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great by
deeds, not by
birth"

-Chanakya

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Flexible Customer Value Proposition and Firm Performance

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Abstract

The global business history is replete with firms whose high-technology products have bitten market dust notwithstanding the technological splendor of those products. On the other hand, there have been firms that could translate their products though with little or no technology into commercial successes. More than such success and failure stories of business that a single product entails, there have been few smart firms that could float two or more parallel business models for the same product targeting different customer segments of the market with unique needs and constraints. However, there have been few other firms which could not pursue a second business model in light of the constraints or traps associated with the legacy business model. Altogether, the purchase decision of customers in various markets is dependent on the value proposition that a firm brings out in comparison to that of the competition. The paper takes the form of a theoretical discussion on few major practices of strategic flexibility in terms of spatially and temporally dynamic portfolio of business models in a spirit of discovery-driven planning that a firm can choose to exercise in its attempts to bring about strategic self-renewal on a sustained basis. This is a developmental paper and many of its suggestions require rigorous testing through studies in a wider array of settings.

Key Words: Business Model Innovation, Customer Value Proposition, Strategic Flexibility

Introduction – Emerging Competitive Landscape and Saturating Markets

A new competitive landscape has been unfolding as a consequence of the forces of liberalization, privatization and globalization (Hitt, Ireland, and Hoskisson, 2001), particularly with respect to developing countries like India (Ramaswamy & Namakumari, 1999). The strategic discontinuities encountered by firms are transforming the nature of competition (Hitt, Keats, and DeMarie, 1998). The business environment has been characterized by shrinking product life cycles, low prices, plethora of choices to the customer, exacting demands of the buyers' market, blurring of industry boundaries, opening up of global markets, intense foreign competition in domestic markets, increasing rate of technological change and diffusion, increasing knowledge intensity resulting in the emergence of positive feedback industries (where returns continue to increase often by building knowledge), increasing focus on innovation and continuous learning, descalation of time frames for strategic actions, emergence of IT as a key resource that annihilates the barriers of time and distance, advent of the new information highway (the internet), changing career dynamics and employee expectations etc (Hitt et al, 1998; Mische, 2001; Ramaswamy & Namakumari, 1999). The degree and complexity of the constantly changing environment is driving firms, both large and small to seek new ways of conducting business to create wealth (Stopford, 2001).

In the global and electronic economy, market space is no longer confined to specific geography and clear-cut industry boundaries. The industry demarcations are now blurred and quickly disappearing, and geographical and physical barriers have been bridged by technology. Today, organizations reside in a multi-dimensional space and construct that includes physical and virtual spaces and transcend traditional boundaries. They face an ever-changing variety of physical and virtual competitors. Thus, companies no longer compete in the traditional ways

for market share or industry position, but rather for market space that either exists in multiple domains or is waiting to be created (Mische, 2001). Expanding world-wide competition, fragmenting markets, and emerging technologies force established firms to create new sources of wealth through new combinations of resources (Guth & Ginsburg, 1990). To navigate effectively in this new competitive landscape, and to build and maintain competitive advantage requires new ways of doing business.

With the changing dynamics in the new competitive landscape, firms face multiple discontinuities that often occur simultaneously and are not easily predicted. Faced with escalating complexity in the business environment, firms must develop new strategies and new ways of organizing to deal with this exceedingly complicated landscape. It requires that they use the latest technology, continue to develop new technology, actively participate in global markets, structure themselves to gain advantage in these markets, develop and maintain strategic flexibility, and build a long-term vision that allows managers to balance short-term performance with long-term needs (Hitt et al., 1998). To gear up to the afore-mentioned global challenges, organizations need to be flexible enough to the changes in the business environment, both in the proactive sense and in the reactive sense to achieve strategic organizational renewal, on a sustained basis. Indeed, competitiveness in such challenging times will demand among other things, flexibility, especially on strategic dimensions (Momaya, 2002). The strategic flexibility entailed here points to exploration and exploitation of different value propositions being offered to different market segments.

Strategic flexibility

The dynamism, uncertainty and unpredictability in the new competitive landscape require substantive changes in many firms to be competitive. Perhaps the most important attribute that firms must achieve to operate or navigate effectively in such a new competitive landscape is that of strategic flexibility (Hitt, Keats and DeMarie, 1998).

