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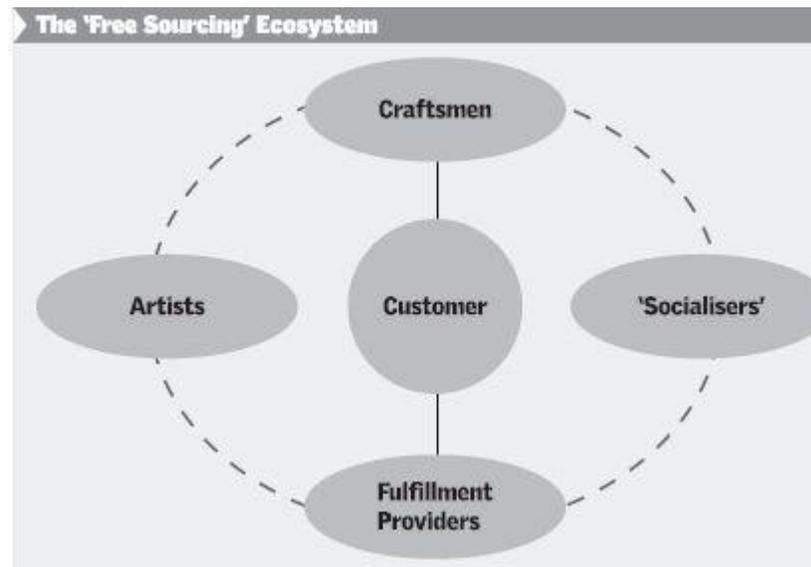
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The New Manager - **Management**

The shape of things to come

In a free sourcing ecosystem, specialised businesses could come together in flexible configurations to produce and distribute goods and services.



Mohit Kishore

The first wave of outsourcing was enabled by major trends such as the rapid advances in information technology and communication, opening up of national economies and availability of skilled labour markets in these countries. Initially, outsourcing was viewed as a way to ship 'non core' activities out of the parent organisation to specialists offering the same service at a low cost. However, a study of the competitive advantages possessed by players in any industry would reveal that the notion of 'core'

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and 'non core' is gradually blurring.

While some players possess advantages in product design, others do so in distribution and some others in customer service. It is not difficult to imagine a future in which enterprises focus only on one kind of specialised activity in which they possess competitive advantages over other players and do not participate in other activities. Such an ecosystem would consist of highly specialised firms that come together in various configurations to innovate, produce and distribute goods and services to customers. What kinds of players would such an ecosystem of enterprises consist of?

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Artists — Product and Design organisations: These would be knowledge-oriented enterprises that thrive on the study and creation of knowledge. Their primary function would be in the arena of product design and research and development. The revenue source for these companies would be the creation of intellectual property which would in turn lead to licensing opportunities. This model is not unlike that of an artist who creates an original body of work for which he can earn royalties over an extended period of time.

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Craftsmen — Production companies: These are companies and individuals that are engaged in the act of actually producing goods and services. In other words, the role they perform is that of a craftsman or artisan who mass produces objects of a given design. The specialised skill they bring to the table is the ability to efficiently mass-produce products through appropriate use of resources and technologies. Additionally, these entities may also add value through product customisations and tweaks that build on existing intellectual property. The end product would either carry the brand of the production company or that of the product and design company.

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Socialisers — Distribution companies: The role of socialisers is primarily to ensure that the output of the craftsmen reaches society through marketplaces. These are companies with distribution infrastructure that may support multiple products of the same industry or different industries. The underlying assumption is that in the end, the customer has the final word on product choice. The role of the socialiser is to ensure availability of all options. The revenue stream for these entities would be in the form of commissions from various production companies they serve.

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Fulfillment providers — Service companies: Service companies would engage primarily in the arena of customer fulfilment and after-sales support. Once again, these companies may operate across products and across industries. Outsourced call centres are an example of entities that perform this function today. These entities benefit from economies of scale and are hence able to offer highly competitive prices to the production companies.

End customer (Co-creators and Evangelists): The end-customer is also an important part of the product life cycle. The first role he plays is that of an influencer through evangelism of good products. The second role he plays is that of a co-creator of new products. The views of the end-customer directly affect future design of new products. In this way, the end-customer is closely linked to the

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design companies and has an active say in the kind of products and services he would want to use.

For each industry, the combination of players that would come into play in this ecosystem would be different. Let's look at how a model like this fits into an industry like asset management (mutual funds and so on).

In the 'free sourcing ecosystem', the 'artist' role would be performed by companies that purely specialise in research and creation of portfolios of instruments to invest in. There would be no 'craftsmen' because the product in this case is not a tangible, physical one. The 'socialisers' would be the various companies — like online trading portals, distribution companies and so on — that distribute these investment products. The 'fulfilment providers' would consist of BPOs that handle operations and after-sales support. The 'end customer' would be a co-creator whose inputs would influence future product design.

Depending on the industry under consideration, some players in the ecosystem may be absent. However, the broader idea is of a marketplace of specialised enterprises that freely come together in various configurations and freely separate and plug into configurations with other enterprises if things do not work to mutual benefit. It is not difficult to see that an ecosystem like this will ensure that there are minimal inefficiencies in the entire value chain from product innovation to product consumption.

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