



## **Chapter VII**

# **Value Webs: Cases, Features, and Success Factors**

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The new information infrastructure redefines the roles and relationships between buyer, seller, and middleman, allowing new ways of accessing and tapping information and price arrangements. Most importantly information about a product or service may be separated from the product or service itself. The chapter scrutinizes how companies are using these opportunities to establish networked retail businesses and generate customer value in innovative ways. We have tried to reconstruct a widespread interorganizational arrangement for product and service retailing on the Web, its antecedents, its challenges and its economic logic.

## **INTRODUCTION**

“That all this is in some sense true, as it is in some sense false.”

Augustine

One of the most profound consequences of the ongoing information revolution is its influence on how economic value is created and extracted. Within a brief span of time the silicon chip altered the course of world, and the consequences of this are just being felt in even the most secluded parts of our societies. The lifeline of our world today is no longer ships bridging the seas, railroads or interstate highways crisscrossing continents, or airliners spanning the globe, but networks linking these

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little, tiny bits of electrified silicon. A standard car today musters more computing power than the Apollo mission to the moon some 30 years ago. Moore's Law of ever cheaper and more powerful computing and Metcalfe's Law (cf. Downes & Mui, 1998) on the exponential increase of the utility of an expanding network, currently best represented by the Internet and the World Wide Web, suggest that we are only at the start of this revolution.

This chapter scrutinizes how companies have responded to opportunities that the Web has provided to establish networked retail businesses and to generate customer value in new ways. In economic terms, the new information infrastructure redefines the roles and relationships between buyer, seller, and middleman, allowing new ways of accessing and tapping information and price arrangements. Most importantly, information about a product or service may be separated from the product or service itself.

This chapter attempts to combine the results of research which is looking for patterns of organization and management advice on how to reap the benefits of the Web. We have tried to reconstruct what has become one (not the) dominant form of interorganizational arrangements for product and service retailing on the Web, its antecedents, its challenges and its economic logic.

Value Webs are emerging forms of fluid and flexible organizations. Deconstructed firms focus on a subset of the value-adding process and rely on coordinated relationships with other firms to provide the remainder of the value chain activities needed for a market offering. Value is rarely created with information itself. Value Webs, on the contrary, excel at creating new values with information by coordinating the complex relationships of independent companies. Often of transitory character, such Value Webs are organized around a specific market opportunity, lasting only for the length of that opportunity.

While management science has been primarily concerned with the alignment of strategy and organization or strategy and structure (Schewe, 1998), information systems science has extended this question and has included information technology, thus looking into a triangular relationship of alignment between IT, strategy and organization (Frank & Klein, 1992) or strategy, process and IT (Österle, 1995). The notion of value Webs not only aligns but integrates the three concepts in a unique and intricate way: Value Webs are organizational arrangements which at the same time represent (strategic) business models within a particular technical environment, the Web. The World Wide Web, which incorporates a basic set of (inter-)organizational roles and linkages, is structurally mirrored by the value Webs. While virtual organizations have been primarily characterized in dimensions like market interaction, competence leverage and work configuration (Venkatraman & Henderson, 1996), i.e., innovative ways of organizing distributed operations, value Webs focus on innovative value propositions and customer service. They systematically integrate (end) customers, which have access to basically the same infrastructure and similar services, into the network of Web-enabled relations.

This chapter tries to reconstruct underlying design patterns of interorganizational arrangements and gives a stylized description of their features. This leads to the

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