Broadly speaking, a firm's strategic flexibility stands for "not putting all of one's eggs in a single basket" (Ansoff, 1965) or "the ability to keep options open or exercise flexible options" (Bowman & Hurry, 1993) or "the capability to switch gears" (Hayes & Pisano, 1994) or "degrees of freedom of managers in high technology product markets to coordinate products, manufacturing processes, markets, distribution channels, and competitive boundaries that are in a state of continuous flux" (Evans, 1991). Indeed, it is the capability of a firm to proact or respond quickly to changing competitive conditions and thereby develop and / or maintain competitive advantage (Hitt et al., 1998).

Creating and maintaining competences in dynamic market environments requires the flexibility to acquire / access and deploy assets in new ways appropriate to changing circumstances (Sanchez in Volberda & Elfring, 2001). Thus, in dynamic product or resource markets, strategic flexibility – the ability to change or stretch (Hamel & Prahalad, 1994) a firm's strategic uses of resources and capabilities (Sanchez 1995; 1997a) or exercise their potential fungibility (Mahoney & Pandian, 1992; Penrose, 1959; Teece, 1982) to maximize the value extracted from them (Danneels, 2007) – becomes critical to a firm's success in competence-based competition. Strategic flexibility has been characterized as depending jointly on a firm's resource flexibilities and the co-ordination flexibilities of a firm's managers in imagining new configurations and uses for current and new resources (Sanchez, 1995a). In this view, the

flexibilities of a firm's resources and managerial co-ordination increase with the number of alternative uses to which a firm can apply its resources and capabilities, and decrease with the cost and time required to change from one alternative use to another. Taking a related view, Volberda (1996a, 1998) proposes that a firm's organizational flexibility increases with the variety of actual and potential managerial capabilities the firm has, and with the rapidity with which the firm can activate its alternative managerial capabilities.

Strategic flexibility is a proactive and reactive organizational potential (Hitt et al., 1998), created by a flexible configuration of resources and broad strategic schemas (Volberda, 1998), whereby a firm can incorporate (create and exercise) various strategic options (Sanchez, 2004) for possible extension of firm's domain of competence and corresponding opportunity set (Covin & Slevin, 1991), for maintaining a dynamic fit between organization and environment (Volberda, 1998). Strategic options are the perceived opportunities to create value in the market. Eapen (2009) defines flexibility as the ability to select, defer, abandon, expand, switch, and optimize among alternatives that drive current and future decisions.

Such a strategic flexibility can be exercised on multiple fronts in the context of leveraging various resources e.g., human resources, financial resources, information technology, general resources (Volberda, 1998; Hamel and Prahalad, 1994). However, in this paper, our focus is restricted to a firm's value proposition flexibility and allied practices in the context of a firm's attempts to renew itself on an ongoing basis.

Strategic renewal

Strategic renewal can be broadly defined as the activities a firm undertakes to alter its path dependence (Volberda et al., 2001). This definition is in tune with the definitional framework proposed by Sharma and Chrisman (1999) where strategic renewal refers to the corporate entrepreneurial efforts that result in significant changes to an organization's business or corporate level strategy or structure, and renewal activities reside within an existing organization, and are not treated as new businesses by the organization. Strategic renewal involves the creation of new wealth through new combinations of resources (Guth and Ginsberg, 1990). As such, the process of strategic renewal is applicable to all organizations of varying ages and sizes. To accomplish this, firms need to escape the competence trap by remaining in a dynamic capability building mode and continuously renew themselves by exploring opportunities arising in their environment (Teece et al., 1997).

Research Gap

Notwithstanding the literature on performance of firms and organizational change initiatives, there has hardly been any study investigating the links between various value proposition flexibility practices of a firm and its market performance as well as financial performance (Johnson, 2010; Mullins and Komisar, 2009; Chesbrough, 2010). These researchers have made rudimentary predictions that strategic flexibility strengthens the positive effects of value proposition on exploration. However, detailed indicators of a firm's value proposition flexibility, financial performance and market performance have not been included in these few elementary studies. This paper takes inspiration from the work of Balasubrahmanyam¹ et al (2013) that elaborates on various financial flexibility practices of a firm and their linkages to its performance on the dual fronts of market and finance. Our paper is an attempt to plug this research gap by streamlining various facets of business model flexibility of a firm and linking

