

REQUIRED FEATURES OF THE MODERN ENTERPRISE – NEW CHALLENGES FOR MANAGEMENT SCIENCES

Dr. Sławomir Czarniewski

University of Management in Białystok
Ul. Sobieskiego 3A
15-013 Białystok,
Poland

Abstract:

Contemporary organizations must usually operate in conditions of much greater environmental volatility than in the past. This environment is always changing, but nowadays the pace of change has taken the form of a geometric progression. In such a situation, the challenge for modern management science is to seek solutions in organizational structures and management systems that meet the requirement of flexibility. Flexibility, understood as the ability to change quickly, is essentially expressed as the ability of a system to react to disturbances by external impulses to its existing stability. A reaction of this type means that the system, or organization, is able to adapt (change) its structure and mode of action by accepting various forms and formulas of execution. The aim of this study is to show the desired features of a modern organization as a response to the volatility of the market environment. The author of this study would also like to signal new challenges for management science arising from the business processes mentioned above.

Keywords: management, flexibility of enterprises, competition, business model, market.

Introduction

Each organization, regardless of its awareness of this challenge, tries to ensure its existence and growth by improving its processes, structures, organizational culture and other operational systems to adapt to the environment in which it functions. The degree or level of this awareness affects the strategies used to adapt to change, and as a result, the ability to achieve desired states.

A new phenomenon characteristic of the operating conditions of modern organizations is the pace and nature of change. These changes are more radical and lacking in pattern, making it difficult to respond to them effectively. This is due to an ever-new quality and impact of external factors, that in the past had no or little causative stimulus to enact such change.

This new reality requires actions with a high level of flexibility, mobility and creativity by the enterprise. Undoubtedly, real processes of adaptation do not proceed by leaps and bounds from one extreme to the other - usually this takes an evolutionary course. The problem in today's reality lies in the fact that the limited time allowed for reacting to change triggers new and previously unknown problems in the social sphere of the organization. Such problems include: stress caused by a feelings of lack of permanence of one's own competences, difficulties in identifying one's own position and role, intensification of competition, and tensions caused by the accumulation of crisis situations.

Research Methodology

Modern enterprises operate by "maneuvering" between stability (of goals and strategic plans) and chaos in the environment. As a result of turbulence, new opportunities to expand their activities, according to an existing or modified business model, may appear. However, enterprises must learn how to use those chances.

The above mentioned issues, related to the flexibility of companies, are the subject of analysis in this study. The aim of this article is to present the idea of a flexible enterprise as a concept of management that integrates two sides of business reality: stability and chaos.

The study method used was descriptive analysis based on extensive literature review. The theoretical achievements included Polish and foreign, mostly English – language sources, on the mechanisms of competition (flexibility) in business. The use of foreign literature was necessary because of the dearth of Polish studies on the topic. This enriched the arguments and discussion of new aspects, and allowed presentation of the research problem in a broader perspective.

The category of openness in business

In the literature of economics, openness constitutes the subject of investigation in the context of national economies. Much empirical evidence suggests that open economies develop faster than autarkic ones. The same may concern specific economic entities - expanding enterprises are usually those which are open to change.

In the literature on modern IT solutions, attention is mainly drawn to openness in terms of ways to disseminate knowledge, mentioning tools used to grant users complete knowledge of technologies being used. The enormous popularity of open IT solutions around the world is a signal that limiting the perspectives of the IT market exclusively to the mercantile sphere is a narrow approach that presents an incomplete picture of the real development phenomena in this industry. Openness of standards (hardware and software) allow the sharing of full specification and / or technical documentation for free.

The concept of openness is also seen in marketing literature. It is used in relation to the openness of verbal and visual metaphors used in marketing communications. Here, openness is understood as a number of specific thoughts that a person has as a response to expressions contained in an advertisement (Lagerwerf & Meijers, 2008, pp. 19-30).

It should be noted that the fundamental features of an open society are hope and the seeking of truth, and of a closed one - stability and predictability. A closed society, based on solid, intolerable principles, is oriented on the past, while an open society focuses on the continuous creation of the future. An open society is characterized by a multiplicity of interests, which is perceived as a fixed part of the whole system, and which have to work with one another in peace to build a whole. A closed society opposes the establishment of priorities for itself, and is oriented on creating a collective.

In a systemic approach, the enterprise is a part of the environment, an unstable space of actions and mutual interactions occurring between participants of the system. Functioning in the environment by overcoming barriers and limitations is a sign that there is openness within the organization, as well as openness outside of the company. Through organizational processes, individual and team efforts to open up to and learn about change may lead to the awareness by the organization to the necessity of change, and consequently to its acceptance (perceived as opportunities), as well as to the acceptance of uncertainty (Hu, Blettner & Bettis, 2011, pp. 1426-1436).

