CHAPTER 3
LITERATURE REVIEW

3.1 INTRODUCTION

The purpose of the study is to develop marketing flexibility measurement scale for automobile companies operating in India. In line with the purpose, the literature review in this chapter has been presented in three areas:

1) Concept of flexibility, its early roots, and various research disciplines related to flexibility concept.

2) Marketing, marketing system and its various components.

3) Marketing flexibility concept and various attributes relating to the concept.

![Fig 3.1: Structure of literature review](image-url)
3.2 CONCEPTUAL FOUNDATION AND EVOLUTION OF FLEXIBILITY

Notion of flexibility has been used extensively by different areas and streams across the world. It has found references in almost all areas of management disciplines and its ability to hedge the organizations against the devastating change has been widely recognized by the researchers.

Flexibility is a multidimensional concept and has many connotations attached with it. Owing to this multi-dimensional nature of the flexibility, there exists number of definitions of the concept. According to the context and discipline, the various authors have defined flexibility in the different backgrounds and that is one of the reasons that still the concept remains an elusive and somewhat vague in nature. Further the reason behind this indistinct conceptualization of flexibility that varies from discipline to discipline is its somewhat familiar nature and pre-disposition people have it. This has led to different definitions of flexibility in different streams of management literature.

In order to clearly define the flexibility concept from extensive literature review is being done on flexibility. Concept of flexibility has been deeply researched by studying its references lying within the different disciplines of management. Starting from the basics, this literature review on flexibility goes through the strategy, operational and organizational disciplines to clear the air on rather poorly and vaguely define flexibility concept.

According to Cambridge Dictionary flexibility is the quality of being able to change or be changed easily according to situation. Though this definition is not very specific; still it gives an overview about the concept. Flexibility inherently pertains to the change and the ease with which this change can be executed. More easy or smooth the process of change; more flexibility in inherited by the process or system.

Flexibility has found a number of references in literature. There is almost no area that is untouched by the term flexibility though the usage pattern and its application are considerably different for different disciplines. Following sections has the details of flexibility concept as available in literature according to different disciplines related to business.

Strategic flexibility has been defined by the various researchers spanning across wide disciplines of management. The notion of strategic flexibility that is probably the closest to an
everyday understanding of flexibility is the ability to do something other than that which had been originally intended [54]. This means the strategic ability endows the organization with the ability to change its action plan according to the changing situations. These changes may be warranted from the outside environment or have been arisen from the changes that happened internally. Both these contingencies can give rise to situation where it is mandatory to have another action plan from what was originally planned.

Another definition by Ansoff described that flexibility can be measured by two proxy objectives: external flexibility achieved through a diversified pattern of product-market investments, and internal flexibility through liquidity of resources. Further this is described this as not putting all of one’s eggs in a single basket [55].

There are two dimensions of flexibility as described by Ansoff [55]. While first pertains to the external one other related to the internal capabilities. According to him, external flexibility means the ability of the company to have a broad set of diversified product range and investment. This directly means that company must not depend heavily on one product of area of investment as it ultimately leads to increase the vulnerability aspect of the organization. Any external contingencies that arise from the uncontrollable factors can severely hurt the prospects of the organization and in case if organization is dependent on one product line or area of investment, its survival may become difficult. In contrast if the company is well diversified in different areas along with broad product range, it may not as badly affected by the environmental contingencies as when it had whole stake on one product line.

Similarly Ansoff [55] talked about the internal component of flexibility which according to him can be gained through liquidation of the resources. This point limits his views of internal flexibility to the financial aspect of the company. The other crucial component like organizational structure, hierarchy, internal policies etc. had not been covered in his view point. According to Ansoff the internal flexibility is limited to the financial resources of the firm and these resources then liquidated to give the internal flexibility to the organization. One big loophole however present in this explanation is the fact that are other crucial factors also resent inside the organization that can be helpful in enhancing the internal flexibility of an organization. Organizational structure, hierarchy level, reporting relationships, internal policies etc. are critical factors that have their part in ensuring the internal flexibility of organization and thus must be given their due attention. However the definition by Ansoff [55] took into consideration only the financial resources of the organization.
Ability of the flexibility to hedge the organizations against the devastating change has been profoundly acknowledged by the Eppink when in 1978 he stated that flexibility makes an organization less vulnerable to or better able to respond successfully to unforeseen environmental changes [56]. This definition of strategic flexibility is more complete and active than given by Ansoff [55]. As the notion unforeseeable change has been included in the definition, this means the active context of the environment has been taken into the consideration.