them to its strategic renewal in terms of its market performance and financial performance at a conceptual level. Though value proposition resource is not as fungible as finance, it makes business sense to leverage any such resource by drawing lessons from various leverage practices of finance that reflect various facets of a firm's value proposition flexibility in a spirit of an optimal portfolio approach. As such, this paper strives to capture the metaphoric benchmarks from various practices of value proposition flexibility such as pricing flexibility for a given utility, utility flexibility for a given price, and other multiples and sub-multiples of these that stand for flexibility in the management of various kinds of financial risk, pricing and cost flexibilities (Schwartz and Trigeorgis, 2001; Brewer et al., 2009; Young, 2003; Talluri and Van Ryzin, 2004; Cooper and Slagmulder, 1997; Vedpuriswar, 2010). This can be seen in the following value proposition practices that incorporate the spirit of strategic flexibility behind various business practices that tend to deploy respective resources in a dynamically optimal manner towards achieving profitable growth of organizations over time.

Methodology

The paper takes the form of a theoretical discussion of few major practices of value proposition flexibility that a firm can choose to exercise in its attempts to bring about strategic self-renewal on a sustained basis. As such, it entails an elementary assessment of the pertinent literature and streamlining the thoughts underlying various practices of value proposition flexibility of a firm and associated concepts thereof.

Value Proposition and Business Model

Johnson (2010) defines a business model as a representation of how a business creates and delivers value, both for the customer and the company. This conception of business model is applicable to all kinds of organizations, whether industrial or manufacturing or service or process. Allan Afuah (2004), Mullins and Komisar (2009) and many others have defined business model more or less on similar lines. However, the origin of the concept goes back to few studies done by Slywotzky (1996).

Value Proposition Flexibility

This paper draws adequate strength from several examples of value propositions that have been successful at the market place despite a seemingly poor or merely good technology accompanying such business models. Chesbrough (2010) contends that a mediocre technology pursued within a great business model may be more valuable than a great technology exploited via a mediocre business model. A few technological breakthroughs yet market-fizzlers such as Motorola's Iridium and Philips' CD-i (Kim and Mauborgne, 2005) on one hand and a few business model breakthroughs with hardly any technological component as support yet market-sizzlers such as emotion-pumping and customized colored and scented candles from the Blyth Industries (McGrath and Macmillan, 2000) on the other hand duly corroborate this contention. There are several other examples that depict multiple variants of value propositions used by firms across industries, across geographies and across time.

Based on literature review, we make an eclectic approach towards identifying related practices of business model flexibility practiced by various firms. In the process, we attempt to identify the concepts underlying such practices in the following section.

(i) Exploration of Alternative Raw Materials

NABI, a Hungarian bus company has come up with buses made out of alternative raw material ‘fibre glass’ in lieu of the traditional steel and thereby has disrupted the public transportation industry (Kim and Mauborgne, 2005). There are several other examples that capture this spirit of resource stretch. For example, Haier extended the utility of its washing machines to yogurt-making, vegetable-washing and so on (Radjou et al. 2012). Based on numerous studies conducted by A.T.Kearney, using a database that encompasses firms that account for 98% of the world market capitalization, Deans and Kroeger (2004) have examined 29,000 firms over 14 years in addition to interviewing CEOs during various briefings and have found that strategic stretch in the form of successful, profitable, value-building growth is always possible in any industry, in any region, in any phase of the business cycle. With such a huge database of real-time corporate examples of strategic stretch in one’s armour, organizations should leave no stone unturned in leveraging their technological resources by exploring and exploiting various strategic stretch options through exercising their technology flexibility practices. However, it is worth noting that strategic flexibility and resource leverage practices go much beyond technological resources. It is, therefore, the smart orchestration of resources, both technological and non-technological, that would pave way for the firms in extending their frontiers of businesses (Balasubrahmanyam⁴ in Chatterjee et al, 2013).

