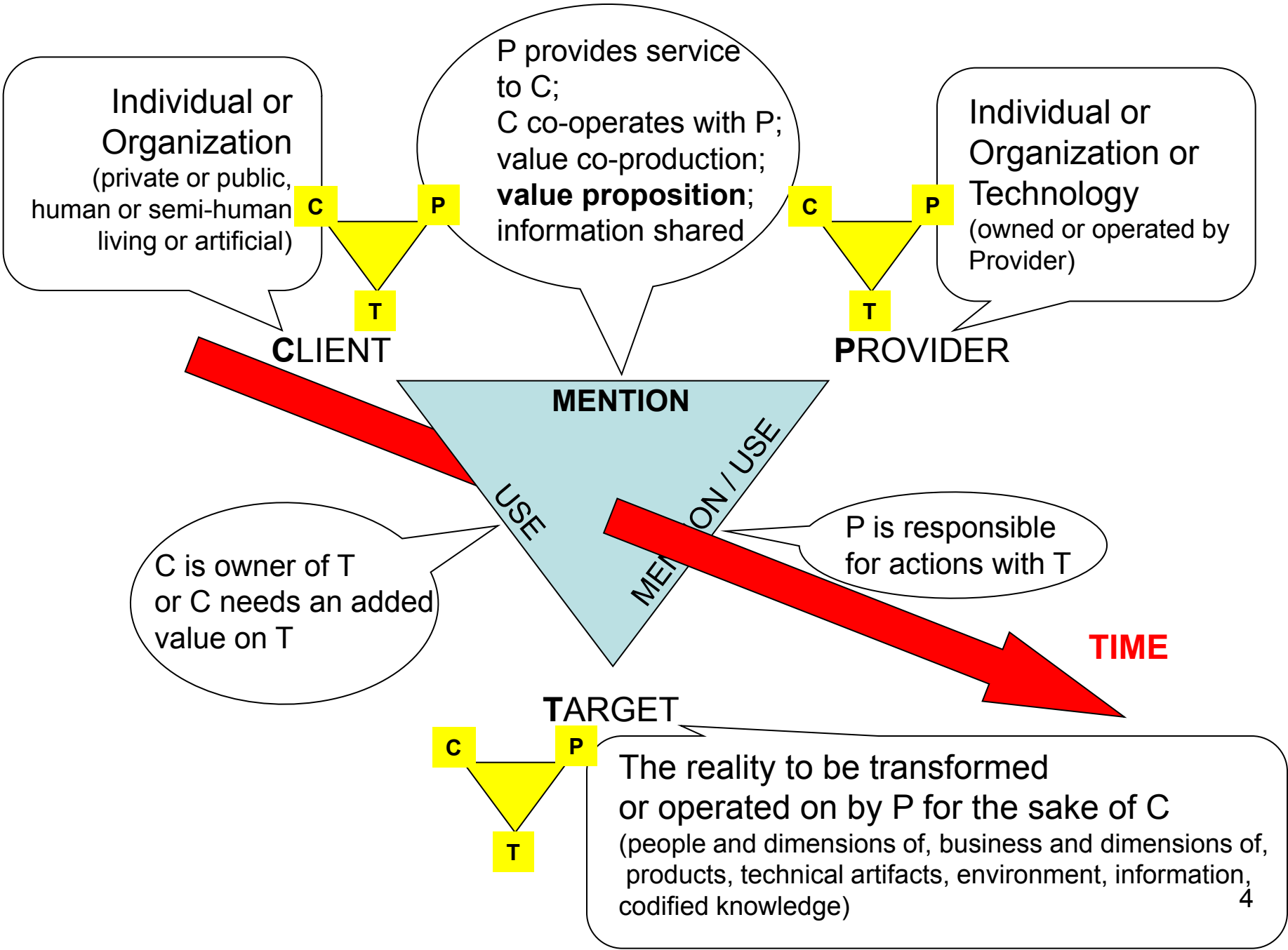# Value Proposition
and
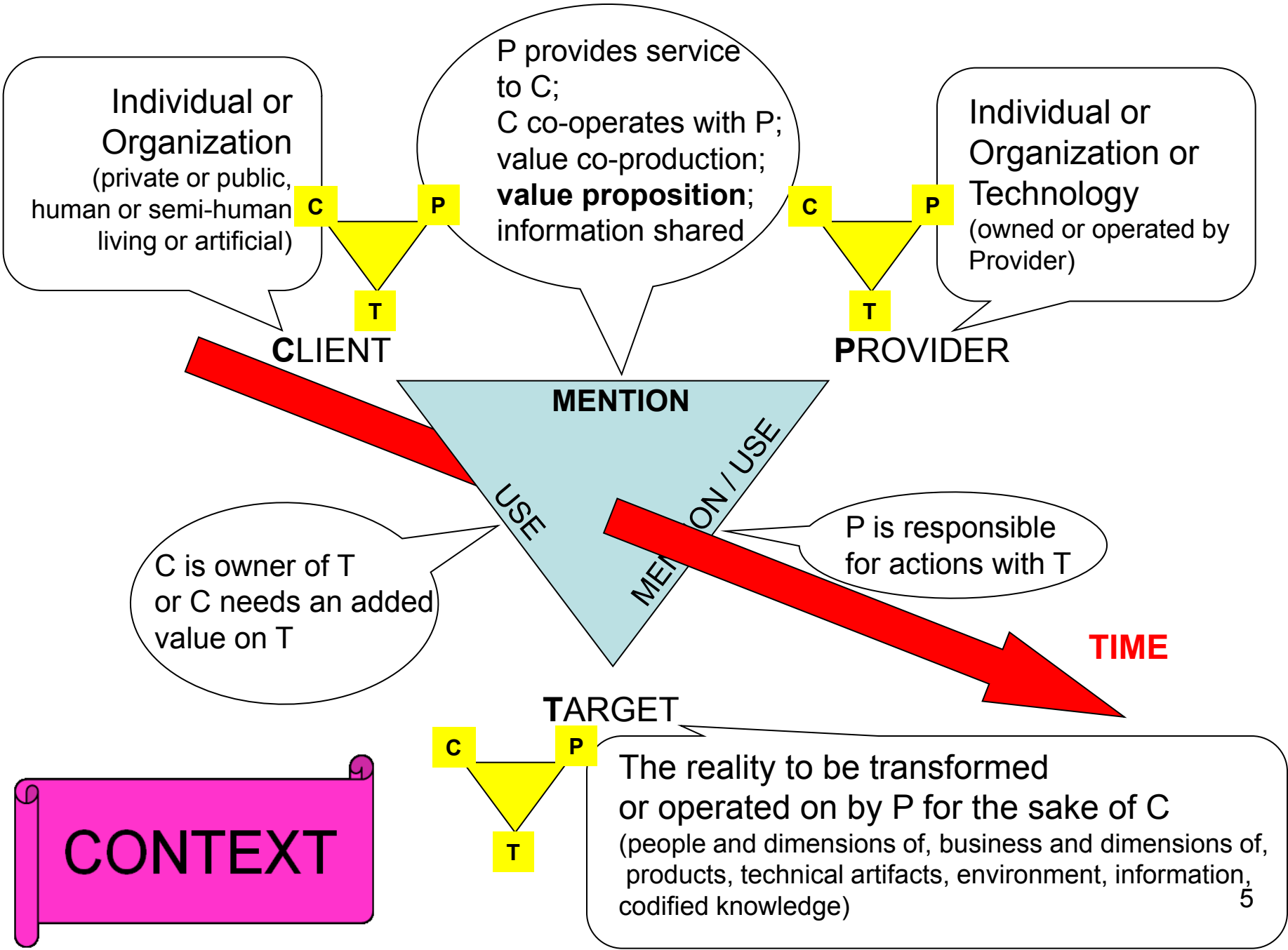# the Scope of Service System

