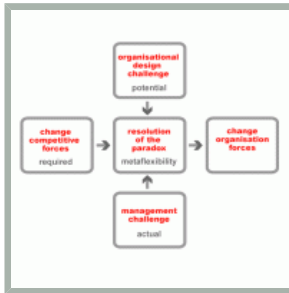


organisational flexibility



characteristics

author:	Volberda, Henk W.
country:	Netherlands
period:	1992
type:	model
role:	consultant, change agent and manager
activity:	analyse and design
topic:	strategic management, org. design & development and change management
abstr. level:	environment
perspective:	living
status:	for review
module:	strategic management
comments:	1

related models

cybernetics
system dynamics

description:

The organisational flexibility model developed by Henk Volberda, professor in strategic management at Rotterdam Erasmus University, aims to guide management in understanding and identifying different types of flexibility and in creating and sustaining flexible organisations.

Volberda's doctorate thesis was published in 1992 and was awarded the Igor Ansoff Strategic Management Award in the following year. His rationale for the study on organisational flexibility was to provide a synthesis of the many alternative approaches to flexibility. Flexibility had become a very popular business theme by the late 1980ties because it was perceived as an effective response to shorter product life cycles and a increased fragmentation of market demand, but the concept lacked a rigorous theoretical underpinning. After efficiency in the 50ties and 60ties and quality in the 70ties and early 1980ties, flexibility was widely regarded as the third wave of competition.

Volberda used a synthetic research approach including both an analytical and a clinical component with the objective to make the model as valid and relevant as possible. After fine-tuning the model through interviews with practitioners, the model and its diagnostic tool, the *Flexibility Audit and Redesign (FAR)* method, were put to the test in three extensive case studies.

The theoretical review that included research domains such as corporate strategy, organisation-environment relationships, organisational learning and innovation and entrepreneurship, revealed that flexibility contained a paradoxical tension between preservation and change. Organisations strive on one hand to order so that the current routines get exploited to the fullest, but on the other hand need to dynamically develop new skills through exploration by treating "disturbance as information about internal conditions" instead as noise.

The organisational flexibility model consists of five building blocks. Three forces determine how the paradox of flexibility gets resolved: management capabilities, organisational design and the effect of changing competitive forces. Management shapes the current flexibility, the organisational conditions define the potential for flexibility and the competitive forces determine what is required. The level of metaflexibility determines how fast the flexibility mix can be adjusted over time. In response to how these aspects of flexibility interact with each other, organisations develop different organisational forms in time.

1. MANAGEMENT CAPABILITIES

The management challenge of flexibility is concerned with the creation of a sufficient number and adequate mix of flexibility-increasing procedures so that the organisation is capable of dealing with issues in a timely and effective manner. Volberda included six types of control procedures in this flexibility mix. He begins by making a distinction between internal and external procedures. Internal procedures focus on the organisation that tries adapting to its environment. External procedures are defined as the capacity of management to influence and control this environment. In both the internal and the external category three types of flexibility were identified:

1. *organisational flexibility*

Frequent and small short term changes related to operational activities. These have to do with volume and mix of activities without influencing substantially the relation between the organisation and its environment. The objective is to create a perfect fit between the organisation and its environment though a well-defined repertoire of routines.

2. *structural flexibility*

Management's ability to adapt the organisation structure and its decision and communication processes in order to match changes in the environment or to create changes in the environment's structure.

3. *strategic flexibility*

Refers to control procedures that have to do with the goals of the organisation or the environment. This rarely happens and only in circumstances where changes are unfamiliar and the outcome has potentially a large impact. Examples are new technology platforms, new product-market portfolios or new legislation that changes the competitive landscape dramatically. No routine answers are readily available to tackle the issue. Information is by definition soft and fuzzy.

The flexibility mix makes up the actual flexibility of the organisation.

2. ORGANISATIONAL DESIGN

The organisation design contains an organisation's flexibility potential. It demarcates the shape and contents of the actual flexibility mix. The potential flexibility needs to be changed in two situations: when it is too small for the required flexibility mix, a redesign effort needs to be mounted aimed at loosening the organisational conditions or when it is too large for the required flexibility mix, a rationalisation is required to prevent chaos. Volberda identified three main components that influence the flexibility potential. The three parts act autonomous, but do influence each other over time.

1. *Technology*

Organisational technology transforms inputs into outputs and has a hardware, e.g. equipment and software, e.g. skills and methods component. The configuration of the hardware and software is taken into consideration as well. Technology varies from routine to non-routine.

2. *Structure*

The organisational structure is made up by the hierarchical distribution of responsibilities and authority, the planning and control systems as well as coordination and informal decision making. It can range from mechanistic to organic.

3. Culture

The organisational culture is a system of ideas that are shared among the organisation's members and can range from conservative to innovative.

The challenge for management is to build appropriate technological, structural and cultural conditions to create a flexibility potential able to realize the required flexibility mix.