(ii) Exploration of Alternative Business Models:

Dell’s adoption of an internet-centric business model that disintermediates the value chain is a conspicuously successful example of a firm taking recourse to unconventional value chain

creation activities as a result of which traditionally strong incumbents (e.g., HP and Compaq in the PC industry losing out to Dell for over a decade) in the industry have bitten dust for a long time (Hamel and Prahalad, 1994; Nambisan and Sawhney, 2008). So also, Salesforce.com has occupied the untapped SME markets for its affordable cloud-based CRM solutions as against the expensive enterprise-centric CRM solutions. When the traditional companies have been adopting compressor-based technology for making refrigerators, Godrej & Boyce has employed a dual business model comprising traditional compressor-based refrigerators on one hand and peltier cooling-based technology in its portable cooling solution ‘Chotukool’ targeting the blue ocean markets of the rural markets in emerging economies like India (Balasubrahmanyam² et al, 2011; Dhanaraj et al, 2011). In a similar vein, Embrace has taken to Phase-Change Material-based technology in making world’s most affordable portable infant-warmers for Bottom-of-the-Pyramid (BOP) markets as against the traditional expensive incubators used by corporate hospitals (Radjou et al, 2012). The example of Tata ‘Swach’ employing novel boundary-spanning technologies comprising particulate technology, nanotechnology and chemical technology is a case in the point (Balasubrahmanyam³ et al., 2011).

(iii) Enabling Process Innovations augmenting a firm’s business model flexibility

There are several business examples wherein alternative process innovations have resulted in substantial cost reductions or ‘cycle time’ reductions (Mische, 2000). For example, Gujarat Ambuja Cements, the lowest cost cement producer in the world, has taken recourse to unconventional alternative raw materials (husk and crushed sugarcane in lieu of coal wherever possible; paper bags in lieu of jute bags), alternative logistics (shipping in lieu of road and rail), and a wide variety of other energy-efficient and resource-conserving process innovations in its stunning success in the cement industry (Vedpuriswar, 2005). On the front of technological

process innovations, they can come from Agile Manufacturing, Computer-Aided Design, Computer-Aided Machining, Computer-Integrated Manufacturing, Robotics and Multi-Purpose Machinery in the form of Flexible Fabrication Systems that bring down the costs, cut down the cycle times, improve quality and reliability and thereby improve the overall customer value proposition that an organization can offer to their markets (Volberda, 1998).

(iv) Business Model Boundary-Spanning (A Blend of Diverse Business Models):

In a spirit of resource complementation (Hamel and Prahalad, 1994) and diverse R & D (Horwitch & Thietart, 1987; Volberda, 1998), Rosenkopf and Nerker (2001) dwelt at length on a firm's exploration initiatives in the form of boundary-spanning activities comprising technological boundary-spanning and organizational boundary-spanning. However, the boundary-spanning can happen across different business models as well. For example, Apple's iPod & iTunes business model draws inspiration and inputs from various intra-industry and inter-industry benchmarks (Mullins and Komisar, 2009).

(v) Business Model Based on Reverse Engineering:

Legally, reverse engineering is deemed as “a fair and honest means of starting with the known product or process and working backwards to divine the process which aided in its development or manufacture” (U.S. Supreme Court, 1974). It is a technology of reinvention, a roadmap leading to reconstruction and reproduction. Generic drugs in the pharmaceutical industry, subject to regulation in the respective countries, serve as examples of business prospects of reverse engineering. Ryanair Airlines and EasyJet airlines from Europe could successfully reverse engineer the business model of Southwest airlines while many others have failed to do

so (Shenkar, 2010). All these call for creative tweaking of a benchmark model to suit native markets and not mere reverse engineering as can be seen from Apple's iPod & iTunes business model which is a transpose of the Gillette's business model (Mullins and Komisar, 2009). In the latter, the 'razor' is given almost for free as against blades which were charged premium across their lifetime while in the former, the metaphoric razor (iPod) was sold for premium price while the metaphoric blades (iTunes songs and albums) were given almost for free. This is one smart example of creative emulation or smart reverse engineering.

(vi) Organizational Ambidexterity:

Govindarajan and Trimble (2010) highlight the conflict between the dual organizational activities of exploitation and exploration. This could be seen in the corporate examples such as Kodak with conflict between the two businesses of chemical film-based photography and digital photography (Gavetti et al, 2005). Xerox Corporation is yet another example of such a conflict between photocopying business and other path-breaking technologies at its PARC laboratory (Chesbrough and Rosenbloom, 2002). This is quite common in many established organizations that have been commercially successful with a particular product innovation because of which they tend not to see the disruptive innovations on the horizon. However, firms like GE Medical Systems are successful in handling a dual model with one of them catering to rich markets while the other targeting the emerging markets (Govindarajan and Trimble, 2012). Such organizations are said to be ambidextrous in view of their ability to pursue incremental innovations and radical innovations simultaneously. This business model flexibility to move between these two kinds of business models becomes critical in view of the changing market dynamics.

