



The Logic of Value Creation of an Innovative Enterprise – Case Study

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1. Introduction

Innovative companies are an area of numerous studies in the management sciences. A particularly cognitively interesting is a situation when a company actively supports processes of creating value innovation and builds its market position on this basis. Such a group should include businesses operating within the academic businesses incubator (ABI). Operations of this type planned therein should have an ordered formula and include threads that correspond to the logic of value creation. The present study shows results of research aiming at development of a framework for target research within ABI. For this purpose, a company was selected that had demonstrated creative innovativeness regarding values within over ten years. Diagnosis of the sources, premises and solutions found in the selected company allow for outlining such a framework and is a pilot study for the target research planned at the turn of 2018/2019.

The logic of value creation is a crucial issue for the process of scaling the business model. In a spectacular case, it is possible to achieve a no-competition state known as the blue ocean (BO), which results from the value innovation logic (VIL) (Kim & Mauborgne, 2005, p. 30). It differs from: customer-oriented initiative; market niche; technological innovation, markets identified with creative destruction; distinction; low costs resulting from the traps of the thought process (Kim & Mauborgne, 2015, p. 57). Thus, “hard confirmation” of whether the company is heading towards BO is necessary (Kim & Mauborgne, 2018, p. 34). The company selected for the study, operating for 18 years, emphasises the use of BO logic in its strategy (BOS), therein seeing the primary source of market success. This provides an interesting area for a more in-depth analysis of its approach to VIL and evaluation of conditions fostering its development. Based on this, the reasonable scope of research on conditions for value innova-

tion for companies from ABI will be determined. The notion of “value innovation” may be referred to different management contexts (Krawiec, 2011), which results in the fact that it requires a multi-aspect analysis. An initial assumption was adopted that a company with the BO strategy should broadly use the guidelines from scientific publications fostering VIL in the period of its transformation and consolidation.

The purpose of the study was to diagnose: sources, premises, attitudes fostering innovation under conditions of long term implementation of BOS by a small enterprise from the IT industry and development of the scope of measurements for the target research. The research method is a case study analysis, for which confirmation of the formulated assumption is sought (Wójcik, 2013). The sources of data are structured interviews with the manager determining the company strategy. Detailed questions were prepared, using publications concerning BOS and VIL focused on the problem being tackled. The threshold issue, from the point of view of BO, was analysis of the so-called patterns traps of thinking, as well as ways of motivating teams. An important problem was also the assessment of priorities in competing through product innovation and through development of relations with the customer (Osterwalder & Pigneur, 2011, p. 83).

The title of the study is: “The Logic of Value Creation of an Innovative Enterprise - Case Study”. The use of the term “logic” in the title emphasizes the assumption adopted by the authors, that in the case analysis conducted, there is a specific structure of activities and methodological solutions that support innovation, which are in accordance with the guidelines indicated by various authors in the literature and used in organizational practice of companies. Further in the article, it was demonstrated based on the constructed measurement tool (interview template with the main manager) that allowed to formulate the supposition that the use of this tool is possible for other innovative companies. In the first case, the suggestion applies to IT companies.

2. Creation of VIL

Value innovation, as already mentioned, has the multifaceted nature, and it does not need to result in the appearance of new markets. In fact, such a situation is rare in business practice, but also an opportunity for innovative companies. It can be assumed that VIL, with implementation of BOS, is a counterbalance for product and technological innovations (Krawiec, 2011, p. 71). In the standard formula of value creation, we distinguish three ways of focusing competitiveness, i.e. through product innovation, customer relationship management and through infrastructure management. In turn, there are different conditions

for these methods: economic, market and organisational. Table 3 presents their special character and the level of preferences for the first two methods of competition focusing (the third could not be connected with the situation of the selected company).

Creation of value innovation (and its logic) depends on the product development cycle phase (Sigismund et al., 2011). It is worth emphasising the diversity of situational contexts for the use of the description of value creation in scientific publications related to management (Malara & Kroik, 2015, p. 13-21). In consequence, innovation regarding values may be interpreted differently, e.g. innovative tactics aiming at seizing greater value (Michel, 2015, p. 138) or an innovative business model that may be evaluated in six dimensions (characteristics) of the so-called transformability (Kavadis, Lados & Loch, 2017, p. 72). Having several of them gives it a conventional transformative (innovative) power. This is also affected by the thread of social responsibility (Malara & Kroik, 2012, p. 11).

