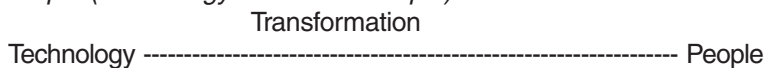
*Reatual (Real as well as Virtual)*



*Glocal (Global as well as Local)*



*Technople (Technology as well as People)*



**SAP-LAP Model of Enterprise Transformation**

The SAP model of enterprise flexibility consists of a situation that is transforming, actors that exercise freedom of choice and processes that are adaptive in nature. The SAP-LAP model



(Sushil, 2000a) of enterprise transformation in terms of critical questions is given below.

#### *Situation*

- What are the key *external drivers* of enterprise transformation?
- What are the key *internal drivers* of enterprise transformation?
- What are the *enablers/inhibitors* of enterprise transformation?

#### *Actor*

- What are the *worldviews* of the key actors about transformation?
- Have the relevant *cross-functional teams* been developed?
- Have the actors been facilitated and motivated for *collective learning* and *knowledge sharing*?

#### *Process*

- What are the *key business processes* that need to be transformed?
- How the business processes can be transformed using *new technology* to create a *new business model*?
- Which business processes can be *outsourced* to reinvent the enterprise?

#### *Learning*

- What are the *key drivers* of change demanding transformation of the enterprise?
- Are the actors *prepared* for accepting and working to support transformation?
- What is the *purpose* of enterprise transformation?

#### *Action*

- How to *imbibe new technology* in the business processes to transform them?
- How to change the *mindset* of actors?
- How to *reinvent* the strategies and *redesign* the systems?

#### *Performance*

- In what way transformation will affect the *customer value*?
- On what fronts *speed* will be affected?

#### **Conclusion**

In order to deal with the dynamic and turbulent business situation, the enterprise is supposed to be flexible on the fronts of strategy, structure, systems, people and culture. A flexible enterprise can be created by adopting the framework of Flowing Stream Strategy for managing the continuity and change hand-in-hand. The continuity and change need to be synthesized at the level of strategy, structure, systems, people and culture. The key channels for such integration are: divert, shift, partition and integrate (Sushil, 2007).

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