

# Value delivered - is it the same or different?

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**Abstract.** The paper considers a question whether all enterprises in the same branch deliver the same type of value, or the value delivered differs from provider to provider. In the latter case, it would be interesting to find out a way to understand the difference and build a classification. In this paper, two different approaches to understand the difference and make a classification are tested. Both are based on relatively new ideas that have not been used for the task before. One approach is based on patterns of strategy; the other one is based on Fractal Enterprise Model. The line of thinking is illustrated on the example of the management-consulting branch.

**Keywords:** value, enterprise modeling, strategy, fractal enterprise model

## 1 Motivation

Each enterprise or organization is supposed to deliver some value to her beneficiaries, customers, members of an ideal organization, etc. In each sector or specific branch/sub-branch, there are groups of organizations that provide the same kind of value; these organizations normally compete with each other inside the group, but can also collaborate when competing with other groups. The question is whether the value delivered by the organizations that belong to the same group is the same or different. If the latter, the next question is whether the difference can be expressed using some general framework that could be applied to different branches/sub-branches. In this paper, we will try to answer these questions using two existing frameworks to presenting/modeling enterprises/organizations.

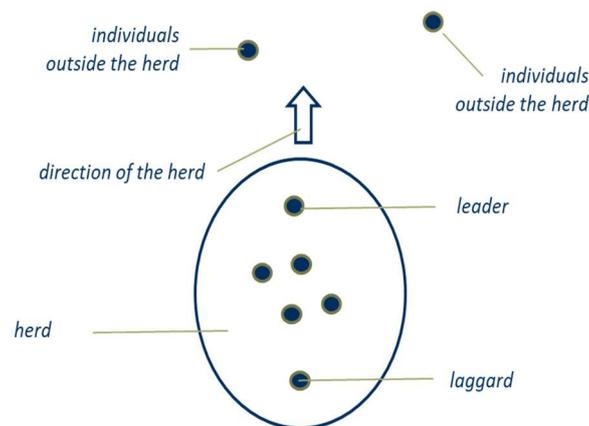
The first framework is Patterns of Strategy as defined in [1]. The second is Fractal Enterprise Model (FEM) as defined in [2]. The discussion is based on the example of management consulting branch. On the abstract level, we consider that all companies in this branch are engaged in helping their customers to solve specific problems or meet some challenges. In the analysis, we disregard a possible narrow specialization that a consulting company can have based on which type of problems/challenges they focus.

Analysis shows that both frameworks can differentiate the values provided by different management consultants, but the differences highlighted belong to two different dimensions. Patterns of Strategy can help to highlight the differences based on the external positioning of the company, while FEM helps to highlight the differences based on the internal structure of the company.

## 2 Analysis based on Patterns of Strategy

*Patterns of strategy* (PoS) [1] is a way to represent a strategy based on the idea of structural coupling [3] of a company as a system with its environment. As an example, a company can be structurally coupled to a market, its competitors and collaborates, or even specific customers or categories of customers. PoS defines an enterprise strategy in terms of to which elements of the environment the enterprise is coupled and it what way. Based on this idea, [1] presents about 80 different PoS arranged in groups. It also discusses which properties a company should possess in order to choose a specific strategy, such as agility (e.g. time to market) or power (e.g. financial power). This discussion includes whether changing a strategy to another one in the same group is possible and what is needed to make the change.

For our aim, we will considered only a limited subset of the concepts introduced in [1], namely the ones that are connected to the notion of *herd*, see Fig. 1. A herd is roughly defined as a group of company in the same segment/sub-segment of a market producing the same kind or similar products or services. A company that belongs to a herd can occupy different positions in the herd, such as a *leader*, in the *center*, or *laggard*. The leader defines the direction that the herd chooses to follow. Beside the heard, in the same market segment, there can exist a number of *individuals* that does not belong to heard, and deliver the value to a customer in a different way than members of the heard.



**Fig. 1.** Illustration of a heard

For the management consulting branch the heard can be define as a group of companies using the same method(s)/approaches(s) to solving problems/meeting challenges. In this case, the values provided by the companies with different positions in relation to the herd can differ. Choosing a heard leader may insure that the latest version of methods will be used; here the price can be higher and there might be a risk related to a not proven enough innovation. Choosing somebody in the middle may be cheaper and less risky. Choosing a laggard may be cheaper, but include a higher risk of getting a less valuable solution. Choosing a company that belongs to the class of *individuals* means

that a different method/approach will be applied. The latter may be needed when the mainstream approaches have already failed, or feel suspicious.

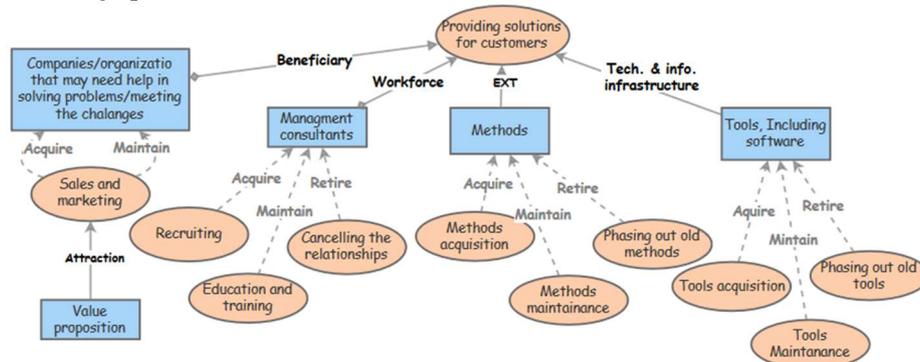
The deliberation above is summarized in Table 1.

