

Organizational Flexibility for Superior Value Proposition: Implications for Service Industry

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Abstract

The study is aimed to develop conceptual model for enhancing service effectiveness through organizational flexibility. It starts with perspective on service industry and reviews the importance of this sector in uplifting the overall economic sentiments. Then it delves deep into details of organizational flexibility and inherent components it is made up of. A thorough and extensive literature review has been done in this regard to present a theoretical schema as a base for conceptualization of the model. Once theoretical schema is in place, study develops the conceptual model for enhancing service effectiveness through inputs of organizational flexibility and its components. Conclusion and discussion precedes the implication part that is finally followed by limitations of the research. There is unique contribution of the research as it focuses upon integration of flexibility in organizational level that in turn helps the service organizations to enhance their overall competitiveness.

Keywords: Customer; Flexibility; Organization; Satisfaction; Service

Introduction

Flexibility has emerged as one of key areas for sustaining competitiveness in twenty-first century [1] amid unfolding globalization and fledgling innovations. Further among the different types of flexibilities, organizational flexibility is the one that helps the organizations to withstand the harmful effects of changing business environment and fluctuations. As observed by Stohr and Muehlen [2] organizational flexibility is most important concern in this era of rapid technological change and growing turbulence.

Today there is complete unanimity about disruptive nature of this ongoing change in business environment though its intensity is different for different sectors of economy. While some of industries don't get much affected by change, there are some like the Service sector, which has got short end of this dynamism stick. As observed by Javalagi et al. [3] the era of globalization has brought about unprecedented changes in the service economy, and as a result, organizations of all sizes and structures are searching for strategies to improve performance without sacrificing quality. Service industry today not only struggles to keep up with the pace of the change but also finding it hard to retain and grow its customer base. The inherent complex nature of this industry owing to distinguish characteristics of value proposition like intangibility, inseparability, variability and perishability [4] further make the situation more acute and complex.

In line with enhanced turbulence, last three decades have witnessed the increased importance of flexibility for customer satisfaction and marketing performance [5]. With empowered customers and knowledgeable stakeholders, more and more organizations are embracing flexibility to improve and sustain their competitiveness. Organizational flexibility is one effective measure and its integration is required to enhance the effectiveness of value proposition. In fact this increased dynamism in the business environment has even made it more mandatory to have flexibility aspect. Therefore in the context of this newly evolved business paradigm, this paper investigates the role of organizational flexibility in providing the superior value proposition to the customers in the context of service sector. For this attributes of organizational flexibility has been reviewed from the literature and then used to construct the underpinnings of the conceptual model of organization flexibility that aids the better satisfaction of customers through better value proposition delivery.

Importance of Service Sector

Service sector is today characterized by diverse range of organizations which vary in size, revenue generation, personnel employed and so on. All these diversities however don't affect the basic issue of enhancing competitiveness that almost every service organization is grappling with. As services are intangible and are result of human intervention, the customer satisfaction in service discipline is far more sophisticated and difficult to achieve than in tangible product. That said, service sector is one of the most important sectors in most of developed economies and in developing countries like India, services are progressively rising in their overall share in gross national product. The picture of service sector influence can easily be envisioned by the fact that by 1998, 80% of employment was generated by service industry in addition to contributing 78% to gross domestic product [6]. In fact service sector has played a crucial role in neutralizing the devastating effect of global recession in India and now sits at top of contributor list in the gross domestic product of the country. Undoubtedly in last one-and-half decade, service sector has witnessed unprecedented growth in our country though this growth comes with its own set of complexities and challenges.

Service sector in India

In India services have consistently grown at a faster pace especially after the Indian economy being opened up in 1991. This led to increase in the overall competitiveness in the market and in fact service sector has played a significant role in placing India numero uno in global business competitiveness [7]. The challenge though lies ahead is to maintain this fast pace of growth which is increasingly becoming difficult task because of the ever changing customers preferences. As service marketing is different from the traditional practices used in product marketing, new approaches as well as techniques are required

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in order to augment the growth rate in services. Market orientation is one such approach that helps in achieving and delivering the better customer value proposition. Also as noted by Lovelock [8] differences in the inseparability, intangibility, heterogeneity and perishability of services underscore the importance of a market orientation.