Eppink [56] suggested that on one hand flexibility makes the organizations less vulnerable to the bad effects of changes; on other hand it equips the organization to deal with the changes that are completely out of anticipation. This point towards the two dimensions of flexibility imbedded in Eppink definition i.e. active and passive context. While active context helps the organization to respond effectively to changing environmental situations, passive context presses the point of shielding the organization from the bad effects of change. Also based on the intensity of change Eppink classified the flexibility into three types as discussed below:

Operational Flexibility, the first type, pertains to lowest level on the intensity of change pyramid and the situations changing are almost familiar. There is not any sort of substantial shift that is required in terms of changing the processes, shifting the hierarchy level, exchanging the responsibilities etc. and this type of flexibility requires minimalistic changes in the routine operations. The change required at this level of flexibility is often temporary in nature and often things come back to their original positions after a few days.

Examples of such situations are low demand in market or renewed packaging plan for the product etc. In terms of relationship of the company with its environment, this type of flexibility requires the minimalistic shift in the position of organization and the organization is able to maintain its equilibrium with outer environment without any major overhaul in its original position.

Second type i.e. competitive Flexibility in a sharp contrast to operational one, requires substantial changes in the organization position because the intensity of change is more and less foreseeable than that in operational flexibility. Launch of new and innovative product by the immediate competitor of the firm can be regarded as the situation that requires the competitive flexibility. This move now warrants a substantial makeover of the existing offering of the organization or a complete new product from the company stable so as to
counter the first mover advantage to the competitor. This further requires a substantial resources or mobilization of the funds, making the teams to mull on the decision to launch a completely new product or to give substantial reforms to the existing product, to decide upon the pricing aspect whether to have high, same or low pricing than competitor etc.

Now all these decisions will require considerable changes in the organization and the level of roles and responsibilities will also be exchanged. Also when compared on the time front, this flexibility requires the changes that are more permanent in nature than mandated by the operational flexibility. Therefore the times and money investment in order to gain the competitive flexibility is far more than the requirement in case of operational flexibility.

Third type in classification given by Eppnick [56] is strategic Flexibility and on the continuum of familiarity to unfamiliarity, strategic flexibility ranks highest. Also it relates to strategy which is another top function of the organization and on its shoulders whole responsibility of organization lies. Strategic changes are changes that are completely unforeseeable; without any iota that give hints of their presence. These are the changes that are actually originate from the environment that most of the times never ever have any sort of contact with the organization’s direct environment. This makes it further difficult to anticipate and this is the crucial reason why it is almost next to impossible to ascertain the changes at strategic level.

Another crucial thing about the strategic change is its affecting intensity. Not only are these changes completely unforeseeable these are also highly affecting in nature. Though these originate from the indirect environment; these affects directly to the organization. Examples of civil wars, oil crisis, government bans, and radical innovations can be treated as the examples of the strategic change. Emergence of digital cameras which left older technology of rolls completely outdated is one such practical example of strategic change [56].
The classification provided by the Eppnick which included the strategic flexibility has been further explored by the Aaker and Mascarenhas [57]. They associated the concept of flexibility of organization with its performance. According to them flexibility is ability of the organization to adapt to substantial, uncertain and fast-occurring (relative to required reaction time) environmental change that have meaningful impact on the organization’s performance. What is the crucial finding from their point of view is that they considered the substantial rate of change as one of the reasons for having the strategic flexibility. It is only because of this compelling change the strategic flexibility comes into picture. As the changes happening at the strategic level are almost new company often has to resort to new options of combinations to counter the threat emanating from the environment. As strategic flexibility pertains to taking the actions due to external environment changes, they considered it as strategic capability.

Same views about resorting to the new options along with dismantling the old ones was echoed by the Harrigan [58] who defined strategic flexibility as the ability of firms to reposition them in a market, change their game plans, or dismantle their current strategies when the customers they serve are no longer as attractive as they once were. This clearly points towards scrapping the old strategies and plans and resorting to the newer one according
to the evolved conditions. This means the flexibility is the ability of the organization to quickly change its markets or plans rather than sticking with the old one. More swift is the response of the firm towards the change, more flexible it is at strategic level. Example of Bajaj Auto Limited can be considered in this regard which very swiftly changed its focus area from scooters to motorcycles by anticipating the change in customers’ tastes and preferences. In contrast, Kinetic couldn’t able to respond with such swiftness and as a result had to bear the brunt of the changed environmental conditions.

Kogut [59] talked about the achieving flexibility by decreasing the firm’s dependence on the already placed resources. This means lesser the dependence on the already placed resources, more flexible organization is in its approach. This decreasing on the already placed resources call upon the organization to develop new resources which in the long run will lower the dependence on one set of assets available in the organization.

Further Kogut [59] classified three types of strategies; speculative, hedged and flexible that can influence the risk profile of the organization. Speculative strategy proposes to rely only on one source of supply. This is the condition when an organization finds it cheaper to source the material from one source rather than purchasing it from multiple resources. It also means that the cost effectiveness of one source is far better than the situation when the material was purchased from the different suppliers. Second strategy called hedged favours the purchase from the multiple sources. Clearly the cost advantage or economies of scale is not present in the purchase from single source and hence the strategy of purchasing from the different sources can be implemented. This also pertains to situation when the company has limited technological capabilities and there is no specific technical prowess that would have made things cost effective for the organization.