3. Business characteristic

The company selected for the study is a small enterprise (proper name DELs) from the IT industry. The IT market has both global corporations and the dominant small entities¹. The IT industry (and its segments) is an interesting area for research on BOS, due to its high dynamics of development and technological innovations. Recently, concentration and deconcentration processes can be seen in this industry (Gry-online.pl, 2018). The dispersion and deconcentration processes take place mainly among companies producing applications and software, including the examined company.

DELs has been operating since 2000. The company's Management Board emphasises that the strategic intention is based upon BO. The source of success is ascribed to employees, constituting a small, committed team. DELs deals mainly with creation of dedicated IT systems for organisation and control of logistic processes, including cash logistics. The company also specialises in designing IT systems for the purposes of control and settlement of work time. Nearly the entire offer of the company consists of its own systems. The (informal) mission of the company contains priorities related to supporting and developing a friendly employee environment and a business ecosystem based on: craftsmen's reliability, fairness, full commitment, trust, and friendship. This is combined with knowledge about the latest RFID technologies (biometrics, Internet), creating a unique value of the offer. The key customer of DELs is Macro Cash and Carry (Makro).

¹ More than 90% of companies (Bankier.pl, 2015).

After 2000, an IT system for the management of the cash circulation logistics and control process was created for Makro and implemented in all its facilities (not only in Poland). The implementation of this system enabled continuation of cooperation and continuous system improvement.

The company provides an up-grading service adequately to the needs of the main customer and the technological innovations generated from its own experience in cooperation. The Management Board states that the company's business model functions in an identified, sustainable market niche for very exceptional applications of IT computer systems². The initial idea for VIL resulted from professional knowledge of the main shareholder of the Company (President of the Management Board) with regard to cash logistics. Despite the attempts of other entities, the Company is not affected by competition, creating barriers from high competence requirements and lack of interest of the key customer of the company in other offers.

4. Structure of diagnostic questions

1. The assessment of premises referred to the term "value innovation" in the conditions of the BO strategy required formulation of a few dozen questions³.
2. The first subgroup of questions resulted directly from four premises formulated by the authors of the BO strategy and recommendations for the process of its transformation. The diagnosis in this respect referred (separately) to two periods. The first one covered the complete transformation cycle of the strategy. The second one assessed the special character of preservation of BOS premises.

The second subgroup consisted of a set of questions that identified the sources and priorities of competition which typically take place during focusing of competition on product innovations and during management of relations.

The subsequent five sub-groups of questions originated from an analysis of guidelines from publications, which may apply to the notion of value innovation.

A separate, eighth subgroup constituted questions related to studying the innovative climate inside the organisation. In total, there were 56 diagnostic questions, which is presented in Table 1.

² Several patents were obtained, among others, regarding the method of monitoring physical shipment up to the speed of 60 km/h.

³ The respondent was the main shareholder (President of the Management Board), having the dominant, strategic role in the company.

Table 1. Map of diagnostic questions on value innovation during implementation of the blue ocean strategy declared by DELs

Subgroups of the question set	Cognitive expectations	Number of questions
1. Blue Ocean Strategy	Verification of the declaration	4 questions about the degree of focus on market-forming factors (in relation to two periods)
2. Priorities of competition	Indication of the dominant inclination of DELs' competition: Product innovations, relations, infrastructure	9 questions about priority scales
3. Transformative business model (TBM)	Determination of the number of features of the business model (TBM)	6 questions about distinguished characteristics of the business model
4. Components of value in the offer	Listing of attributes of the current offer of the basic product for DELs' customers	3 questions about the effect of the offer's attributes on customer loyalty
5. Optimisation of division of the offer's value	Assessment of DELs' offer potential to get a higher margin	5 questions about the use of the indicated recommendations
6. Jobs to be Done Theory	Capacity and necessity to use theory guidelines in practice of activities and decisions of DELs	7 questions identifying the company's approach to the customer in the sphere of the purchasing process
7. Patterns of thinking about BOS	Assessment of the way of thinking of DELs' decision-makers	7 questions, one general and six referring to the traps of thinking
8. Conditions for innovation in the company in the context of BOS transformation and adaptation process	Partial evaluation of the work environment as a source of organisational creativity and innovation	15 statements with three situations to choose from

Source: own work.

5. Selected results of the diagnosis

5.1. Guideline for BOS

Assessment of the known BOS guidelines was applied to two periods. The first one covered the years 2001-2009 (strategic BO transformation). The second one covered the years from 2010 up to this day - development of improvements of the offer for Makro under conditions of adaptation of BO premises (Kim & Mauborgne, 2005, 2015).

