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**MODULAR BUSINESS FRAMEWORK: A METHODOLOGY FOR
TRANSFORMING FUNCTIONAL DEPARTMENTS INTO PROFIT
CENTERS TO IMPROVE THE OPERATIONAL RESILIENCE OF AN
ENTERPRISE**

***Summary.** The article examines a methodology for developing a modular business framework based on transforming selected functional departments into modular profit centers. The study shows that this approach reveals the hidden resource potential of internal units, strengthens operational resilience, and creates additional revenue streams within a single legal entity. The article defines the features of a modular profit center, proposes readiness criteria for departmental transformation, and presents an implementation algorithm.*

***Key words:** modular business framework, functional department, profit center, operational resilience, enterprise, available capacity, internal resources, management methodology, business system.*

Modern enterprises increasingly depend on the performance of individual functional departments that accumulate competencies, equipment, client data, and managerial expertise. In the traditional organizational model, such departments are usually treated as cost centers, and their contribution is assessed through budget compliance and execution of internal tasks. As a result, their latent commercial potential often remains unused. Under conditions of demand volatility, supply disruptions, workforce shortages, and uneven workload, this creates a managerial problem: the enterprise may possess valuable internal

resources but lack a mechanism for converting them into measurable business value. Therefore, the central research question of this study is how functional departments can be transformed into modular profit centers while preserving the stability of the core business process.

The theoretical basis of the study is the concept of modular organizational design. R. Sanchez and J.T. Mahoney show that standardized links between product and organizational components reduce coordination costs and support knowledge management within the firm [1]. In the context of this study, a department can be considered an organizational module when its work is described through a specific product, measurable outcomes, established workflows, and quality indicators.

The aim of this study is to develop a methodology for transforming functional departments into modular profit centers in order to enhance enterprise operational resilience.

The study is based on scholarly publications devoted to organizational modularity, business models, profit centers, operational resilience, and resource reserves. The methods include theoretical generalization, modeling, comparative analysis, and organizational design. Following M.A. Schilling’s view of modularity as a system of relationships between elements [2], a modular business framework is understood here as a management system in which departments receive independent performance indicators while remaining aligned with the overall goals of the enterprise.

The connection between modularity and the business model clarifies the economic meaning of the proposed approach. D.H. Clemente, J. Hsuan, and M.M. Carvalho show that modularity can be transferred from the product level to the organizational process of value creation [3]. Therefore, a department may be described through the module’s product, customer, resource base, revenue mechanism, and rules of interaction with the core business.

In the author’s interpretation, a modular business framework is a form of enterprise organization in which selected functional departments are transformed into modular profit centers. A modular profit center remains involved in internal processes, but also receives its own product intended for internal and external customers. External commercialization is possible only when the department has available capacity, relevant competencies, measurable output, and verified market demand.

A module differs from a conventional department by four features: a clearly defined product, measurable costs and outcomes, responsibility of the module manager for performance, and priority rules that regulate the balance between internal tasks and external orders.

J. Vithayathil and V. Choudhary emphasize that the difference between a cost center and a profit center is linked to authority over pricing, quality, service range, and decision-making boundaries [4]. Therefore, transformation into a profit center requires more than adding a revenue indicator. It also requires defining pricing rules, managerial authority, service standards, and procedures for evaluating the unit’s contribution to the enterprise.

For this reason, the present study proposes a model for transforming a functional department into a modular profit center in order to support organizational transformation processes (Figure 1):