Third strategy that is named flexible one favours the development of excessive capacity at the plants located outside the country. This also insists on adoption of flexible technology in production capacity. It not only helps to negate any competitor advantage due to changes in resultant economic factors but also helps the organization to garner the benefits of the imperfections present in other countries. The adoption of flexible technology also helps the organization to customize their offering on real time basis.
Similar views about the flexibility had been expressed by Galbraith [60]. He associated the strategic flexibility with the manufacturing competencies and the ability of organization to shift these between different locations. These locations covered both the domestic and internationally located facilities. This means if the organization has ability to quickly shift its manufacturing prowess between its domestic and international facilities, the organization is said to be having the strategic flexibility.

It also includes the fact of replicating the current or existing competencies in addition to sifting them. This means that if the organization has all the capability to make the same manufacturing capability to operate at some other place both inside and outside its domestic territory, organization is said to have the strategic flexibility. Though the author clears the concept of strategic flexibility one severe criticism lies in the fact that the author talked the strategic flexibility from the point of view of manufacturing only.

Moving further Evans [61] gave the definition of the strategic flexibility that is probably closest to everybody’s understanding. It is ability to do something other than originally intended. This directly translates to the capability of the organizations to modify strategies that means the essence of strategic flexibility lies in the notion of changing the original course of action. What is originally planned and how quickly an organization shifts to another course of action is what strategic flexibility means. This point towards the ability of organizations to
respond swiftly to changing environment condition and deviates its plans from the originally scripted action. A second important virtue of strategic flexibility as revealed by the author pertains to the responsive capacity of organization. As suggested by author, strategic ability stems from the necessity that arises from the external environment. It is the changing external conditions that make it necessary for organization to respond in some effective way than its original plan of action. This means the author had given the responsive viewpoint of the strategic flexibility that helps the organizations by endowing them with the capacity to change their plans from what was originally intended. This capability however demands the requisite agility in the resources, investment and continuous rethinking criterion for the organizations. Changing the originally intended plans as and when requires because of the changes in the environment conditions is something that need to have continuous inputs and change mechanism on the current strategies and investment options.

Also Evans [61] suggested strategic flexibility is a function of the event that impacted on the company, by necessity instead of choice, being used to denote the company’s deliberate or emerging capabilities to manoeuvre offensively or defensively. This means that it is external environment conditions or the change that compels the company to change its action plan and to exercise its strategic flexibility. It also proposes that only because of necessity the organizations resort to strategic flexibility and it is not a voluntary decision. When the conditions necessitate the change, organization resorts to change its plan that ultimately defines its strategic flexibility. These important virtues of strategic flexibility have been represented by figure 3.4 as given below:

![Figure 3.4: Virtues of flexibility](image)

*Source: Pictorial representation of flexibility concept given by Evans (1991)*
Bahrami [62] gave one of the most comprehensive definitions of flexibility; it is a multi-dimensional concept-demanding agility and versatility; associated with change, innovation and novelty; coupled with robustness and resilience, implying stability, sustainable advantage and capabilities that may evolve over time. The definition uses many connotations in reference to the concept of flexibility. The various ideas that are associated with the concept of flexibility are agility, versatility, change, innovations etc. First thing that this definition clears is that flexibility is multi-dimensional concept and there are various connotations that are attached with this. Second thing pertains to the change that is prerequisite for flexibility. Change has to have in the organization in order to equip the company with the desired level of flexibility. Third thing that this definition suggests is that the capabilities evolve over time that means the process of flexibility is associated with continuity rather than a one or two time shot. It has to go a long way in order to get its fruitful impact visible on the health and working of organization. Figure 3.3 given below is the pictorial representation of the concept.

![Figure 3.5: Concept of flexibility](image)

*Source: Pictorial representation of concept given by Bahrami (1992)*

Also author [62] noted that many firms are turning to the dualistic perspectives towards organizational systems and this form is helpful in striking the dynamic balance between
stability and flexibility. Organizations on the one hand need order, discipline, effective control and avoiding any repetition of the work the need to act and react quickly according to situations is equally desirable. As decentralization results in small team formation with more efficiency and effectiveness, it is required for quick reactive mechanism. So there is simultaneous need for centralization as well as decentralization.

Another dualistic perspective that author [62] suggested was stability versus dynamism. Stability is required in order to restore the structure and order in the organization and is required to prevent the situation of chaos in the organization. Stability is required to get the things settled inside the organization and in that respect it is important. Dynamism on the other hand represents the effective component required by organization to face the changes that are happening in internal as well external environment of organization. Therefore an organization wants to score well on both these opposite aspects at the same time. This also fuels the dualistic perspective many organizations are resorting to.

