Chapter II
Value Configurations of Organizations

1. VALUE CONFIGURATIONS OF ORGANIZATIONS

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 organizations 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 organizations, 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, logistic and postal services, retail banks and insurance companies.

This chapter presents the three value configurations – the value chain, the value shop, and the value network. Then, the three different value configurations are compared according to some key characteristics, for example use of information

systems. Nine design parameters are presented as building blocks of organizational structure. Finally, this chapter shows how organizational culture might influence organizations.

1.1 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 organization 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 on performing these activities in the chain in efficient and effective ways. In Figure 2.1, examples of information systems are assigned to primary and support activities. This figure can be used to describe the current IT situation in the organization as it illustrates the extent of coverage of IT for each activity. Examples of government value chains are road construction and maintenance, water supply, one-stop e-government service provision, and joint military operations.

Water supply as a value chain requires water quality management. Research illustrates the need for integration of data supporting water quality management as an example of how such integration can enable higher levels of e-government (Chen, Gangopadhyay, Holden, Karabatis, & McGuire, 2007). It presents a prototype system that allows users to integrate water-monitoring data across many federal, state, and local government organizations and provides techniques for information discovery, thus improving information quality and availability for decision making.

Figure 2.1. Examples of IT-based information systems in the value chain