3. CHANGING COMPETITIVE FORCES

The turbulence in the organisation's environment determines whether or not an actual flexibility mix is sufficient and the organisation's potential flexibility adequate. If the environment is stable a narrow flexibility mix suffices. The environment is split up into four levels:

1. *micro*: the in- and outputs of the organisation's primary process
2. *task*: the stakeholders that supply the inputs and receive the organisation's outputs, such as suppliers and customers
3. *aggregation*: those groups that may restrict or regulate both inputs and outputs, such as competitors, trade associations and unions
4. *macro*: the larger societal forces that affect the task- and aggregation level.

The level of turbulence is determined using three subdimensions:

1. *complexity* - includes both the number of elements in the environment as well as the level of interconnections.
2. *dynamism* - relates to both the frequency of changes in the environment as well the intensity of the change.
3. *unpredictability* - management can anticipate changes when they occur in a linear or cyclical manner reducing the need for flexibility. It becomes harder to predict the future when information is unclear, overlooked by management or simply unavailable.

The three dimensions are not equal in importance. Predictability carries the most weight, complexity the least. The environmental component defined the required flexibility.

4. METAFLEXIBILITY

Metaflexibility involves the " *creation, integration and application of flexibility-increasing procedures in a flexible way* " or more directly put: how easy can an organisation develop new or dismantle existing procedures in the flexibility mix? It has a volume and composition aspect. Metaflexibility tells something about how well the fit between the environment and the organisation can be maintained. A high level of metaflexibility means that the flexibility mix can be kept relatively limited. In turn, a large flexibility mix does not require a high level of metaflexibility since the organisation has enough routines available to effectively deal with most changes.

The fit between the organisation's flexibility mix and the competitive forces in the environment is constantly shifting. Management needs to scan and absorb information on the alignment and the ongoing adaptation process.

5. ORGANISATIONAL FORMS

The four building blocks mentioned so far help explain the various flexibility types that are available to an organisation, as well as its organisational design. This block describes how the flexibility mix and the organisation's design change over time. The main conclusion is that a permanent flexible form does not exist. Organisations deal with the flexibility paradox by adjusting the make-up of the flexibility mix and by 'freezing' and 'unfreezing' organisational structures with the intent to remain vital. Volberda identified four ideal types using the composition of the flexibility mix and the controllability of organisational conditions as differentiators: the rigid, planned, flexible and chaotic organisation. Using these ideal types, two change trajectories were distilled:

1. process of routinisation

Any new organisation starts out as a chaotic organisation that through strategic focus can develop into a flexible organisation. Management's ability to process information and sense the environment allows it to create more and better routines reducing the likelihood of radical change and increasing the predictability of the organisation's behaviour. Though a process of maturation it becomes a planned organisation. When stagnation kicks in, it can end up being a rigid organisation.

2. process of revitalisation

Through a process of professional revitalisation that focuses on eliminating traditions and conservatism, an organisation can be kick-started and develop from a rigid into a planned organisation. Entrepreneurial revitalisation that encompasses leadership by visionary entrepreneurs, removal of process regulations and the introduction of loosely structured organisation forms allow an organisation to migrate from a planned stage to a flexible stage. And to conclude, strategic neglect can drive an organisation into a state of chaos.

assets:



internal versus external flexibility

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organisational flexibility

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typology

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pros:

- The organisational flexibility model provided a sound theoretical foundation of flexibility and demonstrated how managers can effectively build and sustain flexible organisations. The model is most relevant in rapidly changing environments where coherent priority setting is essential to adjusting the actual or potential flexibility mix effectively. The capability of reinventing the organisation over and over should prove to be of greater value in a competitive environment rather than just finding and defending a favourable competitive position. In these strategic reorientation processes, the method suggests the type of change trajectory to embrace.
- The model is generic and can be applied across different industries. Although the initial sample was small, consequent empirical research validated the model's usefulness.
- Volberda debunked the idea that one permanent organisation form exists and proposed, instead, a cyclical process wherein organisations ideally migrate between a flexible and a planned form. This process helps organisations deal with the flexibility paradox where change to maximize effectiveness needs to be simultaneously managed with operational fine-tuning aimed at maximizing efficiency.
- The model emphasised a large role of management in the dynamic adaptation processes and overcame previous conceptions that environmental constraints largely determine the ways organisations develop over time.

cons:

- The model does not work well as a quick fix approach. Its application requires effort and rigour to achieve optimum value. Time is required to understand the full potential of the model and to draw implications for an individual organisation. In times of crises, a more analytically oriented exercise might not be the first logical step.
- The Flexibility Audit & Redesign method as an analytical and design tool, has an independent organisation or self-contained organisational unit as its subject. It is limited to a 100 individuals and cannot incorporate more than three hierarchical levels.
- The study did not address the best avenues to manage corporate portfolio issues. Large, multi-unit corporations need to acquire and to unlearn skills on a continuous basis and at multiple locations. The model does not provide insights on the best alignment and management of the overall corporate flexibility mix. It does enable consultants and managers to compare units of the same order and carry out sector analysis.
- The study's mode of production and technology design variables are based more on research on production than on service organisations. The FAR method was adapted for and applied to service organisations.

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