

The new market reality | The Xpragmatic View



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by [Marc Buyens \(@mbuyens\)](#), Xpragma
marc.buyens@xpragma.com
url: <http://www.xpragma.com/view64.php>

Over the past years, better and more cost effective communication capabilities have been the main drivers for evolutions such as internationalisation, globalisation and outsourcing. Indeed, this improved communication capability has been an enabler for various new and more complex forms of collaboration. At the same time, organisational structures are growing thinner. Is there still room for the traditional company?

A couple of weeks ago, someone asked us whether we knew any real example of a business that was organised according to the principles of what is called an "agile virtual enterprise" (AVE) [1]. We had to admit that we didn't.

Of course, in the specialised literature, the example of the American film industry is always mentioned. However, we are not familiar with that type of business, so we are unable to judge.

Another example that is often given is that of the consulting business. This is of course a business segment we know better. Unfortunately, we do not think this example is correct. Although some organisational forms come close, none of them fully adheres to the principles of an AVE.

Nevertheless, although the AVE still largely remains a theoretical concept, reality is that the current market evolutions are driving industries towards a more AVE-like organisational form.

Therefore, let us briefly recall the basics of the AVE concept.

First, we have to understand that an AVE is not a "real" company. Therefore, the acronym is somewhat an unfortunate choice. Indeed, by definition, an AVE is a **collaboration** of multiple companies or individuals. In addition, this is a **temporary** collaboration as it is created for the sole purpose of an individual project.

The basic idea behind this concept is the fact that each project has specific needs and the AVE set-up allows bringing together the best competencies for each individual project.

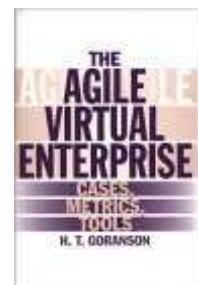
Talking about "projects" might give the impression that this is not applicable to various types of industries. However, any company can participate in an AVE construction.

Within an AVE, the participating companies will play different parts. The most important ones include:

The lead partner or project owner

This is the company that has final responsibility towards the customer or the market. It is the company that "sells" the AVE and its offering. In general, it is the company that found or created the opportunity, although this is not a necessity.

Contributors



The agile virtual enterprise
Cases, metrics, tools
H.T. Goranson

These are the companies that each have a dedicated, specialised task within the project. These companies have been selected because of their specific competence of skill to execute or deliver a specific part of the project.

The coordinator

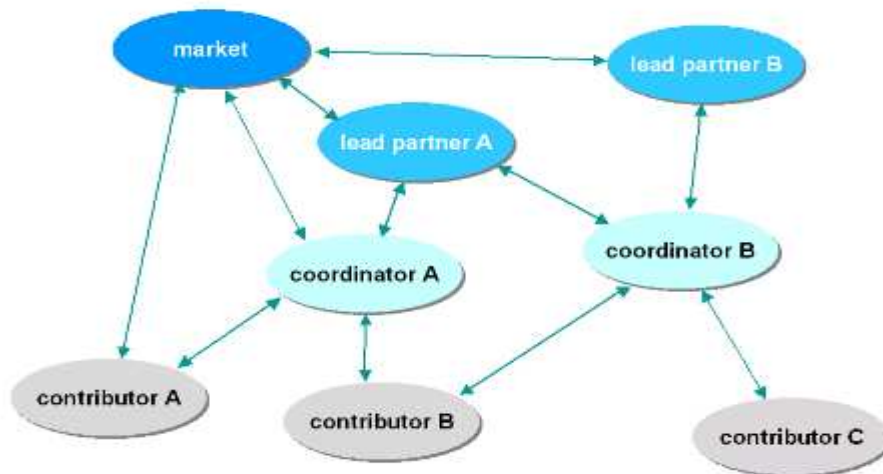
This is the company that identifies the potential contributors, brings all parties together and manages the relationships between all parties involved.

As said, today, we will find few real examples of the implementation of this concept. Nevertheless, some forms of collaboration between companies already come close.

A well-known example of this can be found in the world of IT outsourcing. Here, the lead partner will be the organisation that wants to outsource parts of its software development; the contributors are the offshore software houses in India, China or Eastern Europe and the coordinator typically is a local software house or system integrator that acts as a facilitator to bring all parties together, adds a certain level of "trust" and sometimes, provides some form of project management.

Of course, this is not a pure form of an AVE. Very likely, some form of privileged relationship will exist between some of the parties. In addition, there is not really a transparent market, so the number of potential contributors or coordinators is limited. Furthermore, there is no real peer-to-peer relationship between the parties, but rather a more formal hierarchical structure.

Nevertheless, current market evolutions move us closer and closer to the collaboration form that is shown here:



In this new era, all entities do exist and act as peers. In theory, there are no hierarchical, privileged or exclusive relationships. In addition, depending upon the specific context or opportunity, any company can play any part.

Of course, it is unrealistic to assume such 100% transparent market. Organisations will continue to seek for competitive advantages that are based upon secrecy, exclusivity and we-against-them practices. However, the fundamental changes in our economy cannot be avoided and companies will have to face this reality of "extreme competition and collaboration".

Today, most organisations are still largely focusing on the temporary opportunities that emerge as side effects of this evolution. The typical example is of course cost reduction via outsourcing.

As a result, the current thinking and the concerns of these organisations are largely focused on the shift of economic power from the West to the East. However, while this shift of economic power is a reality, the same organisations are unaware of the more fundamental paradigm shift.

Therefore, management teams must be conscious of this evolution and prepare their organisations. Unfortunately, it will be impossible to reap the fruits of these new market mechanisms while keeping the same traditional organisational form. And this time, we are not talking about eliminating or outsourcing some less strategic or "lower level" activities, but we are talking about reshaping the very nature of the organisation.

Success!

[1] Also see [The quest for the agile enterprise](#), November 2002

About the author



Marc Buyens is analyst, management consultant and owner of Xpragma. Marc started Xpragma in 1999 after a 20+ years career in the IT sector. Today, he provides advice, training and mentoring services focusing on the intersection of technological evolution, organisational change and business strategy: a messy world of unfulfilled promises.


 <http://www.facebook.com/marcb254>

 <http://www.linkedin.com/in/marcbuyens>

 <http://www.twitter.com/mbuyens>

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Xpragma bvba - Mechelsesteenweg 254 - 2820 Bonheiden - Belgium
Tel. +32-(0)15-340 845 - info@xpragma.com - www.xpragma.com

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