

Service Oriented Business Process Management

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for Master Computer Science

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The Topic of the Presentation

In the previous seminars, strategic corporate planning (business model design) was considered from the perspective of an individual company and its world conceptualisation.

However, these world conceptualisations are in turn interdependent and lead to *practical dependencies* of the individual business models.

These dependencies can in turn be conceptualised, leading to *systemic development processes at the inter-company level*.

This further dimension of cooperative action is addressed in this paper taking the perspective of a rigorous developmental approach, as is also the case with our concept of Cooperative Action.

The Industrial Marketing and Purchasing (IMP) Group

From their Website <https://www.impgroup.org/about.php>,

The IMP Group is an informal, international network of hundreds of scholars who approach marketing, purchasing, innovation, technological development and management from an interactive perspective, in a B2B and a B2C context. The IMP Group's current work also includes research on public-private networks, policy, and science-technology-business issues. ...

The IMP Group stands for three main features:

- (1) a dynamic approach to economic exchange,
- (2) empirically driven research on inter-organizational interactions, and
- (3) an informal network of researchers forming a vibrant international community.

The IMP Group

Firstly, the IMP Group represents a dynamic approach to economic exchange, which means that emphasis is placed on the interaction processes taking place within and between business actors forming business relationships over time. ...

Secondly, the IMP Group represents a research tradition that places emphasis on empirically-based studies of how companies actually do business and of the various effects emerging when businesses and other organizations interact. Based on the assumption of interdependent business actors, a hallmark of IMP studies is that marketing, purchasing, technological development, innovation, strategic management and logistics need to be investigated *within the context of specific business relationships and networks*.

Thirdly, the IMP Group represents a large informal network of researchers. The IMP Conference and the IMP Journal Seminar are important meeting places for researchers from all over the world, all sharing an interactive perspective on the business landscape. ...

IMP Conceptualisation

The following explains ideas from [Ford, Mouzas 2013].

Business processes are conceptualised as *substantive* interaction between activities, resources and the actors associated with them.

Service Dominant Logic (SDL) is largely *conceptual* in orientation.

The **heterogeneity**, the importance of **specific counterparts**, the **complexity** and **long-term nature** of business interaction argue against generalisations about particular categories of actors such as 'customers', 'suppliers', 'manufacturers' or 'retailers' to conceptualise their interactions.

IMP research is concerned to examine the idiosyncratic **Network Pictures** held by the actors within their **small world** of tight functional dependencies which form the basis of their approaches to interaction.

IMP Conceptualisation

Such analysis suggests that the small world of the business actors does not exhibit the characteristics of a *market* nor is it simply an *agglomeration of many markets*: Its structure is not one of independent companies that have ease of entry or exit from the market or from their dealings with specific counterparts as marketers or customers.

Instead, the analysis emphasises that many of the actors in this small world are strongly interdependent with each other through their business.

The pattern of interdependencies across these **small worlds** and the perspectives that arise from them form the *context for continuing interaction* and the developments.

IMP Conceptualisation

This small world is a *cooperative action space* as developed in the lecture where "relational moments between actors shape the cooperative context more than individual moments of individual actors" with narrow, but permeable boundaries.

This narrowness and permeability emphasises the limited horizons of all actors and *the importance of intermediaries* in interaction.

Interactions in business are not restricted to communication, negotiation or to specific transactions but are **substantial**. In other words, they involve a number of different aspects of the (practical) *activities* and (material) *resources* of the actors which may be changed and transformed and hence *evolve* during action.

Small Worlds

Example: The development of ready-meals changes aspects of the activities, resources and the actors involved in this small world. Some activities such as the production systems of food producers becomes more or less specialised towards the requirements of particular counterparts. Resources, such as the stockholding facilities of producers, retailers and logistics companies will have followed a particular *path of investment* or development and the actors themselves will have *co-evolved*.

Co-evolution does not refer to an inevitable increase in the 'closeness' of the relationships between interacting actors. Rather, it suggests that *the operations, characteristics and attitudes of business actors evolve as an outcome of their interactions over time* and thus the set of relationships evolves itself.

