

EXTENDED ENTERPRISE AS A NEW CONTEXT FOR MANUFACTURING

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The paper analyzes the recent progress in understanding the set of organization types known as “hybrid forms” in the context of operational management. For each concept the paper outlines some important insights. Different approaches are integrated. Extended enterprise concept is illustrated in detail as a new context for manufacturing. Key features of extended enterprise are given.

The emerging global economy is creating a unified global market replacing the local ones. Reduction in trade barriers and improvement in logistics have led to a situation where local manufacturers have to face global challenges and operate in the context of global standards. Manufacturers respond to these challenges working together more closely, developing network types of organization. These new institutional forms take intermediate place between the markets and hierarchies. Therefore they are referred to as “hybrids” (the term is coined by Williamson).

Trends in organizational development prove the thesis stated above. Independent firms cooperate to compete. Strategically “economy of scope” is substituted by “economy of scale”. Firms tend to bring customized products to markets. Flexibility and agility - new business priorities for manufacturing enterprises — help them to adapt to hostile business environment. Dominant intra-organizational boundaries structures are also facing changes. Organizational ties are characterized by more close cooperation between suppliers and distributors (in the b2b-segment) and customers (b2c-segment).

Recent theoretical work has sought to identify and analyze core theories and concepts explaining the emergence and functioning mechanisms of these organizational forms. It identifies theoretical framework for future managerial research. Different competing concepts explaining the nature and key features of intra-organizational collaboration are compared and analyzed in this paper. As noted by Nohria, the research field of networking types of organization is a “terminological jungle in which any newcomer may plant a tree”. It is very important to follow the concepts of operational management: “extended enterprise”, “supply & value

chain”, “virtual corporation” and “lean extended enterprise”:

1. An **extended enterprise** is a loosely coupled, self-organizing network of firms that combine economic output to provide networks and services to the market. Connections may be by contract, as in partnerships or alliances or trade agreements, or by open market exchange or participation in public tariffs.

2. A **supply chain** is a system of organizations, people, technology, activities, information and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials and components into a finished product that is delivered to the end customer. In sophisticated supply chain systems, used products may re-enter the supply chain at any point where residual value is recyclable. Supply chains link value chains.

3. A **value chain** is a chain of activities for a firm operating in a specific industry. The business unit is the appropriate level for construction of a value chain, not the divisional level or corporate level. Products pass through all activities of the chain in order, and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of added values of all activities.

4. A **virtual corporation** is a temporary network of independent companies-suppliers, customers-linked by information technology to share skills, costs, and access to one another’s markets. It will have neither central office nor organization chart. It will have no hierarchy, no vertical integration.

5. **Lean Extended Enterprise** demonstrates how to integrate lean, Six Sigma, Kaizen, and enabling technologies, networks, exchanges

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and portals into a total business improvement initiative.

Extended Enterprise is the most descriptive term highlighting managerial aspects of intra-organizational collaboration. Alternatively referred to as a “supply chain”, “value chain” or “virtual corporation” this is a broader term than the others mentioned above.

From *institutional point of view* extended enterprise is characterized by following features:

- ◆ legally independent units;
- ◆ temporary base for collaboration;
- ◆ resource, knowledge and risk sharing;
- ◆ common business purpose.

Functional view presents extended enterprise as:

- ◆ partners concentrating on their “core competences”;
- ◆ self-learning and flexible network;
- ◆ a set of “valued-adding” business processes;
- ◆ business process management based on IT.

Thus there is a necessity in finding new tools, methods and mechanisms of enterprise collaboration and cooperation. Scientific community is looking for common conceptual research basis for networking types of organization, setting theoretical issues on more practical ground.

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