Chapter I

Business Requirements and Background

Introduction

Before introducing the Agile/Virtual Enterprise organizational model and all the concepts underlying the topic of Agile/Virtual Enterprise implementation and management support, we need to introduce a business requirements analysis to help understanding the actual economical and organizational context we live in, and to justify the emergence of new organisational models. This chapter starts with a brief introduction of the role of enterprises and the market, followed by a characterisation of the actual economic context of strong competition, and the evolution of product life cycle in this context, and concludes with a the identification of the requirements for competitiveness and a business alignment requirements analysis.
The Enterprises and the Market

As Adam Smith remarked in its classical Wealth of Nations (Smith, 1776, Book I, p. 145), “people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.” Adam Smith analysed the way as markets organised the economical life and generated fast economical growth. He was the first to demonstrate that a system of prices and of markets is able to coordinate individuals and enterprises, without the need of any central direction (Samuelson & Nordhaus, 1985).

Right in the centre of economy is the unquestionable true called scarcity law. As we know, goods are scarce because there are not enough resources to produce all goods people wish to consume. The science of Economy studies how the society chooses, within the possible menu of goods and services, the way goods are produced and consumed, how different merchandises are produced and are given a price, and who can consume the goods the society produces.

In primitive societies, customs managed all the views of behaviour. To produce what, how and for whom, was decided by traditions, transmitted from the older to the younger. In a modern economy, however, customs cannot adapt themselves fast enough in order to be aligned with the evolutive patterns of production and consume (Samuelson & Nordhaus, 1985).

One of the main characteristics of a modern economy relies on an extensive network of commerce and on the specialisation of individuals and of enterprises. In this networked model, there are very few to offer a finished good. Specialisation is verified when the effort is concentrated in a given set of tasks – which allows each person, enterprise or organization to use with advantage any qualification or special resources. The paradigm of specialisation is the modern automobile assembly, with cars moving along an assembly line, where either workers or robots perform highly specialised functions, a concept that is explored by OPIM — One-Product-Integrated-Manufacturing model (Putnik, 1997), with a flat structure of primitive resources providers.¹

In general, markets represent a mechanism through which buyers and sellers meet to exchange “things.” Initially, the market was the place where goods were bought and sold. Today, the list of the most important markets includes Chicago Board of Trade, where petrol, wheat and other goods are negotiated, the New York Stock Exchange and the Hong Kong Stock Exchange, where property titles of major enterprises are traded, the Hong Kong Futures Exchange, etc.

A market can be centralised (as the one of shares, bonds or wheat) or decentralised (as the one of housing or second-hand automobiles), or can assume the format of an electronic market (as happens for several financial services,