The category of openness in business may be associated with the open innovation model. The open innovation model assumes not only sharing knowledge with the environment of the enterprise, but also acquiring new solutions in this environment through the purchase of

licenses and patents, strategic alliances, company networks and many other solutions of organizational and legal nature that are conducive to such openness. The assumption of this model is that enterprises cannot rely solely on their own innovative potential. They should try to acquire innovative solutions from other companies and share their own innovations – both solutions which have been implemented, and those that for some reason have remained unused – to other entities under certain conditions.

The concept of open innovation was first used with large organizations. They have considerable experience cooperating with universities and R&D centers that have laboratories and financial institutions which are generally more willing to engage in projects undertaken by large companies.

The concept of open innovation can also be of great importance in relation to small and medium-sized enterprises. These companies do not have their own laboratories or design studios, they also do not possess significant financial resources for investment purposes related to innovations. On the other hand, owners and managers of such companies often have vast experience in the field of communication and introduction of new products to the market. This is connected, in many cases, with being able to properly diagnose market needs and having a wide network of contacts with customers.

Thus, the idea of open innovation leads to a need to extend the boundaries of enterprises in various areas and fields of business. Pointing to the necessity of overcoming these limits, one should also bear in mind certain risks of this process. These risks include an increase in transaction costs because of the need to coordinate different activities; conflicts in human relations caused by differences in organizational culture in scientific and research units versus business organizations; barriers in the flow of information between cooperating units in the process of technology transfer; fears of losing identity and disintegration of existing professional ties.

Flexibility of the enterprise as the main condition for survival and development

An enterprise's flexibility can be defined as the ability to respond to changes in the environment; the pace of adopting processes to change; the pace of change (evolutionary and revolutionary organizations). There is no doubt that flexibility allows enterprises to continue existing.

Flexibility is a gradable concept. However, its level is a derivative of the pace of change in the environment. This level should keep pace with the speed of change; it can be assumed that this rate will continue to grow in the foreseeable future.

Flexibility includes adaptive changes, grasping of opportunities and (in extreme cases) the lack of response to certain stimuli. Thus, flexibility means having the ability to both react to changes and to refrain from reacting (Krupski, 2008, pp. 25-34).

The need for rapid reaction in the market reduces the usefulness of classic solutions generated in conditions that were more stable than the conditions seen today. The postulate of flexible and rapid change collides with the postulate of stability, of confident expectation of the results of an action, of standardization of processes and stable rules and regulations. These factors often limit the determination of decision makers to stimulate change in the direction of building flexible solutions. As a result, they can lead – or must lead in contemporary conditions – to transformations in the structure of the organization by reducing the level of formalization, decentralization of decision-making authorities, and reducing the number of hierarchical ranks.

The flexibility of the enterprise may be characterized by measuring several indicators of potential rapid response, such as the type of organizational structure a company has, the efficiency of its information system, or the nature of the resources available to the company. The presence of favorable parameters of flexibility allows one to indirectly determine the degree of flexibility of the organization. The potential flexibility of the organization, as well as its actual flexibility, are both measurable.

At present, an important issue for enterprises is to maintain high levels of flexibility. With high levels of flexibility, the organization creates an efficient system of observing the environment to achieve the ability to react quickly to external impulses which could disturb the stability and harmonious operation of the system (Wan, 2011, pp. 1335-1368). Adjustments do not require the suspension of operative activities of the organization. The company is able to implement new solutions and react by adjusting customer service processes to the structure of their expectations. A possible result of doing so is hopefully the maintenance of a high position in the market and keeping up with the best competitors in the industry.

In terms of future perspectives, the best solution for a given company is “pre-emptive flexibility”. Organizations should build an effective innovation system based on the rules set by learning and intelligent organizations. Changes in the operating system have a pre-emptive nature as they are created to anticipate the changing reality of the environment. The organization leads in the implementation of the latest system solutions and often invests in their elaboration. A possible result is the maintenance of its dominant position among its group of competitors and/or experiencing a relatively high level of risk of failure associated with experimentation and implementation of new concepts of system solutions in the area of management.

