
Kul Bhushan C. Saxena

Management Development Institute, Gurgaon, India, bsaxena@mdi.ac.in

Abstract

The current business environment is undergoing a dramatic change, increasingly being characterized by competition from a variety of players, emergence of a multitude of delivery channels and demand for more flexibility and agility leading to an increasing demand for innovation, flexibility and shorter time-to-market for new products/services. This paper proposes a Smart Business Network environment as an organizational design paradigm to fulfil these demands successfully. It evaluates the operational implications of adopting a SBN design for organizational flexibility in terms of the business process management (BPM) dimension and proposes a conceptual architecture for meeting the process management requirements for the SBN environment. Finally, the paper makes an assessment of the proposed architecture and suggests future direction for research.

Changing Business Environment and Need for Business Flexibility

The current business environment is undergoing a dramatic change, increasingly being characterized by competition from a variety of players, emergence of a multitude of delivery channels, a plethora of regulatory and governmental compliance requirements, and demands for more flexibility and agility. The influence of these issues has led to an increasing demand for innovation, flexibility, and shorter time-to-market for new products/services. Consequently businesses are increasingly beginning to focus on their core competencies and their traditional corporate resources are getting deconstructed to emerge as “collaborating ecosystems”. This concept called componentisation, involves an enterprise to deconstruct, analyse, and then reconstruct into value nets, in which partnerships with customers and

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1 Flexibility, in the interpretive model of strategic management, is defined as an imaginative capacity for creating strategic schemas broad enough to encourage strategic initiatives (Volberda, 1998).
suppliers operate in a network supported by real-time information flows and inte-
grated IT systems (Cherbakov, Galambos, Harishanker, Kalyana, & Rackham,
2005). However, componentisation by itself is not sufficient. Interaction among
business components need to be seamlessly and tightly integrated across the value
net. The need for flexibility across the value net requires that the enterprise can
“in-source” an outsourced component and vice-versa; replace on demand a current
partner with a different partner; change the terms of the contract between the two
components, and so on. Thus a Smart Business Network (SBN) environment is an
ideal choice for enterprise componentisation.

The paper is organized as follows. The next section presents Smart Business
Networks as a strategy for organisational design and focuses on a SBN facilitating
different capabilities from different network adapters. The section following it
identifies the requirements of business processes in a SBN environment. The sec-
tion following this proposes a conceptual architecture for process management in
SBN environments, and describes the four building blocks of this architecture. The
last section evaluates the proposed architecture and suggests how this process-
oriented thinking about SBNs could lead to wider adoption of the concept as an
organizational design paradigm.

**Smart Business Networks as Organisational Design Strategy**

According to Vervest, van Heck, Preiss, and Pau (2005: 31), a SBN is a network
of organizations coordinating their business processes in a manner that exhibits
adaptive, agile and robust behaviour that is generated or reproduced when a robust
and necessary set of networked structures and networking processes are estab-
lished. According to this definition, the smart behaviour of a business network is
shaped by its structure, processes and technology. Structurally (Fig. 6.1) a SBN
combines “shapers” (one or more organisations which initiate and/or orchestrate
the network) as well as “adapters” (organisations which comply with the require-
ments set by the shapers) (Vervest, van Heck, & Preiss, 2008: 36). Furthermore,
there could be certain positions called bridging positions in the SBN layout which
are more attractive to SBN adapters because the adapters link through these posi-
tions and the adapter holding the bridging position (called the Bridger) holds the
network bridge (Vervest et al., 2008: 20). The bridge structure not only brings
information and control benefits to the Bridger but also encourages the dependent
adapters to find alternative routes, i.e. to disintermediate the Bridger. The shapers
of a SBN also create a business operating support system (BOSS) which coordi-
nates the processes among the networked businesses and its logic is embedded in
the systems used by these businesses (Vervest et al., 2005: 5).