Topics

- VP and Statement of work
- Service System's boundaries
  - Co-operative Service Systems
  - Dual Service Systems
- Service Breakdown Structure
- Value Proposition for Interim Project
  - Semestral work 2

Service Systems

Review

Individual or Organization
(private or public, human or semi-human living or artificial)

CLIENT

C P

T

P provides service to C;
C co-operates with P;
value co-production;
value proposition;
information shared

Individual or Organization or Technology
(owned or operated by Provider)

PROVIDER

C P

T

MENTION

USE

MENTION / USE

C is owner of T or C needs an added value on T

P is responsible for actions with T

TIME

TARGET

C P

T

The reality to be transformed or operated on by P for the sake of C
(people and dimensions of, business and dimensions of, products, technical artifacts, environment, information, codified knowledge)

4

Individual or Organization (private or public, human or semi-human living or artificial)

P provides service to C;
C co-operates with P;
value co-production;
value proposition;
information shared

Individual or Organization or Technology (owned or operated by Provider)

C   P

T

CLIENT

C   P

T

PROVIDER

MENTION

USE

MENTION / USE

P is responsible for actions with T

C is owner of T or C needs an added value on T

TIME

TARGET

C   P

T

CONTEXT

The reality to be transformed or operated on by P for the sake of C (people and dimensions of, business and dimensions of, products, technical artifacts, environment, information, codified knowledge)

5

Service System Definition

- Service system is a composite of agents (including both, people and artificial ones), technology, environment, and/or organization units of agents and/or technology, functioning in space-time and cyberspace for a given period of time.

- There is always lot of *contexts* from which the service system could be evaluated, explicated and comprehended.

- There exists at least one context from which the roles of Client, of Provider, and of Target could be recognized on agents or environment.

SS* def consequences

- Any usability in any situation can be explained by using SS*.

- A sequence of events in C-vertex is different from that one in P-vertex and both are different from that one in T-vertex.

- But combining these three into one SS* gives them "a common history" for a non-trivial time interval.

- "the holy almighty" self-reference !!!

- Hierarchy of high-order objects from TIL is a way to understand the complexity of SS* world

Comments to consequences …

- An 'object' itself has no value without evaluation the cost invested into it; the value arises when the object is pushed to action—when a service occurs

- Thinking on C-P-T and on benefits for the 'C' help us understand situations better and help us not to be bumpkins in many states of affairs.

Value Proposition

What

Why

How

Value Proposition – what it is

- C-P-T: in a well selected context we have three **agents** playing in the "game".

- A valid statement is necessary between 'C' and 'P' about "**what/how/where/who/when/why**" will be done during the service performance.

- This negotiation has to be maintained and revised continuously through the service provision life-cycle.

- Through all the **process of service provision** there must be at any time point valid statement of work declaring *what* have to be done, *how* it will be done, *where* it will be done, *who* will do *what*, *when what* will be done, and *why* it will be done. This statement is called a **value proposition**.

Goals / Objectives / Needs to be satisfied

VALUE PROPOSITION

CLIENT

PROVIDER

Agent1

Agent2

TARGET

Agent3 or "A part of reality to be transformed"

Goals / Objectives / Needs to be satisfied

VALUE PROPOSITION

PROMISES

The world of "MENTION"

CLIENT

SHARED VALUE

PROVIDER

Agent1

Agent2

RESULTS

The world of "USE"

TARGET

Agent3 or "A part of reality to be transformed"

12

Value Proposition - characteristics

- Absolutely clear for all stakeholders
- A benefit for the Client must be obvious to this level that he buy in to the change!
- A clear "axe edge" to cut up the problem has to be recognized and communicated.
- The "axe edge" is about **usefulness** for Client or potential clients.
- Any particular usefulness claimed in VP has to be supportive to this "axe edge".

Value Proposition – why it is important

- A service provision is about change.
- Everybody has his/her/its own filter, set of filters precisely, by which filters the whole stream of data when perceives.
- There is lot of contexts from which each particular situation could be understood and evaluated.
- Law of inertia works in society as well as in nature.
- Thus to convey clear "what/why/how to change" is necessary to put ideas to action.