Customers often look for products supplied upon request, at a moderate price and of high quality, with a diversified set of features, adapted to their tastes, habits, and imaginations, often produced on the basis of advertising and social media. This forces companies to change their focus from managing for the market, meaning for an average statistical client, to managing for individual customers (Baumgarden, Nickerson & Zenger, 2012, pp. 590-593). This means companies must be flexible. Furthermore, they must know the needs of their customers and continually learn them anew. However, it is no longer possible to fully understand current needs based on an analysis of the past. Changes in customers' expectations - resulting from globalization, technological changes, the impact of social media or quickly disseminated scientific discoveries - occur so quickly that it becomes necessary to understand and to act in the present on the basis of possessed knowledge about the foreseeable future.

Solutions that increase the flexibility of the organization (system) consist of increasing its reactivity to the expectations of recipients. This is possible through the creation of effective and efficient measurement systems of external expectations. The company must have the ability to quickly use all its gained experience (positive and negative) by rapidly changing procedures and processes in every area of its business. This has to lead to the acceptance of innovative actions, bordering on experimental, which always increases the risk of failure. The scope of these experimental changes must be limited, so as not to lead to subjectively understood chaos (Banaszyk, 2013). This eventuality is the boundary of an acceptable level of flexibility.

Changing customer needs and requirements may affect practically any characteristic of a product or service. It is essential that all actors be involved in the process of organizational learning of how to achieve the objectives of the system, including teams and positions that do not participate directly in creating value for the customer, as well as those from outside the organization (competitors, suppliers or even customers). This will require the design and activation of processes typically associated with activities of interior and exterior nature (Davenport, Leibold & Voelpel, 2006, pp. 25-36). The boundary of flexibility in this case will be set by the capability to activate organizational structures of variable architectural geometry within internal and external relationships.

A flexible system for organizing work can be seen as an inspiration to learn about different ways to respond to changing customer expectations and environmental influences. The boundary of the flexibility of an organization determines the level of acceptance and trust managers have in their subordinates. Here, the principle of management can be defined by the boundaries of freedom that creators of processes have, and by the radical reduction of a control system (Sungmin, Soonhong & Nobuhide, 2008, pp. 48-58).

New challenges in the management of enterprises

Violent, unpredictable changes in the environment, of discontinuous nature, additional phenomena occurring in the environment resulting from the processes of globalization (the increasing importance of strategic partnerships, intensification of competition, the growth of interdependence) - all this has consequences for the management of enterprises and decision-making, both in the strategic, as well as operational dimension (Czarniewski, 2014, pp. 69-75).

In such circumstances, the traditional approach to management - particularly to strategic management - and the adaptation of its traditional methods, is of little use. New challenges therefore create new opportunities to create value and demand. The role and task of managers is to detect new opportunities and, by using new tools, exploit them in order to create competitive advantage (Hayes, 2012, pp. 5-10).

Strategic management is the process of decision-making and implementation, preparing the company for operation in the future. This future is less and less predictable, making it difficult to engage the resources and organizational skills of the company today to serve future goals and future customers. This means that, because of the increase of complexity of the environment, and the increase of uncertainty and risk, companies should prepare for operating in the future environment in a different way (Czarniewski, 2015, pp. 315-322).

Major trends include (Banaszyk, 2013):

- broadening of the strategic management approach - moving away from formal procedures in favor of a holistic view of the organization,
- increasing the sharing of innovation, knowledge, intellectual property, in connection to the goals and priorities of management,
- increasing focus on creativity, vision, invention, and an individual approach to strategic management.

A condition for being able to keep the achieved level of competitive advantage – of course for only a certain period of time – is the stability of consumers' tastes and preferences. When tastes and preferences are subject to transformation, competition begins once again, because entry barriers into market niches no longer affect new competitors (Chesbrough, 2010, pp. 355-357). Therefore, the basic strategic problem is the adjustment of the product offer to consumers' tastes and preferences, and building entry barriers into market niches where the company is present.

Modern companies must have the capability to survive and cope in a competitive environment full of unpredictable changes that require rapid and effective reactions (Best, 2005, pp. 23-29). To meet the requirements of customers in a changing market, the company must take quick actions to maintain a competitive advantage. Introducing innovation in manufacturing processes, or in information and communication technologies, require the reorganization of the company, as well as new marketing strategies (Jyoti, 2010, pp. 18-26).

As markets become increasingly restless and unpredictable, the short time needed to react, achieved through greater flexibility, ends up being an increasingly important source of competitive advantage. The ability to react quickly is mostly dependant on having access to the right information (Amit & Zott, 2012, pp. 40-50). Since traditional economic and market forecasting has become less effective, companies increasingly rely on prospective analysis (using big data and social networks) through direct contact with customers, suppliers and even competitors. To exploit information from the above mentioned sources immediately, short cycles of change implementation are needed, as well as a high level of flexibility and ability to adapt the company to a changing market environment.