Vargo and Lusch (2004, 2011): "Resources are not, they become".

Small Worlds in the Wider World

All the actors are part of a **wider network** of substantial practical dependencies. However, each of these actors has a very restricted picture of this 'wider world' and no direct interaction with most of the actors within it.

For this reason, each actor will be dependent on *service provision* by some of its immediate counterparts who have relationships with or provide access to others at a distance. Such service is similar to using *components off the shelf* (COTS) not in a technical but in a production-organisational perspective.

For example, the producers of ready-meals are likely to depend on their relationships with packaging companies to gain access to the activities and resources of packaging materials companies. Similarly, logistics companies will depend on their relationships with trailer suppliers to access the skills of vehicle refrigeration contractors.

Small Worlds in the Wider World

This leads to a view of interaction in business relationships as a unique, evolving, multifaceted process of *'problem-coping'* by and for all of the involved actors (Webster 1965).

Shchedrovitsky: "If there are no problems, no management is required".

The term 'coping' is used to emphasise the interactive and evolving nature of business problems.

The complex, evolving and interactive nature of problem-coping also mean that each actor has *to conform to the status quo* (to "institutionalised procedures" – apply standard solutions to problems) in many aspects of its relationships for which problems cannot immediately be addressed.

Business Networking (Cooperation)

Service-seeking and offering drives the process of *activity specialisation*, *division of labour by specialisation*, the *path of resources* and the *co-evolution of actors*.

The most significant problems that actors face concern *the relationship structure in which they are embedded*. The business actor should be viewed as a **node** within a network of relationships, so that what happens *outside* (i.e. inside the "small world") the actor and through its relationships is likely to be more important in the evolution of that actor than what happens inside.

IMP research uses the term **business networking** to refer to the attempts of actors to change the structure and process of the relationships in which they are involved.

It is through business networking that actors seek to cope with their problems and those of others.

Costs of Business Networking

Short-term, **dyadic** problem coping may centre on a single transaction involving the costs associated with transferring cash for one counterpart and the benefits of service for the other (cost-benefit relation).

Short-term problem coping may involve working together to solve a particular technical problem for **mutual benefit** (mutual benefit relation).

Short-term problem coping may appear to involve only one actor in benefits and one in only costs. However, these *short-term costs and benefits* received will affect both actors *long-term view* of their relationship. The long-term view considers short-term costs as **investment**.

In the longer term, problem coping will be based on *investments* and *adaptations* by the counterparts (**synergy effects**) in one or more aspects of the substance of their interaction.

Costs of Business Networking

Business actors commonly face issues over the **trade-offs between potential and actual short-term and long-term costs and benefits** of the counterparts in relationships, expressed in terms of the *extent and timing* of respective activity specialisation, resource path or actor co-evolution.

It is likely that actors would perceive that much of the service actually provided fell short of their expectations or exceeded them.

Unforeseen contingencies might explain this; late delivery of services or products, not forthcoming cooperation, only partial adaptations, payment less than expected. In contrast, technical assistance could produce greater than anticipated cost savings or a cooperative development could enhance an actor's relationship with a third party.

The existence of different perceptions among actors explains why profitable business opportunities may exist whenever **prices fail to reflect the value**.

Value

The **value to a participant from service** is not a characteristic of what is involved in it, whether product, services, payment or generalised 'performance'.

An interactive and systemic conceptualisation of the business process requires a refinement of this view of value

- ▶ **Value of problem coping:** As problem-coping process the value to each actor of a service is that *actor's interpretation* of the worth of the service's contribution towards coping with one or more specific problems of the actor, *identified by that actor*.

Hence the value as the 'perceived worth' of the same service received by different respondents will be different and in all cases that value is time and problem-specific.

Empirically, this nature of service value to a counterpart poses great difficulty for the provider in business interaction.

Value

- ▶ **Value and reciprocity:** The value of service is not determined solely by the receiving actor but also assessed by the service supplier. Each party makes its own assessment of the problem-specific value to themselves and to their counterparts of a service that they seek or provide.

These multiple assessments form the basis for their approach to interaction in any single episode and to their expectations and intentions for future episodes and a relationship as a whole.