Talking about the defensive and offensive side, Bahrami [62] termed both these as different forms of flexibility. On defensive term, flexibility relates to the capabilities that help the organizations to endure during the tough time or time of negative impact. The term that author used for this is “robustness” and “resilience”. While robustness directly relates to the ability of organization to withstand the negative impact; resilience has more to do with the enduring capacity and quest to come back to its original position. Robustness can be arises from the excessive financial resources the company is having that can be used in tough times. It also denotes the strength when the organization comes across the disturbing and perturbing variable. Resilience on the other hand is intrinsic property of organization that has to do more with the mind set up of the organization. It has more intrinsic value and has its relation more to the human assets rather than the financial resources.

Offensive side of flexibility relates to the versatility which directly transformed to the situations of having different capabilities depending upon the emerging situations at one or other point of time [62]. Example of offensive flexibility can be the personnel of organizations who belong to diverse field and able to handle the different tasks. This type of diverse capability provides the organization the ability that helps it to cater the needs of the various groups of diversified challenges that may arise from the external environment. An effective and responsive R&D department with unique blend of professionals from the diverse areas of technological domain relates to one such offensive type of flexibility.
Author [62] also suggested that in order to get the real flexibility an organization needs to have both these types of flexibility; offensive as well as defensive one. Offensive capability helps the organization to get the maximum advantage by early detection of the opportunities while defensive one pertains more to the reactive capacity. However it’s always better to go with offensive category and defensive will take its time to react according the situation. In normal environment conditions where change is not completely unforeseeable offensive flexibility shows its merit while defensive flexibility comes into picture when the company faces a complete new situation that has some devastating effect on its working.

Of late the study of flexibility has also been done from the more holistic point that seems more useful from the explanatory point of view. Systemic approach has been adopted to define flexibility that takes into account the entirety facet of the situation. Sushil [63] defined the flexibility in systemic sense as the dynamic interplay or synthesis across the range of options from thesis to anti-thesis by exercising freedom of choice. Further the author elaborates that systemic flexibility is the exercise of free will or freedom of choice on the continuum to synthesize the dynamic interplay of thesis and anti-thesis in an interactive and innovative manner capturing the ambiguity in systems and expanding the continuum with minimum efforts and time. Three key words associated with the flexibility are: options, change and freedom of choice.

![Figure 3.6: Key principles of Flexibility](source: Sushil (2001))
3.3 MARKETING SYSTEM

Literature on the marketing has been reviewed from the two perspectives: firstly the revisiting of the marketing discipline has been done from the systemic approach as this point of view takes into account the holistic or comprehensive aspect of a discipline. For this, system theory and its nitty-gritty have been studied and then marketing from the systemic angle has been examined. After that the focus shifts to the marketing flexibility that by far has got little exploration in the literature simply because of dearth of the studies relating exclusively to the marketing flexibility concept.

3.3.1 SYSTEM

It is asserted that a system is a collection of entities and their interrelationships gathered together to form a whole greater than sum of parts [64]. The assertion points towards three crucial aspects of a system; entities, interrelationships and the whole. Figure 3.5 as given below is the depiction of the system’s entities leading to the output which is more than sum of individual inputs.

![Figure 3.7: Essence of System concept](source: Pictorial representation of the system concept given by Boardman and Sauser (2006))

Further Ackoff [65] defined system as the set of two or more interrelated elements with the following properties:
• Each element has an effect on the functioning of the whole.
• Each element is affected by at least one another element in the system.
• All possible subgroups of element also have the first two properties.

**Illustration:** An automobile can be treated as system as it fulfils all the prerequisites necessary to achieve the status of system. Various parts of an automobile like power plant, steering, transmission, braking can be treated as its working elements. Each part has the role to play in order to provide the mobility to passengers and in the process has effect on the overall functioning of the automobile. Engine provides the necessary power required for mobility, transmission makes this power available to wheels and brakes equip the automobile with stopping ability. As the elements are interrelated, they are affected by the other elements. Transmission draws the power from engine through clutch assembly and thus affected by its functioning. Similarly the wheels are affected by the functioning of steering wheel and brake assembly. Therefore in an automobile all elements have effect on the whole and are affected by other elements making it eligible to be called a system.

Observation related to elements and their interactions was also provided by Ackoff [65] who emphasized that system’s essential properties are product of the interactions of its parts, not the actions of the parts considered separately. If performance of each part taken separately is improved, the performance of the whole system may not be, and is not improved. This observation is explained in the following section of emergence and synergy as described below.

Two most important properties of system are its synergy and emergence characteristic that in fact holds great importance in understanding the nitty-gritty of the concept itself. Structurally, a system is a divisible whole, but functionally it is an indivisible unity with emergent properties. Here the mean of emergent property mean that the system shows some novel aspect only in the ensemble stage when all its components are together in a pre-specified manner. If the components exist in isolation without this wholesome, then these will not show any novel properties that these exhibits as a part of the system.