(vii) Business Model Flexibility based on Competitive Divergence

At a time when pager network was practically defunct, Research In Motion, in collaboration with BellSouth, has developed and launched a two-way pager, by leveraging the Mobitex data network of BellSouth (McQueen, 2010). The RIM device, eventually called the BlackBerry became a huge success based on an abandoned data network with excess capacity, subsequently enriched by two technological innovations entailing (i) resolution of “two e-mail” problem prevalent in other devices; and (ii) a single e-mail account linked to both the computer and the BlackBerry of any RIM customer (Sweeny, 2009). Even in the decline or death phase of pager network, for nominal investments, an appropriate network resource lifecycle strategy by RIM has yielded dividends for RIM. RIM’s unconventional and user-friendly offering quickly won over corporate executives and soon it gained acclaim as *Crackberry*. In due course of time, from mere text messaging, RIM could move on to add voice and internet capabilities as it steadily ate away at the market share of well-funded competitors. In 2005, BlackBerry displaced the Palm Pilot as the most popular hand-held computer. This flexibility on the part of a firm towards creating a new S-Curve (Nunes and Breene, 2011) for an otherwise dead / mature network is what we call as ‘business model lifecycle Strategy’ (Volberda, 1998). We can see a similar such practice with finding novel uses for resources via ‘resource recycling’ (Hamel and Prahalad, 1994). It is said that in countries like Japan, no technology or benchmark or business model is ever abandoned; it is reserved for future use. There are other kinds of competitively divergent strategies being adopted by firms in creating blue oceans such as NetJets, Philips Tea Kettle in UK, Charles Schwab in the financial services industry, Novo Nordisk in the insulin-based diabetic industry and so on (Kim and Mauborgne, 2005).

Performance Indicators of Strategic Renewal

(i) Market Performance

This construct can be operationalized by three sets of questions that captured the perceived rate of growth (absolute, relative to largest comparable competitor and relative to the total market) of each of the company's market shares in exploitative innovations, intermediate products and exploratory innovations on a three-year horizon (Jansen et al. 2005; Benner / Tushman, 2003; Hamel & Prahalad, 1994; Minitier, 2002; Covin & Slevin, 1991; Morris & Sexton, 1996; Stetz et al. 1998). These questions can be developed in harmony with the first and the third principles of self-renewing organizations viz., the principle of managing internal rates of change (to match or exceed the pertinent external rate of change) and the principle of synchronizing concurrent exploration and exploitation (Volberda & Lewin, 2003).

(ii) Financial Performance

This construct can be operationalized by nine questions / items that captured the rate of growth in total annual sales revenue, net annual profit, return on investment, earnings per share, return on equity, free cash flow, economic value added, market value added and people value added (Covin & Slevin, 1989; Zahra, 1991, 1993; Zahra & Covin, 1995; Wiklund, 1999; Antoncic & Hisrich, 2000, 2001; Lehn & Makhija, 1996; Dess et al. 2003; Schneier, 1997; Brealey & Myers, 1996).

Though the foregoing metrics of organizational performance are relevant for a firm's strategic renewal, in view of several facets of uncertainty in the complex and dynamic business environment in which firms operate, risk-adjusted performance measures (e.g., dynamic certainty equivalents such as projected cash flows multiplied by the respective probabilities of risk entailed, are preferred to the conventionally used static projected cash flows etc) would go a long way in making a better assessment of the organizational performance (Vedpuriswar,

2002). All the foregoing metrics of a firm performance do provide a better picture of the extent of strategic renewal that the firm undergoes, year after year, provided they are duly adjusted for various factors of risk that affect them. Indeed, this is the way to risk optimization which is way ahead of risk minimization, risk control or risk management.