Value Proposition – useful recommendation

- Two kinds of change exist according to the Gerald Bradley's book 'Benefit Realisation Management', GOVER, 2006:
  - Change acquiring and/or implementing capability (***enabler***)
  - Change embedding this capability into the working practice (***business change***)
- Namely the VP for 'business change' is the issue, as Clients live in the working practice.
- And moreover, Clients' contexts are entirely different from the context of a Provider who understands well the 'enabler'.

Value Proposition – how to formulate it
(check list which can help us)

- Key stakeholders identification and classification
- Target ("T" from C-P-T) clear definition
- Benefits for C recognition
- "Enablers" and "Business change" specification (see "BRM")
- Deliverables description
- "Axe edge"-like formulation
- Revision of all points
- Workshop (forming seminar) with key stakeholders at the start and/or end of the process

Possible Structure of VP

- ## Executive Summary
  "Axe edge"-like formulation + annotation (breef explanation);

- ## Brief story
  'Use-case main scenario'-like description; key stakeholders understanding reached;

- ## C-P-T Definitions
  start with Target clear definition; then define the Client and the Provider – or vice versa; be aware of the Client's benefits and of the Providers deliverables;

- ## Benefits
  what will be the benefits for the Client; be very clear of it! This is the "Mission-Vision-Strategy approach" application

Possible Structure of VP (2)

- ## Deliverables
  by what deliverables the benefits will be delivered to the Client; in what the value co-creation between Client and Provider lies;

- ## Enablers and Business change
  Change acquiring and/or implementing capability (***enabler***) and Change embedding this capability into the working practice (***business change***) description; if applicable;

- ## Business Model
  describe precisely costs and benefits of each active participant of the game; use Alex. Osterwalder Business Model Ontology;

Possible Structure of VP (3)

- ## Amendments
  (if necessary); may be much more longer than the basic VP text;

  - technical proofs if necessary;

  - other arguments;

  - project and program management elements that can help the VP better understanding and that can help the VP is believable;

  - anything which can help to obtain better score in the '**elementary beliefs**' sense and the "**context**" understanding (– see the following explication)
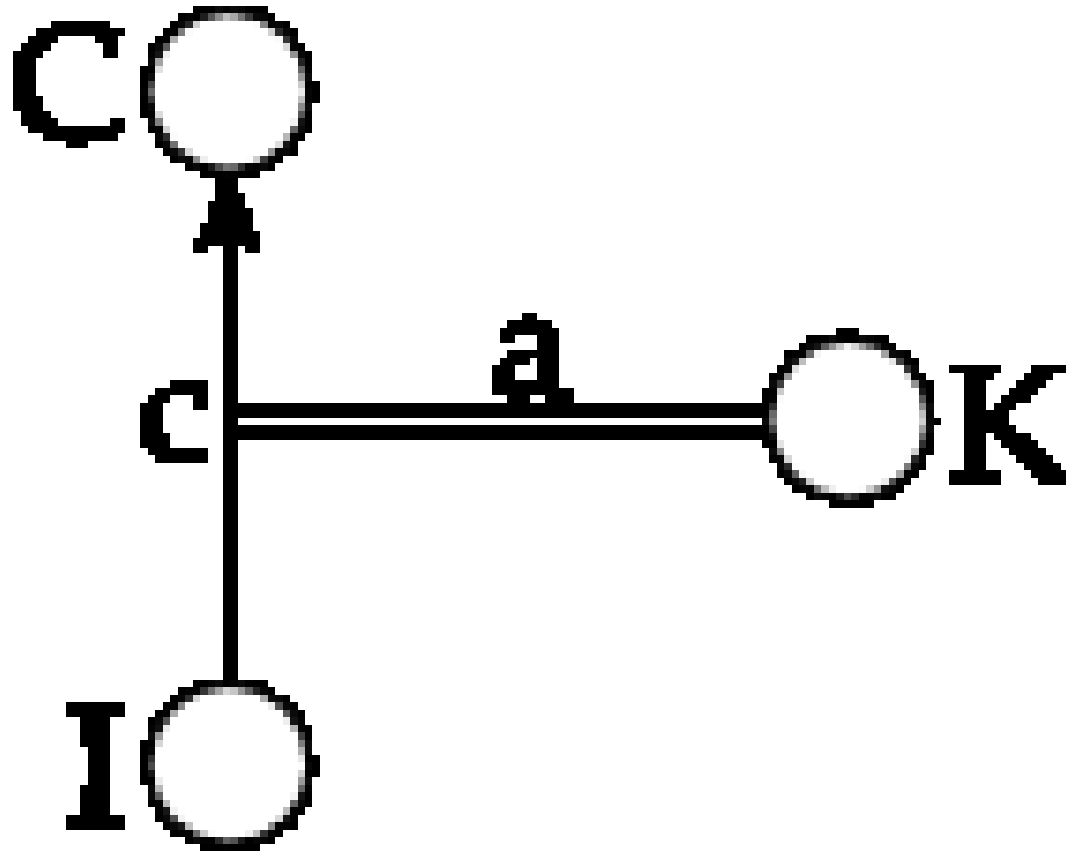
Fig. 1: T (elementary belief)

Context
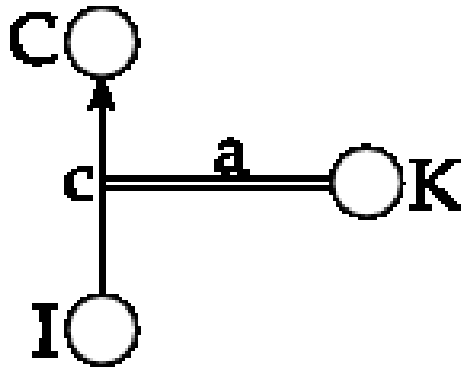
Fig. 1: T (elementary belief)

- $(I, C, c = 1, a = a_{max})$ is a context.

- Let $T_1, \ldots, T_n$ be arbitrary elementary beliefs. Than $(T_1, \ldots, T_n)$, i.e. a finite sequence of elementary beliefs is a context.

Service System boundaries

Is it better to see the scene as one Service System with many contexts?

or

Is it better to see it as a set of Service Systems … ?

In a way co-operating …

Questions

- what is better to describe as one service system?

- what is better to describe as two or more service systems in some way connected or co-operated?