Though the need to have market focused orientation has been clearly felt; the path of achieving this orientation is not very crystal clear. As services require more customer interaction than any other field; customer participation is seen as one of the ways to achieve and deliver the better value proposition. Enhanced customer interaction at each and every step of service generation and delivery can significantly increase the satisfaction aspect of customers. This makes the services more preamble to the customers which in turn helps to raise the loyalty and faith of the consumers in the service provider; ultimately upping the satisfaction quotient of customers along with significantly reducing the vulnerability of the business itself. Enhancing customer interaction within the services is an uphill task which requires a drastic change in the processes and structures of firm. This requires the organization to have sufficient level of flexibility in its processes and structure in order to facilitate all the changes and interventions made by customers. Next section will look at the aspect of organizational flexibility and how it helps to achieve the overall better customer satisfaction.

Organizational Flexibility

Fast changing environment of today has made it mandatory to have organizational flexibility in order to survive and compete effectively. Companies should be flexible enough to employ customer-focused people at every level of the organization and build processes that are not only simple to execute but also flexible enough to change with changing times [9]. Though the observation is crucial for the survival of any organization; its implications possesses much more significance in case of service sector. From extant literature review, we find that there are three critical aspects that undergird organizational flexibility are structural changes, process flexibility and information system. All of these basic building blocks of organizational flexibility are dealt in detail in sections below:

Structural changes

Organization structure is a means to achieve the mission and objectives of firm and hence bears a significant importance in realizing

the overall efficiency of the work force. Traditional business structures favors the control from upward as power is vested at top most position of hierarchy. Though effective at that time its efficiency factor is on decline. Inefficiency of hierarchical organizations in the context of globalization has been pointed out by Achrol and Kotler [10]. Because of the rigid top down control that spans across a number of levels these structures fails to respond effectively and efficiently to the changing environment situations. Though the approach was effective then as environment was not unstable; today the organizations have to resort to flexible structures in order to reach effectively to end consumers. This effective reaching out to the consumers requires the organizations to resort to more flexible options in their organizational structures. This structural flexibility manifests itself by the improved methods of communications along with faster rate of decision making. Volberda [11] defines structural flexibility as managerial capabilities for adapting its organization structure and its decision and communication processes to suit changing conditions in an evolutionary way.

Decentralizing and flattening of the structures are such flexible approaches and in both the cases control moves closer to the action typically increase the decision maker understanding of the situation [12]. This helps in increasing the satisfaction quotient of customers by moving the empowered front line employees closer to customers so that they can effectively take the decisions according to the evolving situations. This helps in raising the value of service proposition as the control is on hand of front level employee who is now more empowered in terms of authority and understanding.

Another flexible strategy as discussed by Hamel [13] advocates the philosophy of dividing the structure like a cell. This helps to make the organization more responsive as the task focus increases and customers will be benefitted in terms of increased attention aspect. This also helps to increase the efficiency of the communication between different levels of the structures. Corporate examples of decentralized structures with more control to front line employees include the retailers like Sears and JC Penny which have given their store managers more discretion in choosing about the merchandise allowing these stores to compete effectively against local merchants [14]. Similarly TCS and Accenture the technological giants in consulting also work through the teams having decentralized structure.

Process flexibility

Process flexibility refers to the speed at which the company can make decisions, alter schedules or amend existing orders to meet customer needs [15]. In case of services this aspects relates to making the processes more flexible in order to increase the customer exposure to the whole process [16] suggested that nowadays the value is co-created by companies together with their customers which require more flexibility in the processes to increase the overall value delivery experience. Having the capability of process flexibility helps the organization to quickly change the processes according to changing customers' preferences.

In case of services, this process flexibility allows the whole processes to be more personalized and according to the needs of individual customers. This also allows the enhanced participation of the consumers while the value proposition is being generated and offers them an opportunity to give their crucial feedback. Then the implementation of this feedback again requires process flexibility so as to incorporate this feedback on real time basis. This incorporation, thus, is sure to enhance the satisfaction consumers derived from the company's value proposition making the service more satisfying and up to the mark.