Discussion and Implications for Organizations

Author contends that, given the indicators of a firm's strategic renewal on the dual fronts of market performance and financial performance, firms that exhibit strategic stretch by judiciously adopting various practices of value proposition flexibility, tend to survive and renew themselves in due course of time, regardless of the strategic discontinuities in the business environment. Otherwise, myopic firms that get entrenched in stereotyped value proposition practices keeping in mind the current market performance and current financial performance, tend to suffer reversals of fortune. This can happen when the environment changes in terms of competitors' unconventional moves or vagaries of the market forces that cause fluctuations in the risk profile in a firm's corporate portfolio or global trends that bring about disruptive technologies or novel value propositions or new ways of doing business that can wipe out the business of industry incumbents. One trick ponies obsessed with one particular value proposition or firms that tend to suffer from one-product syndrome (one variant of a product without any product variety) tend to suffer from familiarity trap or 'curse of success' owing to their not being able to get rid of the corporate inertia of direction (Nambisan and Sawhney, 2008; Ahuja and Lampert, 2001; Ramaswamy and Namakumari, 1999). Besides this, author notices that, mere traditional process or value proposition innovations aimed at cost-cutting or incremental utility augmentation or efficient manufacturing or the like tend to assume the status quo of business and industry. Though they are helpful in a static scenario,

they are less likely to be of help in a dynamic environment. Environmental dynamism varies from industry to industry, however. This assumes pivotal importance in light of surfacing of several disruptive innovations (often with stunningly novel customer value propositions with quantum leaps in value) such as Jaipur Foot, Narayana Hrudayalaya and Embrace infant-warmer that offer world-class quality (or at least ‘good enough’ quality) at prices that are just a fraction of the prices of solutions that prevailed for longer time periods in the traditional markets. Prahalad (2010) refers to firms in the large BOP markets in the emerging economies taking recourse to novel customer value propositions entailing quantum jumps in price-performance often in the range of 30 – 100 times. Huge volumes compensate for the low per-unit margins though translation of such potential markets into profitable business opportunities may not always happen in a short time span as can be seen with the sluggish response the ‘Chotukool’ could evoke so far in the Indian rural markets. Being constantly geared up towards various environmental uncertainties is quintessential for all firms that are ambidextrous viz., smart in leveraging exploitative (incremental / sustaining) innovations while building on exploratory (radical) innovations, both at the same time. Live examples of parallel business models include companies like General Electric in medical diagnostic equipment (e.g., Expensive and affordable ECG machines and Ultrasound scanners); Godrej & Boyce in cooling solutions market (e.g., compressor-based expensive refrigerators and peltier-cooling based portable Chotukool) and Dow Corning in the market for silicon applications (e.g., emotionally oriented and functionally oriented business models being offered simultaneously) (Govindarajan and Trimble, 2012; Balasubrahmanyam et al. 2011; Johnson, 2010). Not all firms in various industries have the leeway to do so; but when carefully done, dual parallel business models fetch additional revenues and profits for firms from two different markets targeted with two different customer value propositions.

Indeed, a smart firm always strikes a blend of numerator management (augmenting revenues), denominator management (cutting costs) and multiplier management (leveraging various economies of scale, scope and diversity) (Hamel and Prahalad, 1994; Mische, 2000; Foss and Christensen, 2001) rather than relying solely on managing just one of the three approaches. It is here that discreet practices of value proposition flexibility that come to the rescue of a firm, regardless of the market and environmental uncertainties. Thus, one can see the long-term utility of a judicious mix of corporate practices of adopting analogs from other industries or / and other geographies possibly with due tweaking (e.g., Apple's iPod & iTunes business model as a transpose to the Gillette's Razor-Blade model), exploration of alternative raw materials, alternative manufacturing or business processes, alternative distribution channels and alternative business models and so on. Business models have their own cycle times and accordingly firms need to renew the existing business models or replace them with new ones at an opportune time. While some of these practices help the firm in exercising its flexibility with its existing resources at its disposal and thereby leverage them optimally, some others are intended to remain unconstrained in expanding existing businesses or launching new ones, notwithstanding the apparent resource constraints or paucity of funds or market aberrations or competitive actions faced by the firm at any given point of time.

While these practices of value proposition flexibility can be put to practice, firms can learn from the lessons garnered from the effects of these practices on their market and financial performance and accordingly go about revising / refining them, in due course of time.