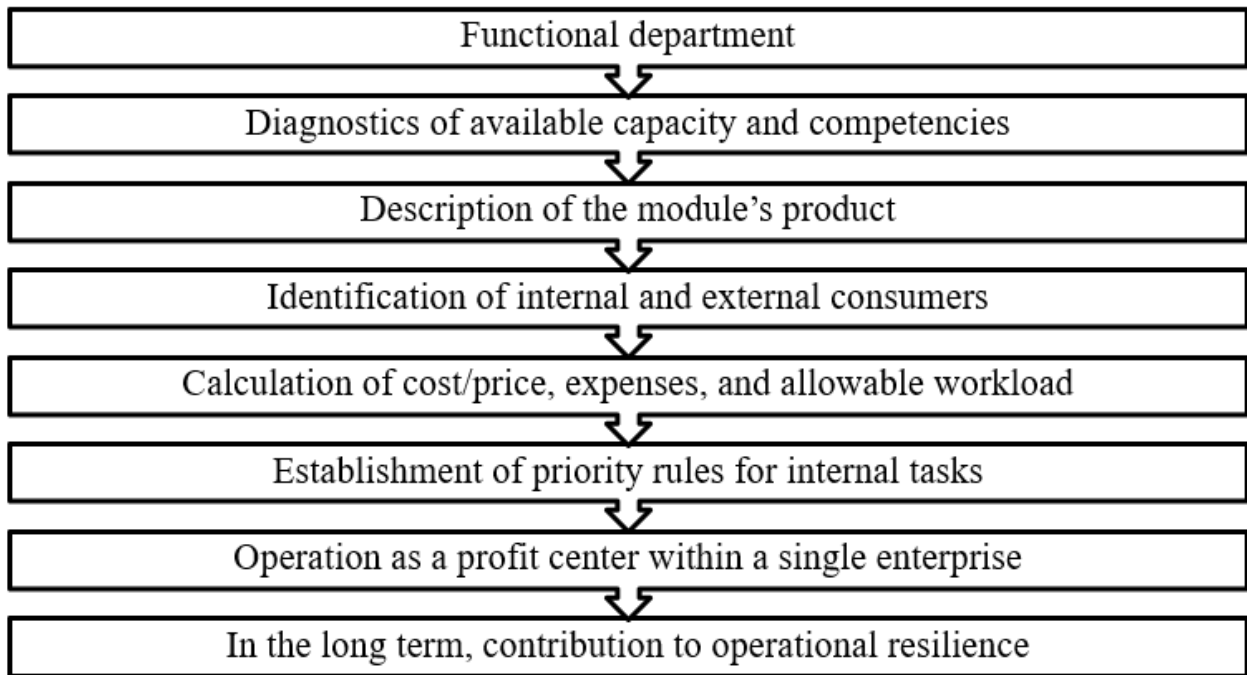


Fig. 1. Model for Transforming a Functional Department into a Modular Profit Center

Source: developed by the author

The proposed model shows that a modular profit center emerges through the sequential specification of product, customer, resources, and coordination rules. If the product is not defined, the department cannot be commercialized. If priority rules are not established, external orders may conflict with the core business process. Therefore, preliminary diagnostics become the central stage of transformation.

The diagnostics should determine whether the department has a commercializable product, available capacity, key competencies, transparent cost structure, and mechanisms for protecting internal obligations. These parameters form the basis for assessing readiness for transformation into a modular profit center (Table 1).

The availability of clear explanations and substantiated answers to each of these questions makes it possible to proceed to the pilot implementation of the module.

Table 1

Criteria for assessing the readiness of a functional department for transformation into a modular profit center

Criterion	Description of the criterion	Guiding question	Evaluation indicator	Managerial decision
Module product	The department delivers an outcome understandable to an external customer	What exactly can be commercialized?	Service description, pricing, delivery time	Development of the product specification
Available capacity	A reserve of time, equipment, or expertise is available	What share of resources remains unallocated to the core process?	Utilization level (typically determined by a target benchmark; in manufacturing, often approaching 90–95%)	Calculation of a safe sales volume
Quality of execution	The outcome can be monitored in terms of timeliness and quality	How is order fulfillment measured?	Share of obligations fulfilled on time	Introduction of service standards
Financial performance	The module’s revenue covers direct costs	How is the contribution to profit determined?	Margin, share of external revenue	Retention or revision of the module
Stable workforce structure	Module operations do not increase the risk of employee turnover	How does employee workload change?	Turnover, employee satisfaction, overtime	Adjustment of workload and compensation

Source: developed by the author

The criteria in Table 1 are indicative and should be adjusted according to industry, enterprise scale, and seasonality. In manufacturing, the key issue is the preservation of reserve production capacity, while in service businesses the critical parameter is execution time, since delays reduce trust and service quality.

The implementation methodology should begin with selecting a department that has accumulated reproducible competencies and can deliver a stable result. The initial module may be a marketing department, project office, transport service, IT department, training center, or analytics unit.

K.A. Merchant, C.W. Chow, and A. Wu show that the evaluation of profit center managers depends on measurement, assessment, and incentive systems [5]. Therefore, the modular system should combine financial and operational indicators: revenue growth must not be achieved through delays in internal processes, quality decline, or excessive employee workload.