- are there any criteria according to which we can decide whether a situation is better to describe as one SS* or as a set of co-operating Service Systems?

Prime Service System

A service system is called **prime service system** if the following conditions hold:

- there is only one context involved in which the roles of Client, Provider, and Target are spread on Agents
- all the time the Service System is alive the role assignment does not change

- This is a natural point of view and it is widely used.

Boundaries

- There are no boundaries in our 3-d+time space: all boundaries are artificial one !!! We create these boundaries ourselves !!!

- There are many boundaries created by ourselves in the cyber-space !!!

- Thus boundaries of a Service System are artificially created in accordance with pragmatic reasons.

Thinking on boundaries …

- The biggest enemy of cognition are boundaries
- The biggest enemy of Project/Program/Portfolio management is
  - absence of boundaries and
  - absence of cognition
- That is why they both, cognition and PPPM have to go together !
- … so as we are going using our two legs …
- This I call a manifestation of "Two Legs Principle"
- The "TLP" has more manifestations, e.g. **a**cademic and **b**usiness world; I call it "way A" and "way B".
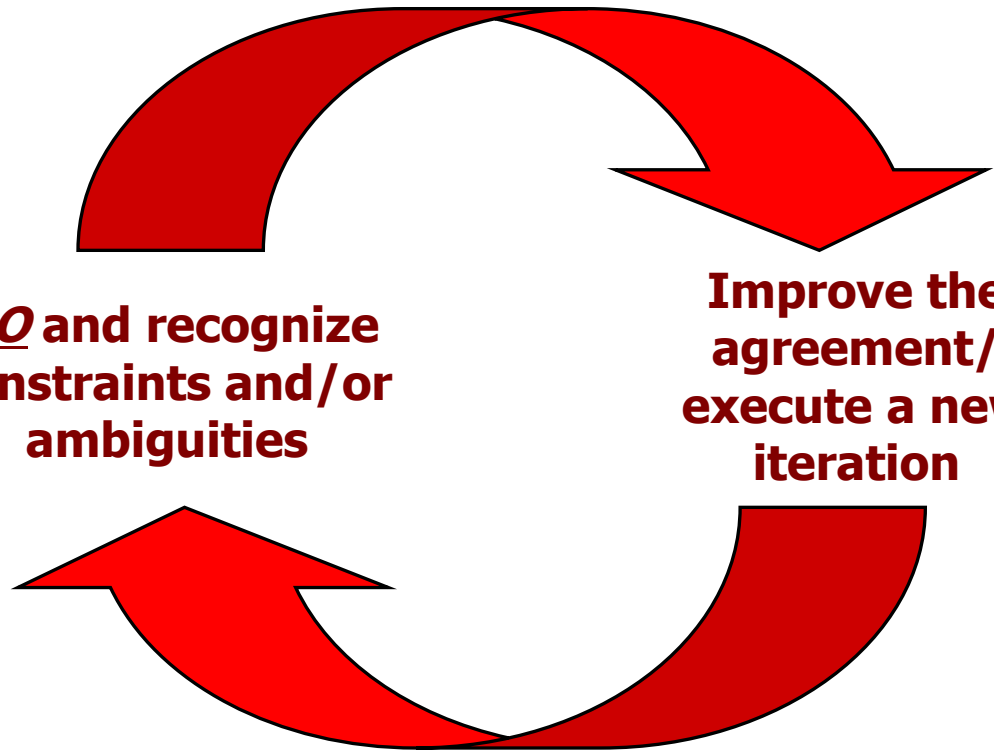- … again boundaries between them are artificial, only.

Two Legs Principle:

Agree what you know about the problem
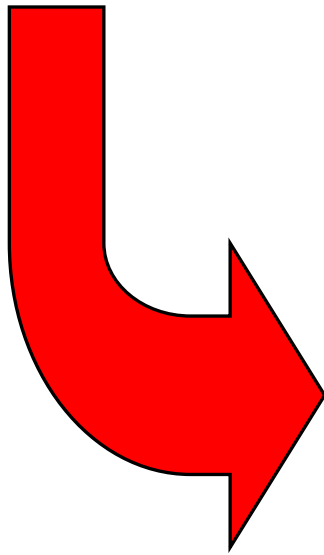
DO **and recognize constraints and/or ambiguities**

Improve the agreement/ execute a new iteration

Two Legs Principle:

MENTION

MENTION

USE

Co-operative Service Systems

What the co-operation is about ?

How to balance a service with the price for it ?

Service Systems Co-operation

We will say that two prime service systems S1=(C1,P1,T1) and S2=(C2,P2,T2) are **Co-operative Service Systems** , if the following conditions hold:

– C1 = P2

– P1 = C2

– a benefit of C1 (C2) depends in a way on the benefit of C2 (C1)

• Note, that no constraint is done on targets of those systems.

Example

- IBM, Integrated Service Delivery Center, Brno
- Faculty of Informatics MU, Brno
- IBM interest: Outsourcing of services
- FIMU interest: Processes of study and research
- Let's describe two SS*s: SS1 as an IBM benefit SS* and SS2 as a FIMU benefit SS*
- What will be the T1 and T2 ?
- Formulate such Value Propositions, that SS1 and SS2 are co-operative SS*s

Dual Service Systems

A closer relationship than
co-operation

Dual Service System Definition

- Let us have a general service system such that two prime service systems could be identified in it using two main contexts. Let the first one is (C1,P1,T1) and the second one is (C2,P2,T2). If it holds that:

  - C1 = P2 and P1 = C2
  - T1 = T2
  - value proposition of (C1,P1,T1), formulated within the first context, and value proposition of (C2,P2,T2), formulated within the second context, are formulated such that their union creates a two-directional value proposition covering benefits for both C1 and C2

- than we deal with (C1,P1,T1) and (C2,P2,T2) as it is one SS* with two contexts and say that the service system is a **dual service system**.