- ▶ **Incidental value:** The business landscape is characterised by recurrent interactions between multiple actors in continuing relationships.

Service provision and value creation in any of these may lead to incidental value to others, either positive or negative and in line or against the wishes of those involved.

Service Value Levels

The concept proposed by the authors connects

- ▶ **Business interaction** as problem-coping process of actions, reactions and re-reactions between actors,
- ▶ **Services** as successive outcomes of business interactions as perceived by the participants and
- ▶ **Value** as actor's perception of the contribution of service to coping with a specific or general problem of particular actors.

Value of service may be identified at the following levels:

- ▶ **Episodic service value:** Service provision within a particular interaction episode. Value creation is the outcome of solving a particular problem rather than to conform to current ways of operating.

Service Value Levels

- ▶ **Relational service value:** Continuing or long-term service interaction in a dyadic relationship by developing the potential value of the relationship for future episodes. Relational value at any one time depends on the interdependence of the counterpart's activities, the heterogeneity of their resources and the jointness of the actors.
- ▶ **Service value in the small world:** Network effects for actors when to consolidate interactions within existing relationships, to change their pattern or to develop new relationships.

The costs and time involved in new relationship development often limit networking opportunities to existing relationships.

However, problem coping in the business landscape **can never be wholly dyadic**. The service offered by a single actor to another always depends on service provision from other relationships. An obvious example of this is seen in the dependence of product suppliers on components supplied by others.

Service Value Levels

- ▶ **Service value in the wider world:** Because of an actor's lack of knowledge or established relationships in the wider world, this networking will either be based on **relationship development** or **service provision** by others.

An example: Extending the customer-base of detergent manufacturers by reorienting offerings to provide service through coping with the environmental concerns of consumers and the wish of retailers to be or to appear to be environmentally friendly.

The small world:

- ▶ Detergent manufacturers: Proctor & Gamble, Henkel, Unilever
- ▶ Retailer: Tengelmann, Aldi, other retailers
- ▶ Customers

Conclusions

1. The conceptualisation of service in an interactive business landscape allows to capture the inherent connectivity among interdependent business actors.

This connectivity leads to a view of service as the successive and reciprocal outcomes of recurrent interaction between multiple actors as perceived by the involved business actors.

2. The idea of service in an interactive business landscape transforms our view of the process of value creation and appropriation in networks.

The value of a service is not confined to the provision by one company (supplier) to an apparent receiver (customer). Instead, service in the business landscape is a **systemic process** producing different positive and negative value for multiple actors, including those that appear only to be providers.

Conclusions

The value of service is not confined to a single episode in which service appears to have been provided.

A particular interaction episode that provides immediate value is also likely to change the nature of the relationship in which it occurs, leading to relationship value.

3. Thirdly, taking an interactive approach to service allows to investigate the **dynamics** of problem coping and creation.

The evolution of problem-coping is observable through a continuing cycle of recurring episodes and evaluations over time ("justified expectations" and "experienced results" in the terminology of the lecture).

Conclusions

For the management, the idea of service in an interactive business landscape emphasises the importance of **analysing** the evolving problems and uncertainties of specific actors and the perceptions of those involved in the interaction.

The concept of service highlights interaction in continuing relationships as the successive, reciprocal, outcomes of action, reaction and re-reaction of counterparts and thus the **evolution of the "small world"**. This requires perceptive analysis of relationship evolution, of the problems of the company and its counterparts and a well developed, explicit but flexible agenda.

Service in an interactive business landscape also involves a **managerial reorientation** away from things, products and services and towards the evolving problems of the company and its specific counterparts.

Conclusions

Service provision can range from obvious manifestations, such as the payment of an invoice, the delivery of a product or the development of a new technology to the subtle or complex, including the provision of advice or reassurance, organisational transformation or intellectual assets, know-how and expertise.

The nature of service delivery is **defined by the recipient** and its value is determined by the problems of the recipient.

An understanding of the concept of service and value in an interactive business landscape enables managers to **relate their own resources and activities** to those of others as the basis of coping with their respective problems ("The whole is more than the sum of its parts").