

Unlocking the strategic value of flexibility

Functionally specialized routes to product innovation

Flexibility is, in many ways, the modern panacea for staying alive in business. Whether it's generated by a tumultuous economy, strained service provider relationships, or internal employee tensions, the strategic capability to adapt to uncertain forces and minimize negative impacts on business performance is a feature held front of mind by the most astute managers, executives and business owners.

A research paper by [Beraha et al. \(2018\)](#) aims to pinpoint ways in which different functional areas within a company strategically contribute to it securing flexible configurations in the way it operates. In particular, the paper considered how functional areas such as marketing, human resources, and production contribute to product innovation. Data for the study were collected from interviewing representatives from four major companies situated in Istanbul, Turkey who operate in the electrical household appliances retail market.

Layers of functional flexibility

The benefits of staying strategically flexible to enhance business performance are indicated by the activity of an organization's different functional departments. Thirteen interviews were conducted to gather insights from Istanbul-based general managers, HR managers, production managers, and marketing managers. The three arms of flexibility, described by this study of large Turkish retailers as strategic flexibility configurations, that can be built into a business are:

- Production flexibility – this unlocks value for the enterprise through delivering process flexibility, meaning that multiple products can be made on the same equipment or production line;
- Marketing flexibility – retaining strategic flexibility here underpins the financial results of the company projected into the future, since the enterprise can deal with uncertainties thrown at it by remaining fluid in the messages they deliver to their target customer market; and
- Human Resources (HR) flexibility – which has three facets. Firstly, the skills flexibility of employees; secondly, the flexibility of employees' behavior; and thirdly, the flexibility built into HR management practices.

Implementing these elements into flexible processes equips the enterprise with the tools to build a competitive advantage laid on top of a fundamentally sound organizational foundation. Particularly, having a workforce that can rapidly adapt to changing market conditions is a flexible resource asset that shouldn't be underestimated or taken for granted. Greater organizational flexibility gives each of these functional departments a wider latitude of options, that in turn reward the organization with increased strategic flexibility to adapt to shifts that may occur in their markets. From this realization, the study found that the functional areas of production, marketing, and HR did have a real and

marked positive effect on the strategic performance of the enterprise. This is because these departments directly make decisions and deliver actions that fuel the stream of innovation necessary to keep the business commercially relevant to its end customer.

A fluid channel for product innovation

Previous studies have established a well documented positive correlation between product innovation and strategic flexibility, and the findings of this Turkish study confirm that the relationship remains significant. This relationship works magic because the three strategic flexibility configurations – production, marketing, and HR – each provide their own form of malleable capacity to resolve individually arising knots in a company's operations. The authors here, however, did find it difficult to measure and quantify the effect of HR flexibility on product innovation, and found that of the three categories of flexibility, Turkish electrical retailers found HR flexibility the most difficult to implement and master. The overwhelming finding was that marketing flexibility plays a pivotal part in achieving product innovation. This is achieved through, for example, keeping the company abreast of the latest industry trends and developments using direct observations gained at events, as well as observing online through the social media activity of other similar companies. By arranging processes and choosing equipment that are compatible with a broad range of raw materials, production flexibility was found to increase product innovation, except in the case of a company using freight production as a means for introducing flexibility.

A flexible impact strategy

Three strategic flexibility configurations were proposed here, all of which are beneficial to building a robust, sustainable business operation: production flexibility, marketing flexibility, and HR flexibility. While it was identified by this Turkish study that marketing flexibility has an unavoidable role in product innovation, it's important to imbue flexibility across all branches of a business, both in practical process terms and in encouraging a flexible mindset throughout teams. Those business minds that are able to adapt rapidly to changing market conditions give themselves the commercial advantages that being ready-primed with innate flexibility can offer. What's certain is that product innovation has much to thank this approach for across marketing and production departments, since it's the people working within those teams who bring lucrative and exciting new products to life.

Commentary

The review is based on "The effect of strategic flexibility configurations on product innovation" (2018). This research paper concentrates on how flexibility in production, marketing, and HR creates an organizational foundation for strategic success for the long term. Marketing and production flexibility both positively impact a company's strategic performance and product innovation in a material way, however the positive impact of HR flexibility noted in previous studies was difficult to quantify here.

Reference

Beraha, A., Bingol, D., Ozkan-Canbolat, E. and Szczygiel, N. (2018), "The effect of strategic flexibility configurations on product innovation", *European Journal of Management and Business Economics*, Vol. 10 No. 2, available at: <https://doi.org/10.1108/EJMBE-02-2018-0028>

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