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Chapter I

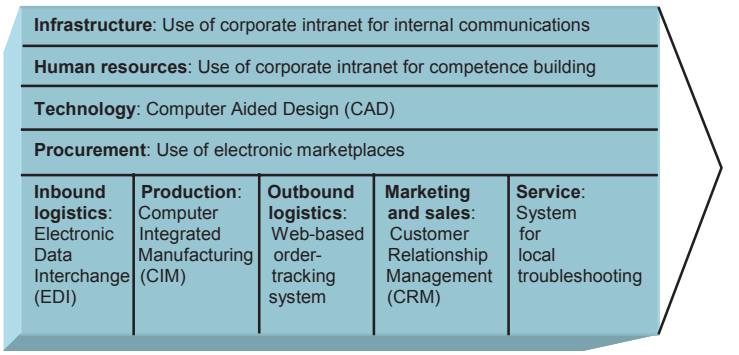
Value Shop Configuration

Introduction

To comprehend the value that information technology provides to organizations, we must first understand the way a particular organization conducts business and how information systems affect the performance of various component activities within the organization. Understanding how firms differ is a central challenge for both theory and practice of management. For a long time, Porter's (1985) value chain was the only value configuration known to managers. Stabell and Fjeldstad (1998) have identified two alternative value configurations. A value shop schedules activities and applies resources in a fashion that is dimensioned and appropriate to the needs of the client's problem, while a value chain performs a fixed set of activities that enables it to produce a standard product in large numbers. Examples of value shops are professional service firms, as found in medicine, law, architecture and engineering. A value network links clients or customers who are, or wish to be, interdependent. Examples of value networks are telephone companies, retail banks and insurance companies.

A value configuration describes how value is created in a company for its customers. A value configuration shows how the most important business processes function to create value for customers and represents the way a particular organization conducts business.

Figure 1.1. Examples of IS/IT in the value chain



The Organization as Value Chain

The best-known value configuration is the value chain. In the value chain, value is created through efficient production of goods and services based on a variety of resources. The company is perceived as a series or chain of activities. Primary activities in the value chain include inbound logistics, production, outbound logistics, marketing and sales and service. Support activities include infrastructure, human resources, technology development and procurement. Attention is focused on performing these activities in the chain in efficient and effective ways. In Figure 1.1, examples of IS/IT are assigned to primary and support activities. This figure can be used to describe the current IS/IT situation in the organization as it illustrates the extent of coverage of IS/IT for each activity.

The knowledge intensity of systems in the different activities can be illustrated by different shading, where dark shading indicates higher knowledge intensity. In this example, it is assumed that the most knowledge intensive activities are located in computer aided design and customer relationship management.

The Organization as Value Shop

Value cannot only be created in value chains. Value can also be created in two alternative value configurations: value shop and value network (Stabell & Fjeldstad,