Example …

- IBM, Integrated Service Delivery Center, Brno
- Faculty of Informatics MU, Brno
- IBM interest: Outsourcing of services
- FIMU interest: Processes of study and research
- Let's describe one dual SS*: as an IBM benefit SS* and a FIMU benefit SS* with one common Target
- What will be the Target ?
- Formulate such Value Proposition, that is bidirectional and benefit for both parties expressing

Breakdown Structures

The essence of practical understanding and modeling of Viable Service Systems
(together with their Value Propositions)

Why they are so important?

- To construct a new complex service from several simpler services
- To solve CEP = Complex Event Processing
- To be able to understand deeply a VP
- To be able to formulate VP based on deep understanding

The Fundamental Hierarchy
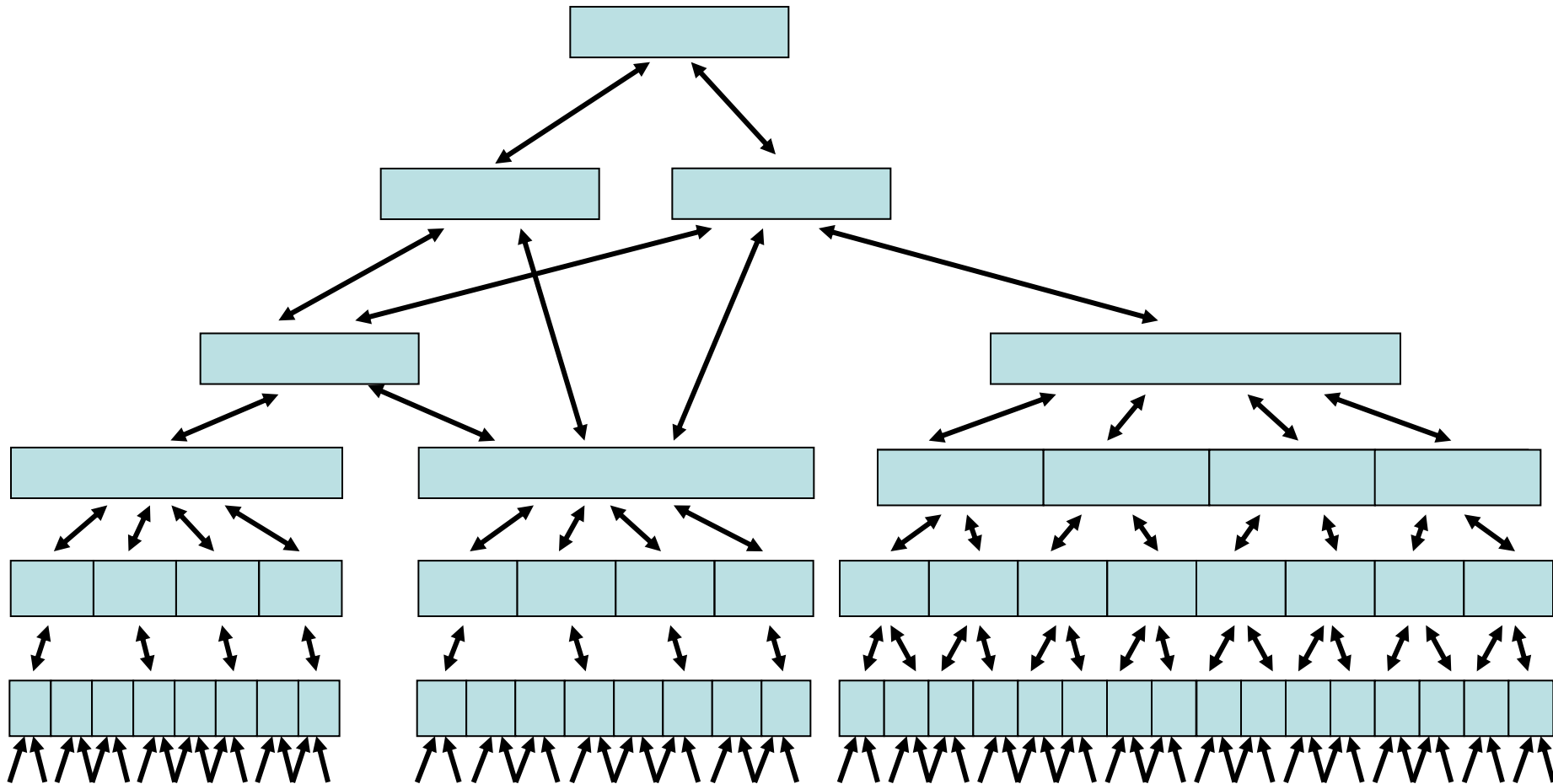
Self-reference !
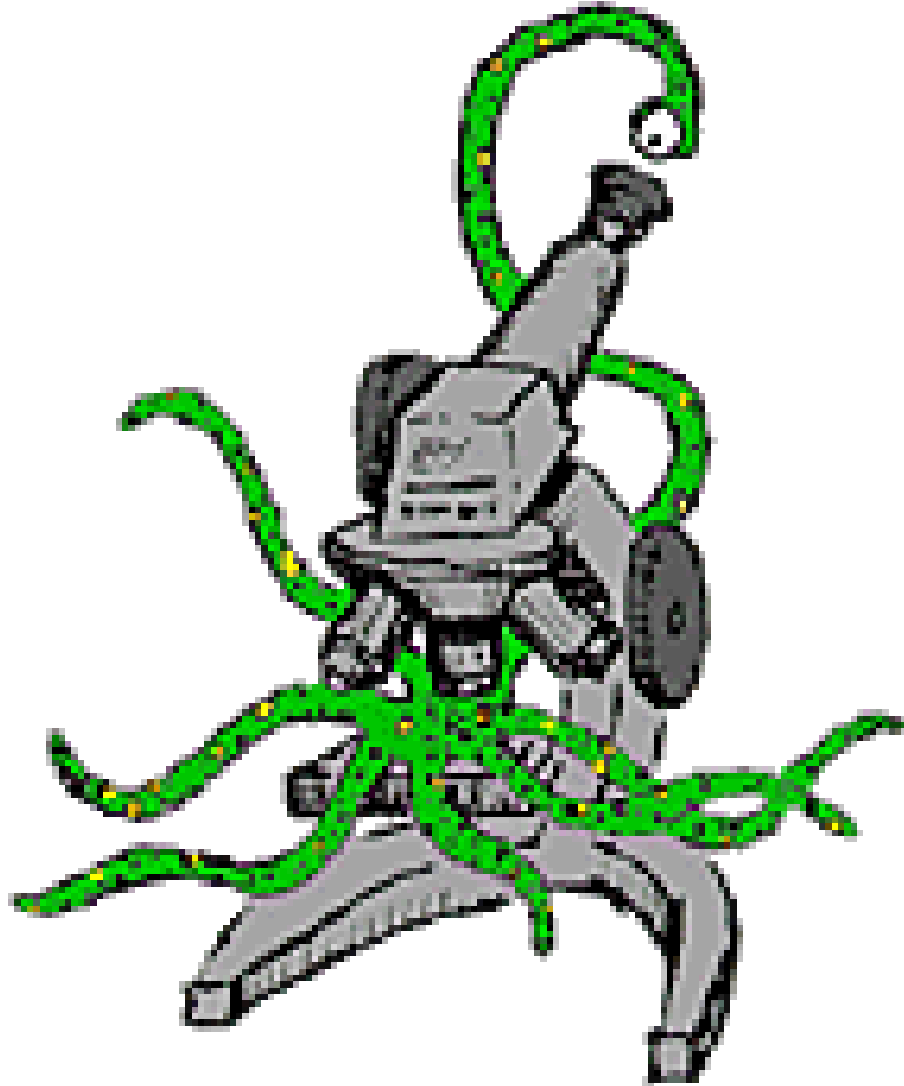
To manage PPP/SS* means