First of all consider the structure of a system that can be divided into parts physically; leading to notion that a system as a structure can be divided into individual components. But then the most important characteristic of system is its emergent properties that show some novel
behaviour only in the state of ensemble rather than being in isolation. This specifically point towards that only in its assembled state system components possess the novelty that ultimately leads to the synergy aspect making system to produce output that is greater than the individual contribution of its elements.

Figure 3.8: Important characteristics of System concept

Source: Pictorial representation of the systems’ properties given by Ackoff (1981)

3.3.2 MARKETING: SCOPE, IMPORTANCE AND SYSTEMIC PERSPECTIVE

Marketing is virtually present everywhere. Right from the advertisement on the Television, promotional hoardings on the roadsides, campaigning mails and even door-to-door selling; marketing encapsulates all these activities.

Marketing has been defined from a wide range of perspectives. Some definitions treat marketing as process while others emphasize it as one of functions of an organization. According to American Marketing Association marketing is an organizational function and a set of processes for creating, communicating and delivering value to the customers and for managing customer relations in the ways that benefit the organization and its stakeholders.

The primary purpose of the marketing is attached with customers as this discipline is exclusively devoted to managing the relationship with customers. Marketing is managing profitable customers’ relationships and two fold goal of marketing is to attract new customers by promising superior value and to keep and grow current customers by delivering satisfaction [66].
There is no denying from the fact that customers today has become centre of all marketing activities and successful companies keep on adding the value propositions for their target group of consumers. Even studies emphasize that main role of marketing is to develop and deliver better value propositions for customers [67] [68] [69].

Changes in today’s business environment has manifold the importance of marketing as customer has become the real king of market. Globalization and liberalization has eroded the geographical boundaries of competition and revolution in IT services has equipped customers with abundant source of knowledge. Accelerated innovations and decreasing product life has added more woes to already struggling industries.

Amid this newly evolved paradigm marketing needs to be seen in more holistic way. As it represents the front fascia of an organization that is in immediate proximity with external environment (including customers), leaving anything to chance could prove devastating for the organization. Moreover adopting a lowly functional approach can’t justify with the enhanced importance of marketing discipline especially in the backdrop of decreasing customer loyalty and increasing number of choices.

All these situations imply that marketing must be seen from a more complete and holistic perspective that that results in the synergy aspect to satisfy the customers in better way than the competitors. Further many organizations today realize that marketing has crucial value for the sustainable and long-term business prospect of a venture.

Even the profit as well as not-for-profit organizations are intensively involved in the marketing as the survival stake of the organizations has now become extensively dependent on the marketing finesse on the organization. Figure 3.9 is the pictorial representation of some of the main reasons that have led to raise the marketing area stake in business or organization.
Figure 3.9: Enhanced importance of marketing

Source: Kotler and Armstrong (2007)

Concept of system is quite old though its applicability hasn’t grown much outside the technological field and domain. From management perspective; especially marketing little has been talked about adoption of system philosophy to find out the solution of problems related to its domain i.e. consumers and markets. Marketing, being the front fascia of organization, is at closest proximity with external environment which is witnessing very fast change nowadays. Globalization, breakthrough technologies, rapid innovations along with advance means of communication has changed the market place in a radical way.

In fact 21st century has undergone a paradigm shift in the preference of customers in terms of their taste and choice. In the wake of all these changes there is compelling need to adopt more holistic approach towards the marketing rather treating it merely from functional of process
point of view. System perspective is one such holistic approach that can help to bring in more effectiveness to marketing discipline.

Though this perspective has not found many references in literature there are still some exceptions to this fact. Fisk [70] in his seminal work on marketing system; adopted an approach based on general system theory and identified seven level of organizations from the individual to the global or world economy. Dowling [71] defined a marketing system as complex social mechanism for coordinating production, distribution and consumption decisions. Dixon [72] noted marketing system as a differentiated sub-system of the society and concluded that it has an impact on other social systems, cultural system and material environment. Further Layton [73] proposed 12 propositions that underlie the theory of marketing system.

Nowadays, more and more companies are adopting a holistic approach to address their complex problem, even relating to the discipline of marketing and sales. The use of the systemic and logical solutions of the problems was initially limited to the domain of operations and information technology though now this systemic approach owing to its synergy aspect has attracted attention of multiple disciplines. This trend is far more evident in today’s changing business environment than somebody had noticed a decade ago. Irrespective of the industries and nature of products these commercial establishments deal in, the trend of using the well-defined and complete perspective to solve even the managerial problems has been on the rise and for good reason.

System approach with its synergy and emergence properties creates the whole that is better than the sum of its components. Simply put systemic perspective is capable of solving the complex problems due to its diverse capabilities that come into fore once all the interrelationships and boundaries has been well-defined within the system’s framework.

This approach is helpful to find optimal solution to the marketing problems which most of times aimed at creating better customer satisfaction. With its broad vision that intends to consider the whole forest rather than counting number of trees system perspective can help in sustaining the competitive edge of firm by delivering better value proposition to its target market.

