

# *Value Life Cycle*

*...and beyond*

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## No one wants to go to the moon anymore...

...and America has already been discovered!

At the end of second millennium something incredible is happening!  
Against a terrific explosion of new worlds in most organizations there is a dramatic feeling of the end of History!

Why does it happen?

The answer lies in a new way of looking at "systems", which is totally different from the system science born and practiced in USA.  
This new theory reveals that any complex system has an evolution which is the "sum" of two processes.

The first one is the **birth process**: the components of the future system (which are, in their turn, complex systems) start talking to each other.  
This conversation is inspired by the environment but takes place among the components of the future system only.  
At the beginning of the process the conversation is open: new talkers are accepted.  
As the conversation becomes, in its turn, complex, new talkers find more and more trouble in being accepted.  
At the end of the birth process (which is, let's repeat, a conversation process) the system has been established. This means that components (the talkers) of the system recognize the system as the only reality available to them. The system acquires definite borders.  
In scientific terms the birth process is an **auto-poietic process**.

Once borders have been established the second process starts. This is the **death process**.  
Its dynamics is very simple. Conversation among same old talkers about same old themes (the system itself which cannot change due to the fact that borders have been established once and for all) , on one hand becomes boring.  
On the other hand conversation changes into conflict. In other words: instead of being a process of creation, conversation becomes a process of negotiation through which components of the system try to conquer the entire system.  
Clearly the system, little by little, loses its meaning and, as a result, it loses its capacity of exchanging resources with the environment. So the system dies.  
In scientific terms the death process is an **auto-referential process**.

By observing what is happening today with lenses of complex systems, it becomes clear why, in front of an explosion of opportunities, established systems (successful organizations and men) are firmly convinced that History has almost finished.  
Or it will be finished in a very short time.

Let's try to give an example: a successful enterprise.  
If you look at an enterprise the birth and the death processes become what we call **value life cycle**.

## **Chief executives and entrepreneurs seem to believe in the Fate...**

Your problem is that your enterprise is reducing its capacity of producing value.  
What are the causes of this depressing problem?  
There are two alternatives.

The **first one** is that the reduced capacity of producing value is caused by...Fate!

Well, no one talks explicitly in terms of Fate.

Experts discuss about two main macro-phenomena, deregulation and globalization, which make competition fiercer and fiercer.

The increasing level of the competitive battle forces the enterprise to invest more and more resources to increase its competitiveness.

Unfortunately, other competitors do the same. And, due to the fact that resources available to main competitors are almost similar, no competitor can hope to acquire a sustainable competitive advantage.

The final result is that deregulation and globalization force enterprises into a vicious circle, at the end of which there is the total loss of capacity of producing value.

But, what does Fate matter?

Well, Fate is very similar to deregulation and globalization.

A chief executive or an entrepreneur cannot in any way eliminate deregulation and globalization.

They can manage deregulation and globalization as ancient Greeks used to manage Fate: just praying.

### **The second alternative is more interesting.**

Actually deregulation and globalization can be seen as macro-phenomena which increase opportunities for changing the old "system of offer" of an enterprise.

If an enterprise accepts the challenge to change its past, deregulation and globalization do not generate any rise in competition, but they represent a huge opportunity to eliminate competition.

Let's put things in another way. The rise of competition follows deregulation and globalization only if the system of offer of an enterprise does not change over time.

It is evident why the second alternative is better than the first one.

In the second alternative the problem is not in the environment: the problem is hidden into the culture of the enterprise.

That means that the problem of the decreasing capacity to produce value is a solvable one.

As any one can see, the two alternatives correspond to the two perspectives of auto-poiesis and autoreferentiality.

Unfortunately enterprises are deeply involved in the culture and practice of auto-referentiality.

Let's describe the process through which enterprises leave the entrepreneurial spirit (which corresponds to auto-poiesis of the system) and fall into the competition which correspond to the auto-referentiality of the system.

We called this process "**value life cycle**".

## The value life cycle

The value life cycle process proceeds through five stages.

### **The first stage is entrepreneurial competition**

This is the creation stage in which entrepreneur, by means of a technology, dialoguing with society (with men, not only with customers) creates a new economic exchange.

That is: a new system of offer to serve new needs emerging from a new desirable image of what society will become following the entrepreneurial dream.

In this stage the competitive pressure is almost null.

### **The second stage is quality competition**

Once a new economic exchange has been successfully established, the arena is open to imitators which try to acquire part of the value generated by this new economic exchange.

The "primary entrepreneur" has two alternatives. The first one is to get back to innovation. But this is the most difficult strategy to pursue.

The most natural way of behaving is to accept the challenge arising from imitators.

The weapon used by the primary entrepreneur is quality...

Let's say it in other words. Coming back to innovation it seems to be the most difficult way. But, actually, it is the most promising one.

Accepting the challenge of imitators appears to be the most natural and, in some ways, the most gratifying strategy.

But we have to say aloud that this is the way which leads to appearance of competition.

Saying in another way again, in a provocative, but real way: it is the acceptance of quality competition which makes quality competition real.

As every kind of competition, quality competition generates a lot of losers, but no winners.

The losers are expelled from the market and the survivors discover that they have the same level of quality as competitors have.

So, in order to compete they have to look for some other competitive weapons.

### **The third stage is efficiency competition**

The third part of the story is structurally the same as the second one.

That is: a dramatic effort to reach a higher level of efficiency than level of efficiency of competitors.

Not only the process is the same but also the results: losers, but no winners. Just survivors who have the same level of quality and efficiency (often a very high level of both) and who have to look for another competitive weapon.

### **Fourth stage is representation competition**

We are quite near to the end of the story.

After quality and efficiency the only competitive weapon available is ...to tell a story.

That is to enrich the offer of the enterprise through an **identity prosthesis**. Through a communication effort which tries to differentiate the offer with a suggestive but short living image which has nothing to do with the offer.

Communication is a strange competitive weapon. Its power of differentiation is not in the hands of the enterprise, but it is delegated to so called "creatives" who, too often, go around in the sky of paranoia. Very far away from the concrete offer. Something like a very expensive children's game. A game increasingly expensive. Up to arrive at destroying the residual capacity of producing value of the enterprise.

### **Fifth stage is surviving competition**

The lost winners... Yes, competitors, who have been trying all the value life cycle long to acquire a sustainable competitive advantage, discover that instead of becoming winner they are losers.

The **lost winners** who are at the mercy of external events...

What a strange end for the story.

Entrepreneur who started creating the world ends at the completely mercy of the world he has created.

The two alternatives we presented at the beginning of our presentation of the value life cycle actually are logical opposite, but temporary consequential.

The first one represents the relationship between entrepreneur and the world at the end of the value life cycle.

The second one represents the youth of the adventure of creating worlds.

## **The value life cycle... and beyond**

Beyond the value life cycle there is hope. We have a new dream: how to become younger.

Being more concrete beyond the life cycle there are:

- \* a entirely new methodology to forecast the capacity of producing value of an enterprise. The novelty lies in the fact that through the value life cycle it is possible to forecast future cash flow taking into account the stage of competition an enterprise is involved in.
- \* the first methodology ever developed to support an entrepreneur or a managerial team to redesign the identity of an enterprise not to compete; but to eliminate competition. In other words: the first methodology to rebuild (instead of defending) the capacity of producing value of an enterprise.
- \* a set of methodologies to build development in organizations different from an industrial enterprise. Let's say: service organizations, no profit organizations, government agencies etc.

The common name of all our methodologies is **development**...

A development realized through an effort to redesign the identity of an organization.

That is, **through an effort to become younger**.