1. To establish strategy
2. To create plans
3. To execute plans
4. To review plans
5. Continue by point 3 until the strategy is valid
6. To review strategy
7. Continue by point 2

Cyclical paradigm

Find up Strategic Direction

Redraw Strategic Direction

Create a Model

Adjust reality and Model to align them

Manage by the Model
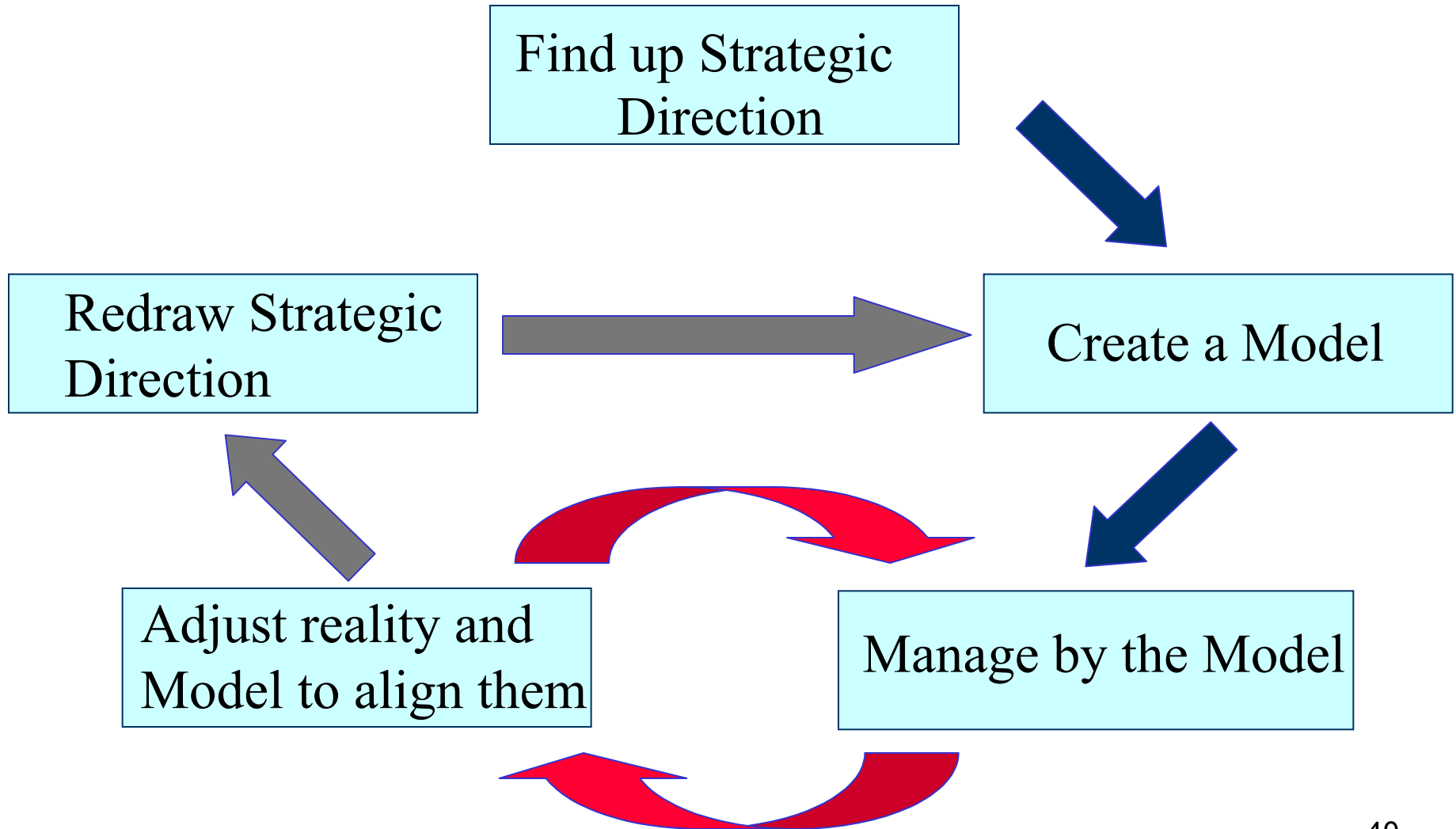
Plans in Projects+Programs

- Answers to the following questions in the given order:
- WHAT
- HOW
- WHO
- WHEN
- FOR HOW MUCH (cost)

Discussion

- What is the most important of these plans / questions ?