Another key benefit of adopting the system perspective is that it allows having complete view of problem by allowing the user to study the complex web of interrelationships that exist
between different elements. More specifically, in marketing, it allows the interaction of various elements with each other and helps to bring out the most optimum result by effectively coordinating their efforts.

For example let us take the new product development (NPD) department that usually works in isolation with little interaction with marketing department. System perspective with its efficient integration not only facilitates the exchange of ideas between sales people and NPD but also provide NPD with valuable information regarding competitors’ development as per input given by marketing intelligence people. This ultimately helps to successfully launch new products that will satisfy the customers in much better way than the competitors; thus sustaining organization’s edge over rivals. In fact Lee Adler [74] had talked explicitly about the benefits related to systems approach to marketing.

Systemic perspective, in contrast to functional or process view, will help the organizations not only to understand the customer requirements in a better way but also to satisfy them with better value proposition along with speedy distribution and service delivery. This holistic approach will help the organizations to multiply their growth prospects as a result of the increased loyalty aspect that will arise from enhanced customer satisfaction. In this study we have followed systemic model of marketing that exclusively take the holistic view of this discipline.

![Figure 3.10: Systemic perspective to marketing](source: Adapted from Adler (1967))
Out of these dimensions, structural hierarchy and specialized training here exclusively relates to marketing department. Wherein structural hierarchy signifies the level of centralization, reporting hierarchy and underlying structure of authority in marketing department training pertains to efforts that are put in order to hone the skills of marketing personnel related to better understanding of market, customer and environmental cues. The focus of both these dimensions is on marketing department rather than what these are used in broader, organizational-wide perspective.

3.4 MARKETING FLEXIBILITY

There are number of studies that related to technical and manufacturing flexibility with a considerable research explicitly relating to these facets of flexibility. Like operational and manufacturing, human resource management and strategic management literature too have a number of studies exclusively devoted to the flexibility. However in case of marketing flexibility the level of research is quite shallow as there is lack of studies that delves into the marketing flexibility concept.

As noted by Johnson et al. [75] the literature on flexibility it has rarely been considered from strategic marketing perspectives as extant research is surprisingly silent on flexibility with regard to strategically crucial market-linking activities. Combey and Greenley [76] observed that flexibility is implicit in the application of the marketing concept still there is lack of the studies that specifically relates to marketing flexibility with some exceptions.

Aaker and Mascarenhas [77] came out with the approaches that could lead to the creation of flexibility in the different functional disciplines including marketing in organizations. These three approaches are labelled as: diversification, investment in underutilized resources and reducing the resources usage for special purpose. Based upon the different functions or disciplines, these principles can take different route to achieve same goal of creating flexibility.

Now the very first approach of the diversification is clearly aimed to reduce the dependence of the business on one particular market or business ventures in generic terms however the manifestation of this approach as applicable to marketing is to have presence in multiple markets with different product offerings. In case of automobile companies this implies towards the capability of being multi-national in terms of market presence, simultaneously
selling in home market as well as exporting to overseas, using multi-channel distribution strategy etc.

The second approach suggested by authors put focus on the investment in underutilized resources. Now this approach may manifests itself in the form of renewal or resurrecting a brand that could have lost its relevance in the past but now have become more relevant. Now investment in that brand could provide the competitive edge in one or other market that has shown considerable affinity towards the brand values this resurrected brand. Another example of this approach is to make strong customer relation that the company till then wasn’t been very serious about. Now investment in the customer database, dedication a spate cell for addressing the grievances and complaints along with tracking their purchasing history to tailor-made offering for them can ultimately help the organization to build up the strong customer base.

Third approach that focuses on the reduction of specific usage of resources undergirds the premise to distribute the business risk by reducing the critical dependence on specific elements. In terms of suppliers, this philosophy advocates the use of large supplier base rather than critically dependent on a set of specific producers. In terms of marketing flexibility this relates to the advocacy of using combination of promotional mediums rather than relying heavily on one promotional method.

Another author Harrigan [78] talked about the market-linking from of flexibility at a time when the most of the flexibility approaches were focussed on the technical side of facet. According to the author, flexibility is the ability of firms to reposition themselves in a market, change their game plans, or dismantle their current strategies when the customers they serve are no longer as attractive as they once were. This definition describes the flexibility as in reactive sense as it describes the concept in the light of environment changes that keep cropping up from time to time. Repositioning in the market along with dismantling the current strategies hints towards the open mind-set that top-management of organization must possess so as to quickly change the direction of organizations’ current market and strategies choices.

Further Harrigan [78] observed that managers are having a particular mind set or predisposition that they tend to behave in a particular way as a result of their past experience. This creates a sort of entry-exit barrier that may even be superficial at times without any logical backing or support.
Thus it is necessary in order to achieve the marketing flexibility that these predispositions must be removed in order to make way for the new and fresh perspective to replace these past notions. This leads to method to cultivate the marketing flexibility is to overcome the mobility barriers that exist in various markets so that the company can swiftly enter and leave the markets in order to make most of the situation.