**Table 1.** Comparative value delivered by companies with different positioning

Position in relation to the heard	Comparative value for the customer
<i>Leader</i>	Latest versions. Risky. Expensive.
<i>In the center</i>	Tested. Less risky. Less expensive.
<i>Laggard</i>	Less valuable. Might be cheaper.
<i>Individual</i>	Non-mainstream methods.

### 3 Analysis based on FEM

*Fractal Enterprise Model (FEM)* includes three types of elements: business processes (more exactly, business process types), assets, and relationships between them, see Fig. 2, in which a fragment of a model for a management consulting company is presented. Graphically, a process is represented by an oval; an asset is represented by a rectangle (box), while a relationship between a process and an asset is represented by an arrow. We differentiate two types of relationships in the fractal model. One type represents a relationship of a process “using” an asset; in this case, the arrow points from the asset to the process and has a solid line. The other type represents a relationship of a process changing the asset; in this case, the arrow points from the process to the asset and has a dashed line. These two types of relationships allow tying up processes and assets in a directed graph.



**Fig. 2.** A fragment of a FEM representing a consulting company

In FEM, a label inside an oval names the given process, and a label inside a rectangle names the given asset. Arrows are also labeled to show the type of relationships between the processes and assets. A label on an arrow pointing from an asset to a process identifies the role the given asset plays in the process, for example, *workforce*, *infrastructure*, *EXecution Template (EXT)*, etc. A label on an arrow pointing from a process

to an asset identifies the way in which the process affects (i.e. changes) the asset. In FEM, an asset is considered as a pool of entities capable of playing a given roles in a given processes. Labels leading into assets from supporting processes reflect the way the pool is affected, for example, a label *acquire* identifies that the process can/should increase the pool size.

Note that the same asset can be used in two different processes playing the same or different roles in them, which is reflected by labels on the corresponding arrows. It is also possible that the same asset can be used for more than one role in the same process; in this case, there can be more than one arrow between the asset and the process, but with different labels. Similarly, the same process could affect different assets, each in the same or in different ways, which is represented by the corresponding labels on the arrows. Moreover, it is possible that the same process affects the same asset in different ways, which is represented by having two or more arrows from the process to the asset, each with its own label.

Labels inside ovals, which represent processes, and rectangles, which represent assets, are not standardized. They can be set according to the terminology accepted in the given domain, or be specific for a given organization. Labels on arrows, which represent the relationships between processes and assets, however, can be standardized. This is done by using a relatively abstract set of relationships, like, *workforce*, *acquire*, etc., which are clarified by the domain- and context-specific labels inside ovals and rectangles. Standardization improves the understandability of the models.

Fig. 2 shows four main assets needed for the main process of a management consulting company: customers (*beneficiary*), management consultants (*workforce*), methods (*EXT* - execution template that guides how process instance of the delivery process are conducted), and tools, e.g. software tools (*technical and informational infrastructure*). The figure also shows which processes (or group of processes) are needed to have these assets up-to-date, e.g. marketing and sales, recruiting, etc. Note that Fig. 2 does not show all assets that might be needed, for example, a stock of orders.

When forming their value proposition, which is needed for acquiring new customers, the company may focus one of the three main assets that are needed to run process instances: (1) people, (2) methods or (3) tools, e.g. software, which can help to differentiate the company from others in the same market segment. This focus can be used to classify the values in three categories based on means used for producing the value:

1. Expert-oriented value – focus on having "world class" experts
2. Method-oriented value – focus on having well-tested or unique methods for problem solving
3. Tools-oriented value – focus on having excellent tools that help in problem solving

Choosing a specific focus in a company's value-proposition affects the internal structure of the company. In category (1), the recruiting and training processes are the most important. In category (2), processes for finding and adopting or developing methods are important. In category (3), processes for finding and adopting or developing tools are important. The value proposition can be considered as an execution template for one of these groups of process, demanding to have the best possible people, methods or tool.

Note that a focus on one of the assets does not mean that other assets can be neglected (as the saying goes "a fool with a tool is still a fool").

The deliberation above is summarized in Table 2.

**Table 2.** Three ways of creating value for the customer

<b>Main asset for producing value</b>	<b>Positioning</b>	<b>Processes in the focus</b>
<i>Workforce</i>	"World class" experts	Focus on processes for recruiting and training
<i>Methods (EXT)</i>	Well-tested or unique methods	Focus on processes for finding and adopting or developing methods
<i>Tools</i>	Excellent tools	Focus on processes for finding or developing tools

## 4 Conclusion

The preliminary investigation related to PoS and FEM that we conducted in this short paper shows that (1) with their help, it possible to give a comparative classification of values delivered by different companies/organization that belong to the same market segment; however, (2) these classifications are different. PoS produces a classification that can be practically used by customers to choose an appropriate company, while FEM produces classification that can be used internally to align the company's internal processes to the chosen value proposition.

We believe that it is possible to combine PoS and FEM to create a more detailed classification, which is included in our plans for the future. For example, FEM can be used for identifying the structure of a heard. For management consultants, the heard can be identified either by using the same methods, or by using the same tools; a combination of both can also be valid when a tool supports a specific method(s). A heard leader needs to take a responsibility of developing (or adopting) methods and tools, while the members of the heard just follow. It is unlikely that a heard can be developed when the focus is on experts, as it will be difficult to follow the leader. Individuals, however, can set a focus on experts, but they can also chose methods or (and) tools.

A more immediate task, however, is to apply one of or both classifications to some sector, e.g. management consultants to check their usefulness in practice.

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