Networked value constellations (NVC)

- “A construct where actors come together to co-produce value with each other” (Normann & Ramirez) or “contributors that come together to create value for customers and wealth for their stakeholders” (Tapscott)
- Enabled by information technology
- Well known examples:
Management perspectives on “Business strategy” for NVC’s

- **Time:**
  - **Long term goals** (mission statement) of enterprise to ensure the ultimate business goal: **economic sustainability**

- **Classification of goals**: e.g. a la Porter:
  - Cost Leadership
  - Differentiation
  - Focus

- **Positioning** in the industry (so considering the companies **context**)
  - **Competition**
  - **Power** of suppliers & customers

- Strategy as “how to accomplish” the goals:
  In case of networked business models:
  - “The things of economic value actors transfer with each other”

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Modeling business strategies for networked value constellations: Why?

- **Aims**:
  - Reaching a **shared understanding** of the business strategy in a multi-enterprise setting (case studies have shown various misunderstandings here)
  - Software-supported **analysis** of long term **sustainability**
  - Starting point for **IS/RE-processes** for value constellations (as most are enabled by IT)

- **Requirements**:
  - Easy communication (at the managerial level), so:
    - Lightweight
    - Graphical, yet sufficiently formal to allow various semi-automated analyses
  - Guidance in **strategic goal elicitation**
  - Support for **intra-** and **inter** actor long-term **conflicts**, as well as value proposition conflicts
  - Clear **relation** between **long term goals** analysis and operationalisation of these in terms of **value transfers**

- **Approach**:
  - Simplified **ontology for strategic goals** (similar to i* but much simpler)
  - Value modeling (**e*value**) to understand the operationalisation of a strategy
Case study: **Online news provisioning**

- **Strategic goals**
  - Enterprises: Long term economic sustainability
  - Customers: Increase utility

- **Put strategy into operation in terms of value transactions**

**Conclusion:** Title’s and Publisher’s cash flow: ↓

*Why? A more detailed goal analysis*

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**“Lightweight” strategic goal-modeling:** what should be represented?

**Goal:** A state of something that an actor wants to achieve or maintain…

**State:** A valuation of some variable (current or desired)
  - Enterprises: Level of Economic Sustainability, Profit, Market share, …
  - Consumers: economic utility

**Objective:** Goal which can be measured using some scale

**Causal relations between goals:**
  - +/- influences
  - AND/OR
  - Equivalence (=)
### Strategic business goal elicitation: Porter’s generic strategies

<table>
<thead>
<tr>
<th>Competitive scope</th>
<th>Competitive advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad (industry wide)</td>
<td>Low cost</td>
</tr>
<tr>
<td></td>
<td>Cost Leadership Strategy</td>
</tr>
<tr>
<td>Narrow (market segment)</td>
<td>Product uniqueness</td>
</tr>
<tr>
<td></td>
<td>Differentiation Strategy</td>
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<tr>
<td></td>
<td>Focus Strategy (low cost)</td>
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<tr>
<td></td>
<td>Focus Strategy (differentiation)</td>
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</tbody>
</table>


Goals on costs, prices, market coverage, customer need satisfaction, positioning as related to competitor products, ...

### Elicitation of customer’s goals: Holbrook’s consumer value theory

<table>
<thead>
<tr>
<th>Orientation</th>
<th>Extrinsic</th>
<th>Intrinsic</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self oriented</td>
<td>Utilitarian, efficiency, convenience, …</td>
<td>Emotional, play, fun, …</td>
<td>Active</td>
</tr>
<tr>
<td></td>
<td>Excellence, quality, …</td>
<td>Aesthetics, beauty,…</td>
<td>Reactive</td>
</tr>
<tr>
<td>Other oriented</td>
<td>Social, status, …</td>
<td>Altruistic, ethics, justice, …</td>
<td>Active</td>
</tr>
<tr>
<td></td>
<td>Esteem, possession, …</td>
<td>Spirituality, Sacredness, …</td>
<td>Reactive</td>
</tr>
</tbody>
</table>


Specific customer goals such as « enjoy product », « possess fashionable product », …
Problem analysis:
**Current** strategic goal model

Goal conflicts and synergies:

- **Intra** actor (title):
  - “Stuck in the middle” (High quality & low editorial costs)
  - Proposition conflicts (Large quantity of ads & customer need sat.)

- **Inter** actor:
  - Competition (other titles and channels)

Solution analysis:
**Provide online news articles**

- Differentiate from competitors: ↑ reader need satisfaction
  - For the readers: exploit news texts, low effort, high accessibility
- Online articles with ads ↑
- ↓ costs
Solution analysis: Analyzing value

- ↑ reader need satisfaction, ↑ ad satisfaction, ↓ costs

Solution analysis: Goals revisited

- Value model introduces new actors and value proposition to readers and advertisers changes, so re-assess goal conflicts and synergies: Exclusive service (only via Title/Access provider cons.)
In sum …

• **Lightweight**, so simple goal modeling helps to achieve **strategic fit** (analysis and comparison of various Value models)
• Keeping goal model focused on **strategic objectives**
  – long term
  – competitiveness
• **Reuse** management literature (e.g. Porter and Holbrook) to **elicit** companies strategic goals and consumer goals

Further information on $e^3$value and goal modeling

• Jaap Gordijn, Michael Petit, Roel Wieringa, "Understanding business strategies of networked value constellations using goal and value modeling", forthcoming, RE'06.