Plans

- WHAT
- HOW
- WHO
- WHEN
- FOR HOW MUCH (cost)

How to describe the WHAT plan ?

- In general
- While each project is unique

- Is there any common possibility?

The Fundamental Hierarchy

(The subtrees only !)

45
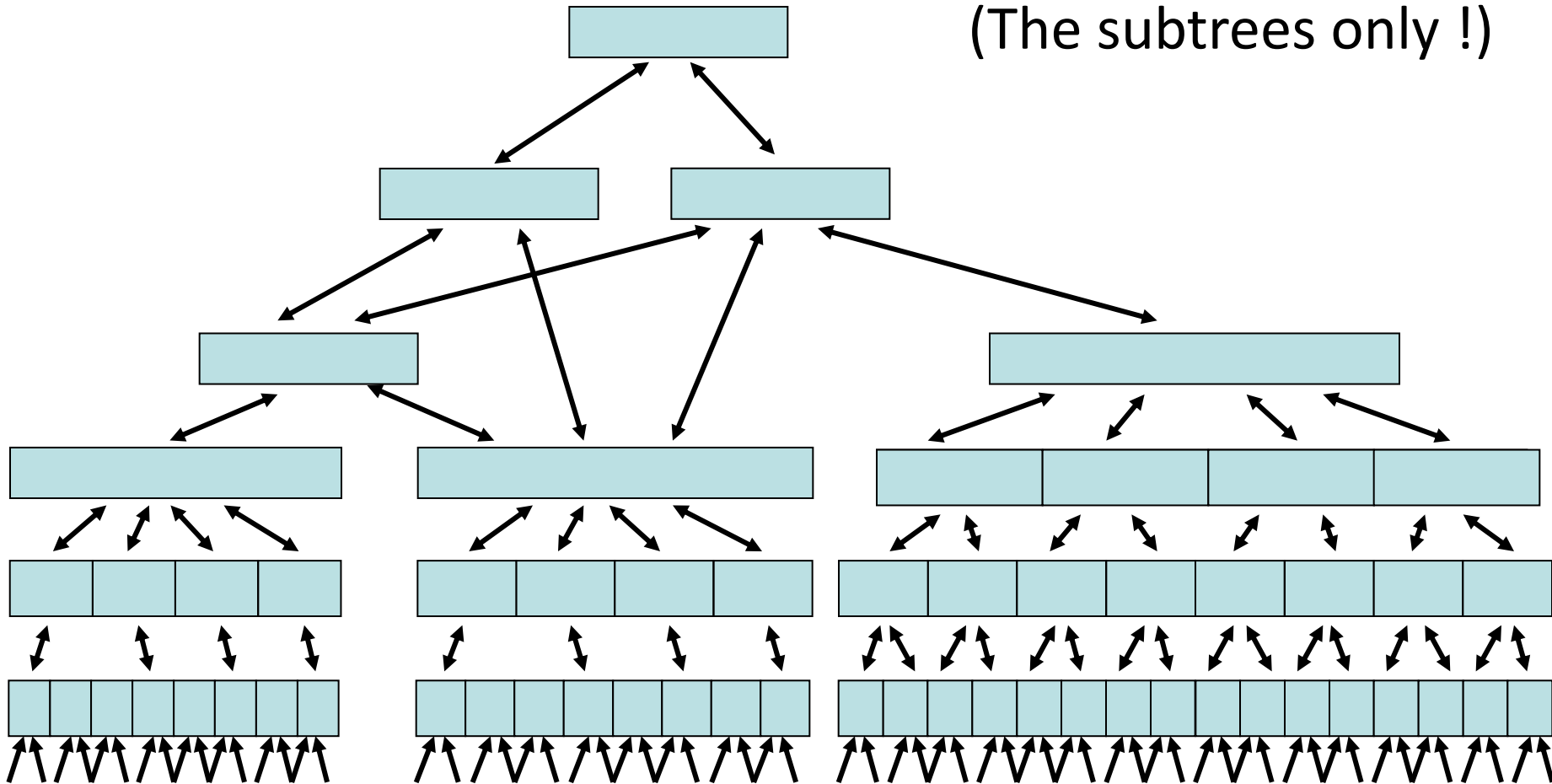
What can be broken down using the Fundamental Hierarchy Pattern ?

- Work
- Product
- Deliverable
- Object
- Activity
- Organization
- Goal
- Service
- VP