This is akin to the spirit of discovery-driven planning (McGrath and Macmillian, 1995) or field-tested dashboarding (Mullins and Komisar, 2009) or expeditionary marketing (Hamel and Prahalad, 1994) that tend to take care of corporate inertia of direction, if any. All these practices

basically involve conducting small-scale experiments and go about iteratively revising the strategic moves based on the market feedback gathered from each of such experiments. Such a resource leveraging prudence backed by pertinent smart practices of business model flexibility can go a long way in a firm's smooth journey of strategic self-renewal, on an ongoing basis.

However, a befitting complementary technology should accompany the value proposition decision that a firm takes for greater prospects of business success at the marketplace particularly in light of several business model breakthroughs such as Motorola's Iridium and Philips' CD-i commercially fizzling out (Kim and Mauborgne, 2005). Sometimes, because of the business model rigidity of a corporation, even its so-called great technological breakthroughs might not even find an opportunity to enter the marketplace unless and until they get separated as spin-offs with ample scope for adoption of novel and unconventional business models. All such things happen in view of corporate inertia of direction in the form of myopic obsession with one successful product predecessor (e.g., Photocopier of Xerox Corporation) and its business model in the market at a given point in time as has happened with the technological breakthroughs at the PARC laboratory of the Xerox Corporation (Chesbrough and Rosenbloom, 2002). Conflict of interests between the existing and new business models apart from inappropriate incentive plans to employees can spell doom for new models often when the same organizational banner continues to own and monitor both the existing and the emerging business opportunities particularly when the same old metrics and incentive structures of the existing businesses are blindly extended to the new businesses as has happened with firms like Kodak (Gavetti et al, 2005). This is often accompanied by an oblivious mindset, rigid organizational structures and culture that tend to miss out on latent business opportunities

of the technological breakthroughs that a firm's R&D units come up with as has happened with the Xerox Corporation (Chesbrough and Rosenbloom, 2002).

Besides these, disruptive innovations in the form of affordable 'good enough' solutions (as against the so-called 'best' solutions that are expensive) such as Skype, Vonage, 'personal photocopiers' in some markets or market segments may also be taken into account. Other process innovations of organizations like Narayana Hrudayalaya or affordable innovations like 'Jaipur Foot' from emerging economies like India tend to promote medical tourism by virtue of their compelling customer value propositions (Prahalad, 2010; Mullins and Komisar, 2009).

Smart firms, in pursuit of successful, profitable and value-building growth, embrace strategic flexibility in their strategic thinking and actions not just on the business model front, but on the multiple fronts of a firm's portfolio of various key resources like technology (both core and enabling technologies), human resources, knowledge management systems, financial resources and production systems while learning from success and failure stories of other firms both within and outside one's industry, which will go a long way in achieving the strategic stretch of any organization, in any industry, in any geography and in any phase of the business or technology life cycle (Volberda, 1998; Deans and Kroeger, 2004; Mullins and Komisar, 2009).

Managerial Implications

Value proposition being a quintessential resource that a firm can create and build upon, every attempt should be made to leverage such a resource towards optimally managing the diverse portfolio of projects that a firm undertakes in its endeavor to fructify its strategic renewal goal,

on a sustained basis, in a spirit of real options. A smart firm will achieve ‘more for less’ or strives to make a greater bang for the given buck or the same bang at a lesser buck or ideally greater bang for a lesser buck (Hamel and Prahalad, 1994). Business model dexterity on the part of firms as evinced in their practices of exploration of alternative raw materials, manufacturing or business processes, competitive divergent strategies, business model reverse engineering and organizational ambidexterity or parallel dual value proposition strategy along with complementary business model flexibility, apart from other kinds of strategic flexibility (e.g., HR flexibility, IT flexibility, flexibility of operations etc), can go a long way in the scintillating odyssey of a firm’s strategic renewal, over time. Firms need to explore the utility of these practices and exploit them by striking a judicious blend of leveraging as many firm-specific and firm-addressable resources as possible. Learning happens from iteration to iteration, possibly on a smaller scale in the beginning phases and proactive firms learn incessantly from all such experiments and leverage the lessons that these experiments impart, in due course of time. Wherever possible, smart firms like General Electric Medical Systems pursue dual value propositions in parallel (e.g., GE’s expensive and inexpensive ECG machines and ultra-sound scanners). Whenever a firm faces difficulties in this regard, prudent firms trigger spin-offs for new technologies or parallel business models under a different corporate banner as has been done by Xerox Corporation (though in a belated manner) to handle conflicts of interest for various stakeholders including employees and customers in an attempt not to jeopardize the overall business interests of any corporation.