These two periods were assessed with regard to four aspects of pursuits (objectives) resulting from guidelines for the BOS strategy. Four grades [0,1,2,3] were used to express such objectives. Table 2 contains the obtained results.

The first period can be considered as characterised by high pressure in the pursuit of the use of BO features and effective implementation of value innovation based on new technological ideas. As a result, the economic margin allowed for investing in human capital and technical-organisational instrumentation. The company is still benefiting from this situation.

Table 2. The pressure of objectives constituting BOS for the transformation and adaptation period

Analytical period Type of objectives	TRANSFORMATION Period of 2001-2009	ADAPTATION Period of 2010-
Pursuit of elimination of factors traditionally characterising the IT segment [ELIMINATION]	Average pressure (2) arising from overcoming barriers in solving specific digitalisation problems	Low pressure (1) product improvement is made within the already-known standards of the IT segment
Pursuit of reducing factors typical of the IT segment [REDUCTION]	Average pressure (2) in search for methods of programming cash movement	Average pressure (2), focus on more and more effective solutions in the System. New fields of cooperation with Makro apply to a proposal strictly tailored to the partner's needs
Pursuit of increasing the level above the standards of factors typical of the IT segment [INCREASE]	Low pressure (1) due to seeking solutions more unconventional than improved	Average pressure (2) arising from the Company's proposal for Makro in improvement of the System
Pursuit of creating new factors, previously unseen in the IT segment and their introduction to the offer [CREATION]	High pressure (3), innovations based on new applications protected by a patent.	Low pressure (1), consolidated position of the Company, the lack of real rivals with a reputation and potential matching the Company reduces the pressure to create value above the standards of the IT segment

Source: own work.

5.2. Pressure of competition factors

The initial problem was to explore the priorities of competition (item 2 in Tab. 1). The scale of importance was determined by four possible states of attaching importance to priorities [3,2,1,0]. Answers are presented in Table 3. The Table does not include competition by infrastructure.

Table 3. Assessment of importance (priorities) of the premises of competition used by DELs in the current strategic situation

Competing for: Reality	Product innovations	Customer relationship management
Economic (E)	Early actions with a possibility to demand a higher price. LARGE (3)	High costs of customer acquisition, maximum use of their possibilities. LARGE (3)
Competitive, market (M)	Struggle for talents; low barriers; good conditions for many small companies. NONE (0)	Struggle for scope; quick consolidation; domination of few large companies. NONE (0)
Organisational (K)	Focus on employees; betting on the most creative people. LARGE (3)	Focus on service; thinking primarily focused on the customer. SIGNIFICANT (2)

Source: assessment in comparison to proposal (Osterwalder & Pigneur, 2011).

Results of the M reality may confirm the situation typical of BO. A cognitively interesting assessment was the assessment of the premise entitled "struggle for talents", typical with product innovations in a highly competitive environment.

The company has a unique comfort in this respect, the source of which is the mission and the personnel policy formulated on its basis.

5.3. Transformational features of the business model and components competition of the offer value

DELs' business model was studied with regard to 6 transformative features of the model (subgroup 3, Tab. 1) (Kavadis, Lados & Loch, 2017). Two of them, entitled *Increasingly personalised products or services* – ones that are more and more tailored to individual and sudden customer needs, and *Agile and adaptive way of operation* – flexibility and ability to quickly adapt to the changing needs, resulted directly from the interviews. The other two required a more in-depth analysis, as a result of which the feature entitled *Price dependent on use* could be, with a certain additional interpretation, considered met.

The problem of ordering the value components (subgroup 4, Tab. 1) was analysed in the context of maintaining the customer's loyalty (30 components in total) (Almquist, Bloch & Senior, 2017, p. 51). Attention was paid to the distinctness of DELs' situation with regard to the strategic client (Makro) and the requirement to maintain uniqueness of solutions. For other customers, the feature of product quality was pointed out.

5.4. Innovation with regard to price

According to the research plan (box no. 5 from Tab. 1) (Michel, 2015), we evaluated the practice (as at today) and the tendency (in the future) of innovative pricing, focused on intercepting value. Five tactics (innovations) were analysed. Table 4 provides results of the diagnosis.

Table 4. Tactics (innovations) of value interception in the practice of DELs

Type of tactic being postulated (interception innovation)	Current use	Probability of future implementation
Change in the pricing mechanism	One of the proposed mechanisms is used (<i>value-based pricing</i>)	Continuation of the used mechanism
Change in the payer	None of the two specified payer variants is used	Introduction is not planned
Change in the price carrier	The recommended package and all-inclusive formula is used	Continuation of the tactic with regard to two price carriers
Deferment of the payment date	The system's formula is thoroughly used (<i>installed-base pricing</i>)	Continuation of this formula of deferment of the payment date for additions created for the system
Change in the buyer segment to new/absent ones	What dominates here is the focus on current customers and maintaining them in the need improvement state	It is assumed that the pressure to change will increase

Source: own work.