- How to do it?
- Top-down !
- By using the right questions

The Breakdown Structure
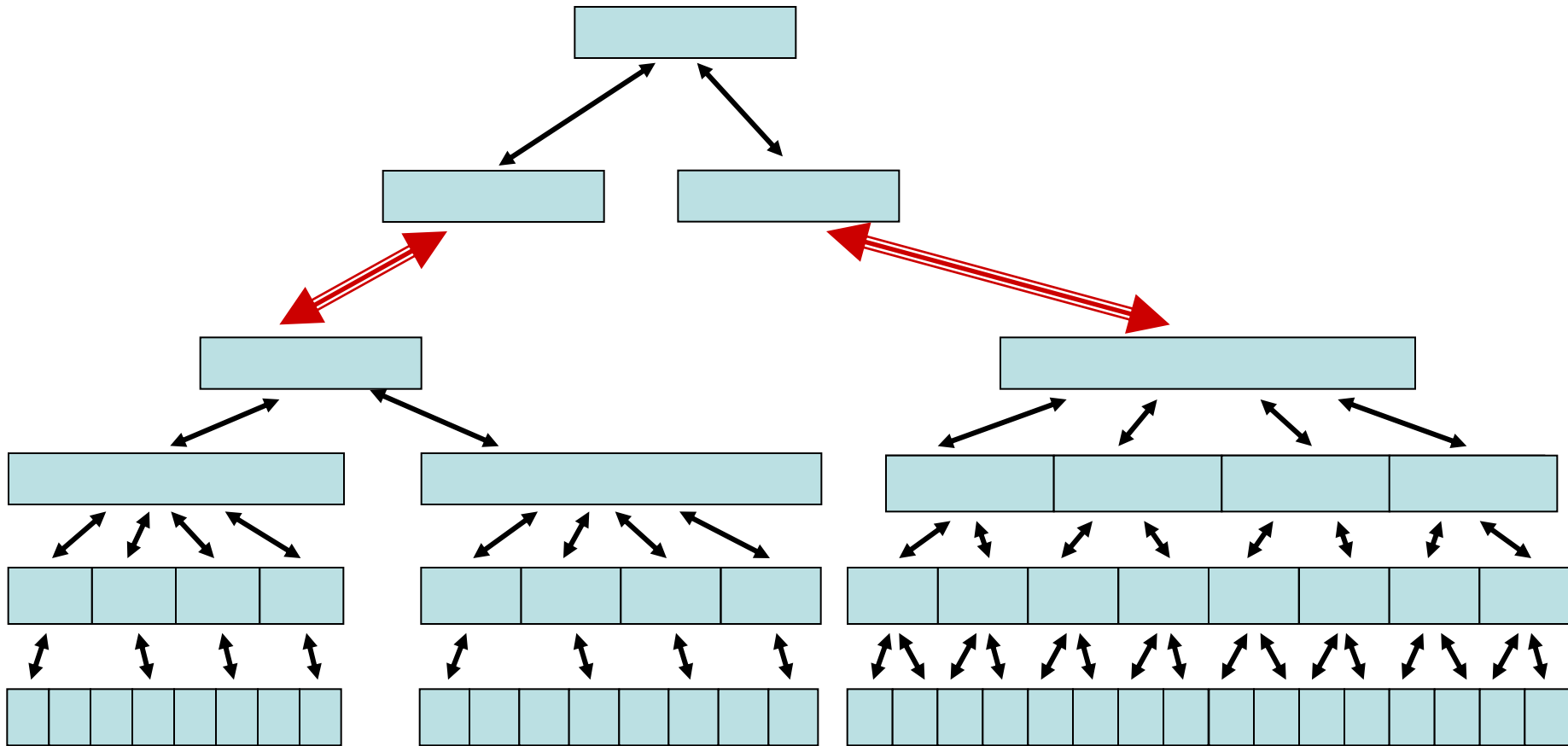
Breakdown imperative

- If you start to breakdown "X" then
  - continue with "X"
  - and finish with "X".

- X could be:
  - Work
  - Product
  - Deliverable
  - Object
  - Activity
  - Organization
  - Goal
  - Service
  - VP

Deliverables

- The deliverables are produced by:
  - Task
  - Project
  - Program
  - Portfolio

- What are the means to represent breakdown structure of deliverables ?
  - Map of Project
  - Map of the whole Portfolio (multimap)

Portfolio multimap

Plánovací multimapa

Spící projekty

Garden_designer_1
R: A(DYM)

NLP4KIR_1
R: A(WIN), PRO, HOC

Ukončené projekty

ZZ_UIRON_1
R: A(HOC)

SYPLANT_1
R: A(PRO), WIN, HOC, OSK, SVE,…

MUENGIN_1
R: A(WIN), KIN, HOC, VRB, FIN, O…

MARK_1
R: A(FIN)

LABSUP_1
R: A(MON), SOB, BRE, PRO, STA,…

ARCHI_1
R: A(SEJ), OSK, DUS, PRO, MIN,…

CAMNEP_1
R: A(MIN), PRO, SEJ, DYM, MON,…

CONC_1
R: A(OSK), PRO, HOC, WIN, KIN,…

DIGILIB_1
R: A(SME), FIN, HOC, KIN, KLI, O…

ENTerface_1
R: A(DYM), OSK, SME, VRB, HOC

EaQ_1
R: A(VRB), KLI, SKL, MON, MIN, S…

GRANT_1
R: A(HOC), SKL, USP, PAL, BUK

Planovaci_multimapa.mmap - 2.5.2007 -

Project map

10:30 MM — MM-US_1: Possible patentable areas are identified
> Flow: RFLOW
> 25.9 : 25.9
> R: A(PRO/2), S(STA/1), S(MIN/1), S(OSK/1), S(KIN/1)

MM-US_1: Materials for patent process are prepared
> Flow: SFLOW
> 27.9 : 3.10
> R: A(OSK/2)

MM-US_1: ACE patent is prepared
> Flow: SFLOW
> 4.10 : 10.10
> R: A(DYM/2)

MM-US_1: Start cooperation with IP attorneys in Austin TX
> Flow: OFLOW
> 25.10 : 31.10
> R: A(HOF/2)

MM-US_1: Presentation mission - phase 1
> Flow: OFLOW
> 13.10 : 17.10
> R: A(PRO/30), S(HOF/20)

MM-US_1: Presentation mission - phase 2
> Flow: OFLOW
> 18.10 : 21.10
> R: A(PRO/12), S(HOF/8)

MM-US_1: Mycroft Mind US has filed relevant patents

MM-US_1: Presentation mission in US is done

MM-US_1: Mycroft Mind US is founded

MM-US_1 - Foundation of Mycroft Mind US
1.9 : 31.10,
R: A(PRO), Z(HOF)

goals — MM-US_GOAL1: Mycroft Mind US is founded and started to seek business partners

objectives
- MM-US_OBJV1: Mycroft Mind US is a adequate business entity
- MM-US_OBJV2: Business plan and necessary materials are prepared
- MM-US_OBJV3: Negotiations with BAs and VCs are running

team
- PRO
- STA
- MIN
- HOF
- FIN

Final Report

MM-US_1: Project organization

O_MM_US_1.mmap - 26.10.2009 -

Assignment 2

- Value proposition for PA180 Interim Project
- All information on the website
- Agents = Actors:
  - FI MU, (SSME study branch)
  - Partner
  - Student

Assignment 2 – cont.

- What Prime Service Systems can be recognized?

- Who are Providers? Who are Clients?

- Benefits?

- Target(s)?

- Try to set VP of co-operative service systems

- Try to set VP of a dual service system

Assignment 2 – organization

- Two to four members squads

- Will be evaluated within exams

- … so as examples of co-operating and dual Service Systems

Assignment 2 – strict recommendation

- Use the Alex. Osterwalder Business Model Ontology
- Search the Internet
- Read literature