![Figure 3.11: Barriers to marketing flexibility](source: Pictorial representation of observation by Harrigan’s (1988))

Now from the above discussions it follows that marketing flexibility pertains to the ability of the organizations to change its various market focussed strategies both proactively and reactively. This aims to make the most of emerging opportunities as well as to avert approaching threats that keep on coming because of the changing dynamics of business environment.

This mandates that the company must have both offensive as well as defensive capabilities in order to successfully achieve the gains on the customers and competitor front, company must have combination of the offensive as well as defensive side of the flexibility. Now the defensive side of the flexibility is rather easy to have as it reacts to the outer changes after they come to fore, the offensive side is a bit difficult to cultivate in the system’s grain simply because of its total uncertainty. But then the benefits associated with this offensive side of flexibility are huge because company can guide the market and customers towards its proposition rather than being dictated by the environment forces.

Whether, offensive or defensive the marketing flexibility pertains to quick change in the strategies relating to the market place. As suggested by Porter [79], there are three types of strategies that can be used by the companies to outperform their rivals in the market. He classified these as overall cost leadership, differentiation and focus.
First one is aimed at offering the product with the lowest price among the competitors operating in the market owing to its economies of scale or distinctive competence of technology. The gist of the idea lies in offering the product to customers with minimum price. Then there is differentiation with focus upon offering some unique product or service that is not been on offer in the market. This refers to either having some unique feature or all-new product or service that perceptibly differentiates it from the other market offerings. Company adopting this strategy may charge the premium for its differentiating or unique attribute provided this innovativeness has value for the customers. Third strategy focus, as the name suggests this strategy takes squarely into consideration the needs of a particular segment and then develop it’s offering with special attention paid to the requirements of that group. Being focussed this strategy limits scale of application as the process of developing different products to different segments may not be financially feasible options for many firms [79].

In the light of these three generic strategies proposed by the Porter, marketing flexibility relates to the quickly change of the strategies according to the changes in the market and environment. For example a market flexible firm may quickly change its focus strategy to overall cost leadership if it senses the shifting focus of the customers towards the value for money propositions.

Along the same lines a company endorsing the differentiation strategy by offering some unique features in its product may feel the need to resort to cost leadership strategy simply because of the changing customers’ focus towards economical products. Then having the marketing flexibility allows the company to quickly embrace the change by streamlining its various resources and aligning the processes to make the products that can be offered to market in far more economical price than any of the current offerings in the market.

Prahalad and Hamel [80] put forth another perspective of marketing flexibility in the context of changing environment and competitive advantage. With the view that the very basis of competitive advantage hinges on the performance of company with respect to its competitors, they researched this facet of flexibility from the competition point of view. Authors found that the market flexible firms invent new markets, quickly enters the emerging markets and in case of already well-established market, change the leave the markets as and when opportunity or threat arises.
Clearly the attention has been diverted here on the advantages that market flexible firms can have over their rivals. Also worth noting is the point that observation of the authors had taken into account both the offensive as well as defensive form of market flexibility as inventing the new market comes under the pro-active sensing of opportunities while the latter two relates to reactive character of marketing flexibility. The company which works pro-actively on the various dimensions of market than it could able to sense the change even before it happens. However in today’s environment that is full of uncertainty and high level discernment, predicting the change correctly each and every time is simply not possible.

Marketing Flexibility

- Combination of pro-active as and reactive virtues

Figure 3.12: Marketing flexibility

Source: Prahalad and Hamel (1990)

Just at the beginning of 21st century with turbulence going overboard in its intensity, Grewal and Tansuhaj [81] thoroughly researched the role of marketing flexibility in context of managing economic crisis and defined it as ability of transnational corporations (TNC) to recalibrate its marketing efforts in a short period of time, in response to changing environmental context.

As TNC operate in different countries and markets, the aspect of marketing flexibility becomes even more important for their success and long term market existence. Marketing flexibility endows the firm with quick reactive mechanism that guides the organization to swiftly change its marketing manoeuvres with little penalty of time, effort and money. This theory also seems to be aligned with the diversification that also put the focus on the distribution of the risk over the large number of businesses and markets so as to reduce the dependence on one or other portfolio.

Further this study also focussed on important aspect of customer orientation that is an important part of the marketing flexibility. In high demand-uncertainty company are more
concerned about customers as with their focus on consumers, these should be in a better position to make the necessary adjustment to tap into the new demand curves [82].

Next in the marketing flexibility list features the study by Abbott and Banerji [83]. The authors observed that marketing flexibility enables TNC to have high global market share, ability to sell its major products in a large number of international and geographical markets, and have a strong presence in those markets that are home bases for global competitors. The thrust of the study is on the benefits of marketing flexibility that a TNC can reap because of virtue of possessing marketing flexibility. Three key merits that bestows on marketing flexibility by the authors specifically relates to the performance indices that explicitly underline the direct relation of marketing flexibility with enhanced performance.