Three of the five tactics deemed as innovative are used and will be continued in the future.

5.5. Impact in the psychological sphere

The sixth subgroup of 7 questions concerned the so-called “Jobs to be Done theory” (JTBD) (Duncan et al., 2017, p. 63). It is recognised as the search for value innovation in the sphere of impact on the customer’s psychology (opposition to typical assessments from the correlation analysis). Answers to them were clearly positive, which leads to a conclusion that the practice of translating the customer’s experience into the procurement process is convergent with JTBD guidelines.

5.6. The patterns – traps in thinking about BOS

We evaluated each of the 6 possible traps for BOS (subgroup 7, Tab. 1) (Kim & Mauborgne, 2015). The greatest attention in this respect was caught by the trap of the pattern of thinking about the market niche as a BO sphere (the interview used the term strategic niche). Definitely rejected were patterns of thinking about: low-cost strategy (trap 6); technological innovations instead of marketing innovations (trap 3); the need for creative destruction (trap 4). We also studied in-depth the nature of DELs’ operations with regard to customer-oriented initiatives (trap 1), which is easily absorbed in practice. However, owing to the symptoms of the JTBD approach, it was recognised that there exists a protection against this trap. The same conclusions concerned the pattern of distinguishing on the market (trap 5). The Company conducts in-depth analyses of the quality-price relation.

5.7. The climate for innovation in the process of transformation and adaption of BOS

The creators of the BOS concept emphasise the organisational aspect for the process of transformation and future adaptation of the strategy. They point out the possibility of a procedural approach to exploring and establishing BOS, offering six stages of the procedure. The procedure itself was not examined, assuming that DELs is already the beneficiary of BO (according to the data of Tab. 3). The transformation period was dominated by the option of creating, while the adaptation period - by the option of improving effectiveness.

The separated field of operations (eight in Tab. 1) (Kim & Mauborgne, 2018) fostering BOS refers to ensuring organisational and motivational conditions, without which the stage of transformation and adaptation could not be continued. The study was divided into two periods of evolution of the strategy by formulating 15 statements (Luecke & Katz, 2005; Koblak & Jędra, 2017, p. 31). Three levels of articulation of a higher state of commitment of the respond-

ent-leader were adopted, measured by the frequency of motivational activities. Three options of answers were adopted: 1 – seldom/never, 2 – rarely/sometimes, 3 – often/always. The average value of commitment, according to the aforementioned questions, amounted to 2.53 in the transformation period (2001-2009) and 2.67 in the adaptation period (2010-2018).

6. Conclusion

The procedure adopted and described in the article includes a number of methods widely used in the theory of management sciences and organizational practice the following assumptions:

1. Case study - a method particularly appreciated by management practitioners and ennobled by theoreticians (see bibliography).
2. Proprietary proposal (method) that allows estimating the value of innovation and using a logical scheme (template).
3. Proprietary survey questionnaire taking into account key problems, questions and measuring scales along with their interpretation.
4. Participant observation and interview enabling response (confirmation) as to the company's use of the "blue ocean" strategy.
5. Preparation of results and their interpretation in relation to the value of innovation (their creation, absorption, implementation) in various periods (two) of its development.

The conducted analysis indicated that the company conducted a strategic transformation under BO conditions, without fulfilling them in some strictly ordered manner. It seized the opportunity, originating from the idea for a technological solution creating a new market for the global partner. Maintenance of the state of lack of competition within the adaptation period is based on the attribute of uniqueness, thanks to the possessed competences. This calls for recognising this period as the evolutionary change of BOS under conditions of partnership with Makro. It was also demonstrated that the manager does not fall into the traps of a thought process. An interesting situation appeared in the case of the struggle for talents (Tab. 3). It turns out that a matured and motivated staff of IT engineers does not introduce the pressure of competition on the labour market. It seems that this may be a temporary situation.

The conducted diagnostic research with the use of questions referring the creation of VIL under BO conditions gave a quite precise image of conditions for the period of transformation and adaptation. The results confirm the assumption formulated in the introduction.

The results of the research allow for accepting a large portion of the diagnostic questions for the needs of the research on the target group of enterprises

grouped within ABI. In this research, the analysed company DELs will become a reference point in the interpretation of the obtained results.

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