

## Strategic Flexibility in Ecosystem

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**Abstract** Flexibility at the level of the enterprise alone would not be effective until the rest of the ecosystem is also flexible. The highest level of flexibility maturity would lie in the strategic flexibility for the ecosystem as a whole. The ecosystem of technology, partners, suppliers, market, regulators, application providers, financiers, and many other relevant actors and processes would create strategic flexibility for innovation, new product development, new market creation, and meeting unforeseen changes in the environment. This leads to multiple types of flexibilities such as marketing flexibility to reach out to the users in a variety of ways, financial flexibility of choosing the right payment option, combination flexibility of packaging multiple services, change flexibility of amendment and cancellation of bookings made with minimum penalties, reach flexibility to take decisions anytime–anywhere, and logistics flexibility of tracking the order. It would be interesting as well as challenging to carry out the valuation of strategic flexibility in the ecosystem, which is far more complex than valuation of flexibility initiatives taken by a single enterprise.

**Keywords** Ecosystem · Flexibility maturity · Strategic flexibility · Valuation

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First, the flexibility at operational level in the entire supply chain would be acting as an enabler of the enterprise flexibility. Any manufacturing enterprise may have flexibility in terms of variable capacity to meet variability in demand. This would require variable capacity on the part of the tier 1, tier 2, and tier 3 vendors as well for effective implementation of variable capacity of the original equipment manufacturer. This would provide a base for the strategic flexibility in the ecosystem.

The highest level of flexibility maturity would lie in the strategic flexibility for the ecosystem as a whole. The ecosystem of technology, partners, suppliers, market, regulators, application providers, financiers, and many other relevant actors and processes would create strategic flexibility for innovation, new product development, new market creation, and meeting unforeseen changes in the environment. Changing customer needs, in today's complex business scenario, may not be possible to be addressed by one player in an isolated manner. There is a need of flexible and adaptable ecosystem to cater to emerging requirements. For example, in the smart phone industry, the whole ecosystem of handset manufacturers, mobile service providers, application developers, and user industries such as retail, tourism, banking, insurance, and health can provide strategic space for new start-ups to meet the felt as well as unfelt needs of the customers. Mobile technology provides an integrating mechanism and enabler of the service ecosystem to evolve in unprecedented ways. We may take a few illustrative case organizations in select industries that have effectively leveraged the strategic flexibility of the ecosystem around them.

The e-commerce sites such as Flipkart, Snapdeal, and Amazon have effectively utilized the Internet and mobile platforms to integrate the ecosystem of suppliers, local retailers, and delivery boys along with electronic payment

systems. Similarly, the app-based cab aggregators like Uber and Ola have leveraged the ecosystem comprising of GPS system, taxi drivers, and payment networks to achieve exponential growth and provision of convenient taxi services.

The ecosystem of mobile payments and travel sites like Cheaptickets and Makemytrip has provided strategic flexibility of booking a combination of air, hotel, and tourist packages along with insurance, amendments, and cancellation on anytime–anywhere basis. The same ecosystem is extended to restaurant schemes aggregators like nearbuy. The ecosystem is being evolved, adapted, and integrated to cover a vast range of products and services through a spectrum of stakeholders spreaded globally as well as locally. This provides strategic flexibility to both providers and receivers with innovative business models. Through such a flexible ecosystem, providers can reach out to unknown beneficiaries, and beneficiaries can access to many innovative and attractive options and can exercise suitable choices as per their needs.

This leads to multiple types of flexibilities such as marketing flexibility to reach out to the users in a variety of ways, financial flexibility of choosing the right payment option, combination flexibility of packaging multiple services, change flexibility of amendment and cancellation of bookings made with minimum penalties, reach flexibility to take decisions anytime–anywhere, and logistics flexibility of tracking the order. The strategic flexibility in the ecosystem is available to all the stakeholders comprising the ecosystem. The continuity remains in terms of fulfilling customer needs with leveraging the change in terms of new offerings, old offering in new packaging, and reaching out to new market spaces. The strategic flexibility and innovations in the ecosystem have unbounded potential that can cope with the prevailing dynamics and turbulence of business.

The strategic flexibility in ecosystem creates an enabling environment for innovation and entrepreneurship. This may lead to creation of new start-ups covering a wide combination of products and services. The most prominent role of integration of the ecosystem is played by the technology. This is resulting into the integration of various stakeholders on multiple fronts, which may even blur the boundaries of different industries. For example, tourism, hospitality, health, insurance, and banking industries are getting intertwined in the ecosystem. A tourism company may develop its own payment mechanisms and insurance schemes either in collaboration with other companies in banking/insurance industries or, at times, on its own. Each stakeholder may derive strategic flexibility to shape up its new offerings with the strategic flexibility in the ecosystem and at the same time contributes to enhance the same. Strategic flexibility exercised by one stakeholder may have

disruptions and spillover effects in other parts of the ecosystem.

The case of direct marketing by Dell is well known, which provided strategic flexibility to the company so as to provide value in terms of customized products to its customers at a lower price. It also provided flexibility to component providers and courier company FedEx (as business partners) in planning and executing with quick response. The customers also got the flexibility to track the orders and make amendments. The similar or even higher flexibility is available to various stakeholders integrated through e-business ecosystem in emerging scenario. At the same time, another major stakeholder in terms of technology providers such as Nokia, IBM, Microsoft, Google, and Apple and a host of application developers are able to chart out their business models with a lot of flexibility.

It would be interesting as well as challenging to carry out the valuation of strategic flexibility in the ecosystem, which is far more complex than valuation of flexibility initiatives taken by a single enterprise. The valuation of flexibility in the ecosystem may be done taking into consideration value gain/loss to different stakeholders relevant for a particular flexibility initiative. It is expected that any flexibility initiative would have different value propositions for different stakeholders in the ecosystem. There is a need to create valuation models to cater the multi-stakeholder perspectives so as to assess the overall value addition by any flexibility initiative such as provision of choice, combination, amendment, and cancellation.



**Sushil** is Deputy Director (Operations) and Abdulaziz Alsagar Chair Professor (Professor of Strategic, Flexible Systems and Technology Management), Indian Institute of Technology Delhi. He has served as Visiting Professor and delivered seminars in many leading universities, such as University of Minnesota, Minneapolis, MN, Stevens Institute of Technology, NJ, University of Lethbridge, Alberta, Université Paris 1 Panthéon-Sorbonne, Paris, among others. He is an active researcher and has supervised more than 60 doctoral dissertations. He has twenty books to his credit in the areas of Flexibility, Strategy, Systems Thinking, and Technology Management and over 300 papers in various refereed journals and conferences. He is the Founder Editor-in-chief of Global Journal of Flexible Systems Management and serving on the Editorial Boards of leading international journals. He is the Editor of Book Series on Flexible Systems Management published by Springer. He has pioneered the area of 'Flexible Systems Management' and made original contributions to the field of knowledge in the form of interpretive approaches in management such as SAP-LAP models/linkages, Total Interpretive Structural Modeling, and Interpretive Ranking Process. He has evolved the concept and framework of 'Flowing Stream Strategy' as strategic flexibility to manage continuity and change. He has also provided mantras for continuous organizational vitalization (LIFE), and models for strategic performance management (Flexible Strategy Game-card), sustainable enterprise (Star Model) and strategy execution (4A's Model).