The concept of marketing flexibility in the context of service has been researched in detail by CalinGurau [84]. The author proposed an integrated model of marketing system flexibility that is based on the concept of co-creation of value for the customers. This in turn requires the effective interaction, participation and implementation of the various stakeholders engaged in making and delivering the proposition to the customers. This mandates the flexible marketing structure, open-minded management and real-time implementation of the feedback provided by customers in the service so as to deliver the maximize value quotient to customers. The cornerstone of the marketing flexibility thus is the participatory management that is equally inclined to listen, accommodate and implement the useful feedback given by the customers.

Figure 3.13: Ways to enhance Marketing Flexibility

*Source: Pictorial representation of concept given by Gurau (2009)*
Another shot on the concept of marketing flexibility has been taken by the Sharma et al., [85] in one of their research aimed to revisit the flexibility concept and its impact on the overall performance of the company. Authors see the marketing flexibility as the ability to satisfy the varying customers’ needs with specifically created value proposition that a company can offer within the overall framework of its business strategy. As it is quite evident from today’s business environment that satisfying all customer segments with single value proposition is not a viable option as the deepened level of segmentation has clearly divided the consumers into different groups with specific product requirement. One offering that seems to fit the bill of one customer segment may not get down well with another group even if the difference in the offering characteristic is minimal.

With plethora of choices available in market, a consumer can easily neglect the less-than-perfect perceived option that could translate to dwindling market share for the organization. Now marketing flexibility allows the organization to offer a variety of offerings with each value proposition targeted to meet the specific need of the segment. Also as it is not financially feasible for the organization to target all the customers in the market, company has to select the customer segment and then the product offerings within the overall framework of its vision and strategy. According to authors, capacity and speed of product innovation is one such attribute of marketing flexibility [85].

Now based upon the extant literature review and experts’ opinions, it is proposed that marketing flexibility of an organization is inherited in the following seven dimensions and can be successfully captured by inclusions of flexibility attributes related to these marketing dimensions. These dimensions along with its literature review are described as below:

**Customer orientation** is one of the important dimensions of marketing flexibility and has been dealt in details by authors like Hitt et al., [86] and Baum and Walley [87]. For having flexibility in this dimension, a firm must strive hard to achieve the higher goals of customer satisfaction. Further the customer driven innovations and enriching the life of customers are some of the other attributes of flexibility under this dimension.

**Marketing Environment** has been studied extensively by Porter [88], Kidd [89] and Prahlad and Hamel [90]. Analysis of competitor move, sharing resources to accomplish some shared purpose and manoeuvring the organization according to changes that are warranted from time
to time by environment are some of the flexibility attributes that come under this dimension. Further the authors like Aaker and Macarenhas [57] and Das and Elango [90] have talked about the marketing environment flexibility.

**Product flexibility**, another crucial dimension of marketing flexibility has been researched by Das and Elango [90], Ulrich [91], Thomke and Reinstern [92] and Ulrich and Epingger [93]. Product across categories, inputs from the concerned parties and short development cycle are some of the important attributes coming under this dimension.

**Price flexibility** has been dealt in details by authors like Kandil [94], Woolman [95] and Flashal and Franke [96]. Having multiple price points, quick change in the prices along with its benchmarking, value-based approach etc. are some of the flexibility attributes that comes under this pricing flexibility dimension. Given the critical nature of the pricing in ensuring the success of an organization, price flexibility holds great significance for achieving overall marketing flexibility.

**Place flexibility** is mainly concerned with partners of the organization that act as a link between organization and end customers. Dealerships, customer-support centres, service centres and wholesalers are some of the important intermediaries that come under this dimensions. The prominent among authors that have studied this flexibility attributes are Das [97] and Ashkenas [98]. Quick addition and subtraction of the partners as per the arising situations is one of the most important place flexibility attributes that is followed by the continuous feedback and performance appraisal of dealership.

**Promotion Flexibility** pertains to the inclusion of marketing personnel in the overall planning of promotional campaigns. Further flexible promotion suggests including the partners in the manner that it benefits the overall promotional campaign of organization. Further hiring of some external source for assessment of effect of the particular promotional campaign signifies the promotional flexibility of organization. The main authors contributing to this dimension are Adebanjo [99] and Smith and Sinha [100].

The concept of **flexibility in structural hierarchy** got the attention from the authors like Bahrami [62], Thomke and Reinstern [92], Volberda [101] and Byrd and Trunner
Decentralized structure, team oriented work culture, seamless connectivity across departments and regular cross-functional interactions are some of the important characteristics of the flexibility in structural hierarchy.

Training and development needs have been emphasized in literature by authors Boreham et al. [103] and flexible firms are argued to put emphasis on the training programs. Not only imparting of the requisite training has been a crucial factor but then taking the feedback and its evaluation is an important consideration for having flexibility in this training and development dimension.