Social Implications

‘There is no dead resource whatsoever in this universe’ might be an old saying, but its truth remains the same, as ever (e.g., RIM’s use of the seemingly defunct pager technology). So also, ‘not putting all of one’s eggs in the same basket’ finds its exemplars in our day-to-day lives as well. Resource conservation and judicious leverage of resources, as reflected in the exercise of various practices of value proposition flexibility, help firms in augmenting the business prospects of many corporate entrepreneurial endeavors and shoring up their corporate fortunes on one hand while increasing the employment prospects of the nation on the other hand. Firms can benefit from such takeaways of business model prudence from other benchmark firms, both intra-industry and inter-industry, while setting their own benchmarks for other firms, in due course of time. Thus, in a spirit of constant learning, firms can display higher levels of resource-smartness in their day-to-day activities in their attempts to create new wealth, both for themselves and for the society at large. Disruptive and affordable technological innovations such as portable infant-warmer of Embrace; portable ECG machines and ultrasound scanners from General Electric have far reaching consequences particularly in the BOP markets of the emerging economies. Recycling of a dead pager network by RIM is an eye-opener to all stakeholders of the society. All these examples prove the truth in the maxim: ‘Where there is a will, there is a way’. Indeed, the society can be sanguine about various affordable and functional solutions within their reach. In fact, even the rich customers from the West have started taking recourse to such affordable solutions from the emerging economies (e.g., Narayana Hrudayalaya).

Contributions of the Study

This paper attempts to provide a broad overview of various corporate practices of value proposition flexibility that can go a long way in the strategic self-renewal of many an

organization. It endeavors to synthesize thoughts and diverse perspectives of various practices of value proposition flexibility from all the related strands of literature eclectically chosen from resource leverage, strategic flexibility, dynamic capabilities and strategic renewal. It is an eclectic work drawing inspiration from the works of several academicians and practitioner perspectives. However, it is a developmental paper and it triggers discussion on this scantily addressed theme of linking value proposition flexibility to the organizational renewal of a firm, on the dual fronts of market performance and financial performance in a greater detail.

Limitations of the study and Directions for future research

The study is just a preliminary attempt to link the corporate practices of a firm's value proposition flexibility to its strategic renewal. As such, this is a developmental paper and many of its suggestions require rigorous testing through studies in a wider array of settings.

Conclusion

Notwithstanding the merits of various practices of value proposition flexibility, there has been a paucity of literature on their contributions to strategic renewal of firms. This paper attempts to provide triggers for greater discussions and subsequent investigation of the impact of a firm's practices of value proposition flexibility on the strategic self-renewal prospects of the firm. Firms can learn from various analogs (positive benchmarks) and antilogs (negative benchmarks) from other firms within the industry as well as those outside the industry in terms of the best practices of value proposition flexibility. Several real-time corporate examples like the ones cited in this paper do serve this purpose very well, for any organization that is keen

on learning first from the lessons of its predecessors or competitors within the same industry or counterparts in other industries. Apart from such analogs and antilogs, a firm can learn from its own iterative experiments on a small scale, in a spirit of discovery-driven planning of its activities related to its business model(s), in arriving at a better blend of value proposition flexibility practices. While such a business model flexibility is likely to be helpful in leveraging its resources, firms cannot afford to ignore strategic flexibility practices related to other non-business model resources such as core, enabling and boundary-spanning technologies, human resources, knowledge management systems, information technology, product-market combinations and so on. It is only such an eclectic approach to optimal orchestration of resources or resource leverage that firms stand to gain a lot than merely from business model flexibility practices alone. Moreover, a firm can face risk not only on the market front but also on the technology front, apart from a wide variety of other sources such as operations, finance and human resources. All of such risks also need to be taken into account while a firm arrives at an optimal blend of flexible strategies in an interlinked manner in its attempts to bring about its strategic renewal on a sustained basis. Such a holistic approach to strategic flexibility in terms of leveraging various resources that offers an integrated perspective to firms and bring about various synergies associated with such a corporate coherence.

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