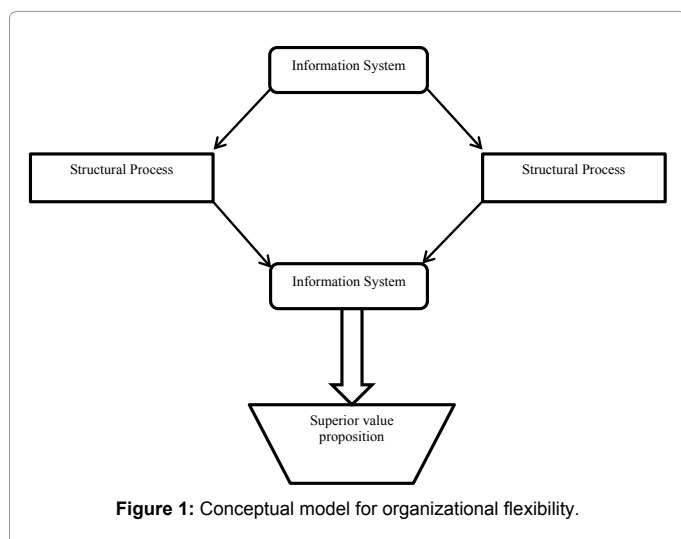


Figure 1: Conceptual model for organizational flexibility.

Information System (IS)

Arthur and Mathieu [17] discovered that the pattern of flow of information in an organization has huge impact on organizational flexibility. Literature supports the fact that structural and process flexibility requires the inevitable support from the information system (IS) of the organization. As IS of the organization helps to integrate the business processes across the functional areas seamlessly, its involvement is an absolute necessity for achievement of process and structural flexibility.

In structural aspects the IS helps by integrating the processes end-to-end. This helps to make the flow of information flawless and efficient between different levels of structure. Also the enhanced level of integration helps the staff to take the effective decisions on real time basis. Process flexibility is facilitated by the IS as it helps to accommodate and shift the process inputs-outputs on real time basis. It also helps to up the satisfaction level of consumers by accommodating and implementing the various suggestions and feedbacks quickly with less penalty in terms of cost and money. Thus IS of organizations acts as a catalyst that enhances the rate of achieving a desired level of organizational flexibility.

Theoretical Schema and Conceptualization

With the inputs from the literature review, we find organizational flexibility deeply rooted in the concepts of structural changes, process flexibility and IS. By taking these 3 components as building blocks, we propose organizational flexibility model that in turn is undergirded by its building blocks. Coordinated and integrated approach that combines all these three aspects is required to ultimately give rise to the organizational flexibility. IS has been added to the top of model as it has been found that effective IS capabilities are at the backbone of successful implementation of the process and structural changes that leads to the enhanced level of their individual flexibility. Successful implementation of IS will lead to flexibility in both the aspects of structure and process which in turn will aid organizational flexibility (Figure 1). Now powered by enhanced organizational flexibility, service organizations can easily allow and ensure more customer participation in service process to create superior value proposition. The end result will be attainment of competitive edge that could be sustained over time owing to responsive and integrated organizational response.

Conclusion and Discussion

Organizational Flexibility helps to increase the overall value of the service proposition that is delivered to the customers through its inherent competence to quickly adjust according to the changing preferences of its target consumers. This objective is achieved through the quickly adjusting the processes and structure through the use of information system. While process flexibility helps in adjusting the processing part involving the complex value creation mechanism, structural flexibility helps to increase the satisfaction of customers through better integration of the inputs resulting from the enhanced level of empowerment and communication. Infusing these two aspects of organization with flexibility with the help of IS will result in increased overall responsiveness of the organization thus helping the firm to make and deliver superior value proposition than its rivals.

The study contributes to the knowledge field by advancing the concept of organizational flexibility. Though there are many researches done on organizational flexibility, the research in the context of service organizations is scarce. This makes the study relevant for both scholars

and practitioners as study delves into detail of how organizational flexibility can be created. The building blocks of organizational flexibility are dealt comprehensively. This future scope of research is to test this model on service organizations and to consider its overall impact on enhancing customer satisfaction. The model will be tested empirically and hypothesis in this regard will be tested in future studies.

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