Chapter 2.1
Managing the Dynamic Reconfiguration of Enterprises

Ben Clegg
Aston University, UK

Mario Binder
Aston University, UK

INTRODUCTION

Due to environmental changes and business trends such as globalisation, outsourcing and virtualisation, more and more companies get involved in business activities that are outside their direct control. This typically occurs by entering into collaborative relationships and joint ventures with specialised companies in order to fulfil the demands of customers quickly (DiMaggio, 2001). Organisational structures that results from such collaborative relationships and joint ventures are referred to in this paper as *enterprises* and the management of them known as *enterprise management*. The authors use the definition of the European Commission (2003) that defines an *enterprise* as "… an entity, regardless of its legal form … including partnerships or associations regularly engaged in economic activities." Therefore in its most simple form an *enterprise* could be a single integrated company. However, findings from this research show that *enterprises* can also be made up of parts of different companies and the structure of the *enterprise* is contingent upon a variety of different factors. The success of the *enterprise* as a collaborative venture depends on the ability of companies to intermediate their internal core competencies into other participating companies' value streams and simultaneously outsource their own peripheral activities to companies that can perform them quicker, cheaper, and more effectively (Lal et al., 1995). In other words, the peripheral activities of one member-company must be complemented by a core competence of another member-company within an overall *enterprise*.

This article describes a conceptual contingency framework that can help *enterprise managers* to make better strategic decisions for the *whole enterprise*; it specifically aims to investigate suitable enterprise structures for different collaborative settings based on the causality between the prevailing *type of core competence* and the *emergent enterprise structure.* An enterprise management perspective has been taken in order to elucidate current developments in operations and supply chain change management from a relatively new and novel point of view. It uses novel analytical units (the *enterprise* and its sub-units known as *enterprise modules*) to give a fresh perspective to emerging issues and provide practical guidance for industrialists who must build and manage *enterprises.* The methodology, findings and conceptual framework are discussed. The study has been based on empirical evidence from the German automotive industry.

BACKGROUND

A growing body of knowledge in the literature focuses on *enterprises* rather than on the traditional operation and its supply chain. For instance, Hamel and Prahalad (1994) acknowledged that: "many industries move away from vertical integration towards virtual integration" (p. 210). As a result, inter-organisational structures such as *enterprises* are becoming more significant (Fine, 1998). Some recent works discussing *enterprises* include Browne and Zhang (1999) and Boardman and Clegg (2001). Other scholars discuss the strategically influential members within them, such as the "hub firm" (Dyer & Hatch, 2004), "orchestrator" (Brown et al., 2002) and the "navigator" (Karlsson, 2003).

This emerging work recognises *enterprises* to be new inter-organisational types that combine traditional operations and their supply chains. They result from alliances, partnerships and joint ventures. This work also recognises that these collaborative ventures can be between either whole or partial companies, and often have a strategically dominant member.

Strategists need to understand the significance of these new developments to be able to construct an appropriate *enterprise structure* that contains the most useful parts of the most suitable companies. To address this crucial issue the *enterprise management* perspective deliberately builds upon both exogenous *and* endogenous theories. Exogenous theories are based on competitive rivalry (Porter, 1980) and transaction cost economics (TCE) (Williamson, 1975). Endogenous theories include competence theory (CT) and competence-based competition (CBC) (Hamel & Prahalad, 1994). Endogenous-based approaches should be used to complement exogenous factors. However, excessive focus on either approach is wrong and a simple conceptual framework combining them is required from an *enterprise management* perspective.

This debate leads to an increasing emphasis on *enterprises* rather than on traditional companies and their supply chains (Surana et al., 2005). The authors of this article argue that an *enterprise engagement* usually occurs partially at a modular level with many different companies simultaneously. To date, there has been little if no explicit identification of such partial multiple enterprise structures and their evolution. This article reduces the deficiency in knowledge about enterprise behaviour by proposing a conceptual contingency framework. A unique data collection tool was derived from the literature to capture further knowledge about this; it is given in *Figure 1.*

Structures that can be explored using this generic matrix as a data capture tool include the *virtual enterprise* and the *extended enterprise*, because it does not assume that relationships have to exist between whole companies (Binder & Clegg, 2006). Davis and Spekman (2003, pp. 20-21) define the *extended enterprise* as:

the entire set of collaborating companies both upstream and downstream, from raw material to end-use consumption, that work together to bring value to the market place … Members' view that their destinies are interdependent. This serves to separate the extended enterprise from other loose confederations of buyers and suppliers."

Related Content

Analysis of a Large-Scale IT Outsourcing "Failure": What Lessons Can We Learn?
Anne C. Rouseand Brian J. Corbitt (2006). *Outsourcing and Offshoring in the 21st Century: A Socio-Economic Perspective (pp. 447-464).*
www.irma-international.org/chapter/analysis-large-scale-outsourcing-failure/27958

A Supplementary Framework for Evaluation of Integrated Logistics Service Provider
Kwok Hung Lauand Wun Leong Ma (2010). *IT Outsourcing: Concepts, Methodologies, Tools, and Applications (pp. 763-781).*
www.irma-international.org/chapter/supplementary-framework-evaluation-integrated-logistics/36178

Global IT Outsourcing: Current Trends, Risks, and Cultural Issues
Subhankar Dhar (2010). *IT Outsourcing: Concepts, Methodologies, Tools, and Applications (pp. 229-257).*
www.irma-international.org/chapter/global-outsourcing-current-trends-risks/36146

Xceed: Pioneering the Contact Center Industry in Egypt
Sherif Kameland Maha Hussein (2010). *IT Outsourcing: Concepts, Methodologies, Tools, and Applications (pp. 1298-1323).*
www.irma-international.org/chapter/xceed-pioneering-contact-center-industry/36213

Outsourcing in High-Tech Corporations: Voices of Dissent, Resistance, and Complicity in a Computer Programming Community
Erik Pineiroand Peter Case (2010). *IT Outsourcing: Concepts, Methodologies, Tools, and Applications (pp. 1897-1915).*
www.irma-international.org/chapter/outsourcing-high-tech-corporations/36253