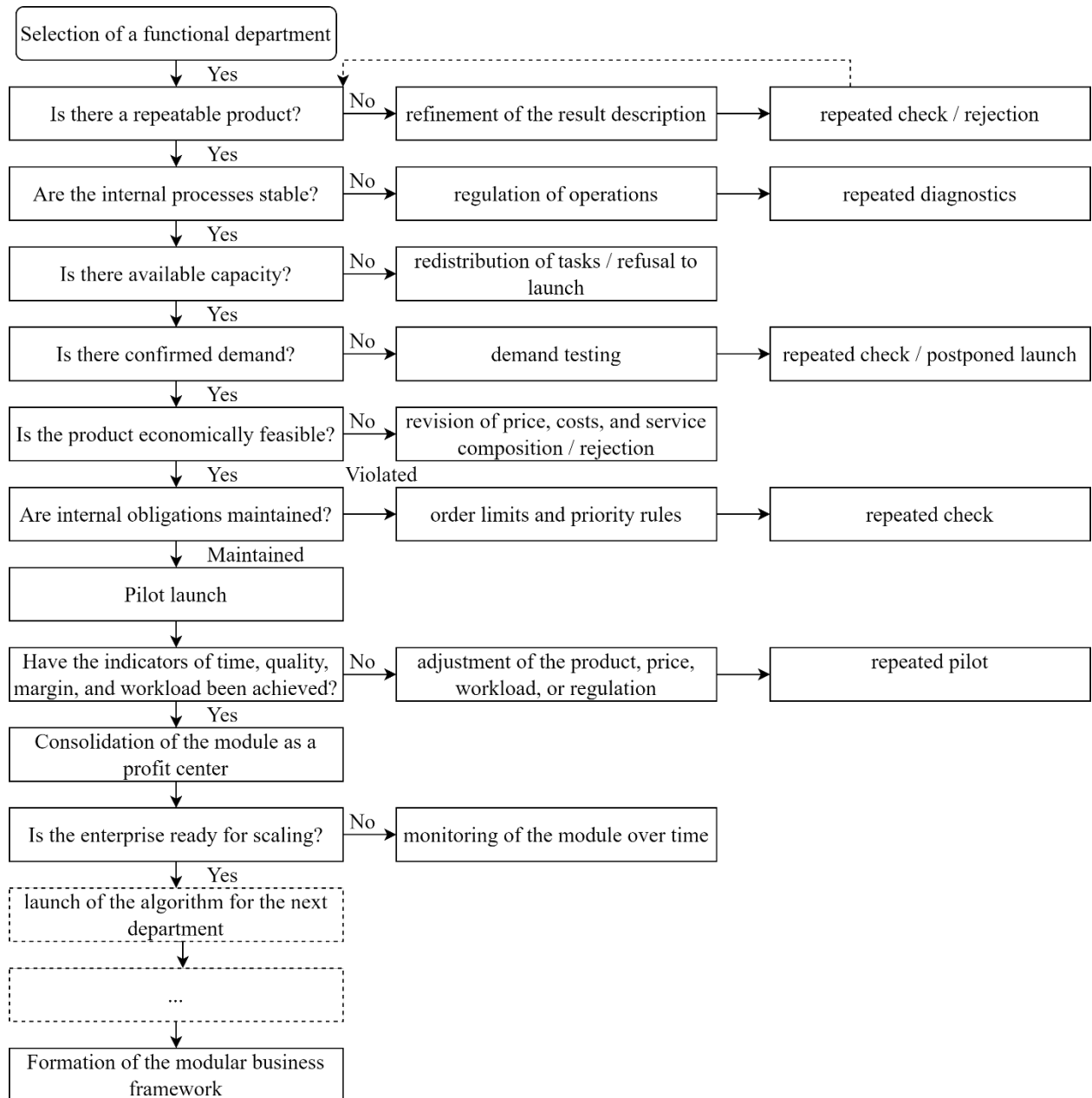


Fig. 2. Algorithm for implementing a modular business framework

Source: developed by the author

The algorithm assumes gradual implementation. A pilot launch reduces the risk of overloading the core process and allows the enterprise to verify market demand before scaling the module.

In this methodology, operational resilience is understood as the ability of an enterprise to maintain its core functions under changing external and internal conditions. Therefore, the modular business framework is treated as a managerial mechanism for strengthening continuity and reducing dependence on a single income source.

The effect of the proposed mechanism is manifested in three areas. First, the enterprise receives additional revenue streams from departments that previously functioned only as cost centers. Second, concealed resources, including unused time, equipment, expertise, and client data, are included in value creation. Third, department managers begin to link costs, quality, workload, and financial result within their own modules.

Workforce stability is also a necessary condition for the modular framework. If external orders are fulfilled through permanent overtime, the module begins to weaken the core organizational system. J.H. Gittell, K. Cameron, S. Lim, and V. Rivas show that recovery after crisis depends on financial and relational resources, while large-scale layoffs may slow recovery [6]. Therefore, employee retention, workload distribution, and interaction quality should be included in module evaluation.

The proposed methodology has limitations, since not every department should be transformed into a profit center. Supervisory, legal, and certain support functions may generate conflicts of interest if commercialized. Therefore, modular transformation should be based on internal diagnostics and should begin with a single pilot department. The practical significance of the methodology lies in its ability to reduce the cost of organizational change, test the commercial potential of internal resources, and evaluate whether the transformation of a department into a modular profit center strengthens enterprise operational

resilience. A promising direction for further research is the development of quantitative indicators for assessing the contribution of modular profit centers to enterprise resilience.

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