Conclusions:

1. A model of open innovation, among other factors, plays an important role in the process of breaking and increasing the flexibility of traditional boundaries found in organizations. The implementation of new technologies in enterprises requires a number of relationships with business partners and with various organizations found in the company's environment. It is therefore necessary to provide more "permeability" and to extend the traditional boundaries of the enterprise.
2. A stormy and unstable environment forces changes in the operating conditions of economic entities. It has challenged modern businesses to create value through partnership with their customers, to acquire the skills necessary to adapt to changes and to respond to customer needs rapidly. All these skills are the basis for flexibility in the enterprise.
3. As a rule, the level of flexibility of the organization is the result of a so called game of power that is oriented in opposite directions. It is the result of striving for stability and predictability of actions taken, with the wish to meet the challenges of the market and to beat the competition. The growing competition for consumers imposes and enforces the search for effective ways to respond to this challenge. It translates into increasing vulnerability of most organizations to implement solutions, increasing their vulnerability to preemptive flexibility. It is also an important inclination for further exploration of effective methods of support for these initiatives.
4. An important issue for the modern enterprise is the ability to quickly perceive market opportunities and risks coming from the environment, and the ability to categorize the situation as favorable or unfavorable. Another essential factor is the ability to combine vision with operational management, in other words, the capability to disseminate ideas and goals. Simultaneously, the ability to transfer these ideas into the company's actions, taking into account its limitations, is also important.
5. On the one hand, enterprises must work towards stability by clearly defining realistic strategic plans. On the other hand, they must become accustomed to the appearance of continuous change (and the chaos associated with the difficulty of predicting and planning). Success for a company means the ability to combine these two realities into a consistent pattern, creating a specific concept of business management.

References:

- Amit, R. & Zott, Ch. (2012). Creating Value Through Business Model Innovation. *MIT Sloan Management Review*, 53(3): 40–50.
- Banaszyk, P. (2013). *Zmiana kluczowych problemów strategicznych*, in: *Wybrane problemy zarządzania. Teraźniejszość i przyszłość*, Ed. S. Trzciliński, Poznan: Technical University of Poznan Press.
- Baumgarden, P., Nickerson, J. & Zenger, T.R. (2012). Sailing into the Wind: Exploring the Relationships among Ambidexterity, Vacillation, and Organizational Performance. *Strategic Management Journal*, 33: 590–593.
- Best, R.J. (2005). *Market-based Management. Strategies for Growing Customer-Value and Profitability*. New Jersey: Pearson Prentice Hall.
- Chesbrough, H. (2010). Business Model Innovation: Opportunities and Barriers. *Long Range Planning*, 43: 355-357.
- Czarniewski, S. (2014). Contemporary Mechanisms of Competition in the Economy and in Business. *European Journal of Research and Reflection in Management Sciences*, 2(2): 69-75.
- Czarniewski, S. (2015). Economic Conditions for Restructuring Enterprises. *International Journal in Management & Social Science*, 3(3): 315-322.

- Davenport, T.H., Leibold, M. & Voelpel, S. (2006). *Strategic Management in the Innovation Economy*. New York: Wiley.
- Hayes, T. (2012). The Learning Organization: Fashionable Fad or Path to Progress. *International Journal of Applied Management*, 1(3): 5–10.
- Hu, S., Blettner, D. & Bettis, R.A. (2011). Adaptive Aspirations: Performance Consequences of Risk Preferences at Extremes and Alternative Reference Groups. *Strategic Management Journal*, 32(13): 1426–1436.
- Jyoti, A. (2010). *Marketing Management*. New Delhi: Gennext Publication.
- Krupski, R. (2008). *Metodyczne i merytoryczne aspekty badania elastyczności przedsiębiorstwa*, in: *Elastyczność organizacji*, Ed. R. Krupski. Wrocław: University of Economics Press.
- Lagerwerf, L. & Meijers, A. (2008). Openness in Metaphorical and Straightforward Advertisements: Appreciation Effects. *Journal of Advertising: official publication of the American Academy of Advertising*, 37(2): 19–30.
- Sungmin, R., Soonhong, M. & Nobuhide, Z. (2008). The Moderating Role of Trust in Manufacturer – Supplier Relationship. *Journal of Business & Industrial Marketing*, 23(1): 48-58.
- Wan, W.P. (2011). Resources Based Theory and Corporate Diversification: Accomplishments and Opportunities. *Journal of Management*, 37(5): 1335–1368.