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The six Phases of Business Processes - Business Communication and the Exchange of Value

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ABSTRACT

When developing business processes there is a need for a theoretical understanding of meaning, function and structure of such processes. The paper investigates and refines a theoretical framework for business processes: Business Action Theory (BAT). This theory builds on communicative action theories and business relationship theories. According to the theory business processes are divided into six phases. It starts with business prerequisites of customer and supplier and goes through business communication (with e.g. offers, inquiries, negotiation and contract) to fulfilment (through delivery and payment) and ends up with the satisfied usage or discontent and possible claims. The phases are made up from identification of different generic business actions of communicative and material character. The phase model is supplemented with conceptual models describing different concepts and conceptual relationships. In the paper Business Action Theory is also related to different business relationship theories.

1 INTRODUCTION

The development of business processes and supporting IT need to be based on a thorough understanding of these kind of phenomena. Without such an understanding the redesign of business processes and IT might be hazardous. Symptoms cure and the introduction of new problems might be the result instead of well prepared business processes and information systems. Such a requested general understanding can be expressed in condensed theories.

There are different theories on business process and IT support for business. Concerning business processes there are theoretical frameworks in Business Process Reengineering (e.g. Davenport, 1993) and Total Quality Management (e.g. Ishikawa, 1985). Many frameworks from these areas tend to emphasize a transformation view; i.e. from input to output and from supplier to customer. In many cases there seem to be an obvious inspiration from a value chain model (Porter, 1985).

There are alternative theories presented within a language/action (L/A) tradition; i.e. theories based on speech act theory (Austin, 1962; Searle, 1969) and communicative action theory (Habermas, 1984). L/A theories view *speech and other communication as action*. When speaking people act. Austin (1962) makes a classical rejection of the "descriptive fallacy", i.e. the fallacy that language is restricted to descriptive purposes. Language is used for a lot of other purposes to. E.g. it is used to offer, command, promise, warn, appoint and thank (ibid). L/A theories stress what people *do* while communicating. These theories put more emphasis on *relationships* between different *actors* and different *actions* performed by those actors. This emphasis on actions and relationships is one important reason to give preference to such theories instead of transformation oriented theories. Transformation is of course not denied here, but put within a business interaction frame.

One important difference from transformation approaches is that L/A approaches try to formulate generic phases of business processes; and this stems from different types of actors and their actions.

There are several L/A approaches to business process modelling. The most well known L/A framework for business processes is probably the Action Workflow approach (e.g. Action Technologies, 1993; Denning & Medina-Mora, 1995). This is a coherent approach consisting of a conceptual framework, method and software tool (ibid). It is based on the earlier important work by Winograd & Flores (1986). In Action Workflow there is a division into four generic phases of the business process (e.g. Action Technologies, 1995):

1. Preparation
2. Negotiation
3. Performance
4. Acceptance

Sherr (1993) presents an approach, based on Action Workflow, with a similar division of business processes. There is some modification in terminology:

1. Opening
2. Negotiation
3. Performance
4. Assessment

The DEMO approach (e.g. Dietz, 1994; Reijswoud, 1996) uses the transaction concept and makes a division into three generic phases:

1. Actagenic conversation (Action generating)
2. Essential action
3. Factagenic conversation (Fact generating)

Another framework is presented by Goldkuhl (1996) who draws a comparison with Action Workflow. Four generic phases are presented which resemble with the phases of Action Workflow. There are some minor differences. Later in the paper by Goldkuhl (1996), the first phase is divided further into three sub phases. This means that there are six generic phases in this approach; i.e. it is the most elaborated in this respect of the different approaches mentioned. These six phases are presented in section 2 below.

This paper takes the Business Action Theory presented by Goldkuhl (1995, 1996) as a starting point. It analyses its weaknesses and its need for refinement. The purpose of this paper is to present a further developed Business Action Theory. The generic phases are investigated and further developed. The underlying conceptual structure is also refined.

In this paper I am not making any comparison with the other L/A approaches. As mentioned above, a comparison between BAT and Action Workflow was performed in Goldkuhl (1996). Comparisons between DEMO and BAT has been performed by Reijswoud & Lind (1998). Verharen (1997) made a comparison between BAT, Action Workflow and DEMO and as result he followed BAT as his main theoretical inspiration in his thesis (ibid).

The purpose of Business Action Theory is to be used

- for better understanding of business processes and business interaction and
- as an action framework for evaluation and design of business processes and supporting IT.

2 A NEED FOR FURTHER THEORY DEVELOPMENT

In Goldkuhl (1996) the generic framework is called Business as Action game Theory. I here prefer to use the term constellation *Business Action Theory*. The theory presented in Goldkuhl (1996) I call BAT'96. The graphical illustration of BAT'96 is reproduced in appendix, figure A.1.

The framework consists of two main roles:

- supplier
- customer

It consists of different generic actions of interactive character, as e.g:

- offer
- express purchase interest
- order
- confirm order
- deliver
- pay

The business process is divided into six phases:

1. Business identification phase
2. Exposure and contact search phase
3. Contact establishment and negotiation phase
4. Contractual phase
5. Fulfilment phase
6. Completion phase

In Goldkuhl (1996) one disadvantage of BAT'96 is identified: It is more complex compared to Action Workflow. The BAT model has more semantic richness, which gives more complexity, and thus makes it harder to communicate (at least in a short time). The main reason to have a semantically richer model is to gain analysis strength.

Even if it is more complex, there are certain limitations in the graphical model. The (above) presented phases are not explicit in the model. Interaction between phases is not described in the model or in the framework at all. To take one example, business identification can in some situations be integrated in the negotiation phase. This is not described within the framework.

Some important relationships between actions are described; e.g. that an order is based on an offer and that it should be followed by an order confirmation. This is an expression of the generic business logic. Other conceptual relationships are however not shown. E.g. the rejection of a business proposal is not shown. Neither is an adaptation (development) of capacity and know-how to customer demands shown. Important concepts, like business proposal, are only implicit in the framework/model.

The phase character of the model is important but gives it certain limitations. It seems to be too strict linear (sequential) and the iterative and cyclic nature of business interaction is not shown. The model can perhaps be misinterpreted as a prototype for goods manufacturing and delivery. The interactive character of service marketing and management (e.g. Normann, 1991) can be seen as too implicit or even disregarded. Goldkuhl (1996) explains that the model is generic and that in real situations different action relationships can be altered, e.g. payment in advance. The generic character can however be misinterpreted as too definitive.

To summarize, there is a certain need for the refinement of BAT'96. The business exchange and interaction character - founded in business and communicative action theories - is important to continue building upon. The following agenda for refinement is identified at this stage of theoretical development:

- Reduce complexity, but keeping and developing semantic richness
- Make the phase character more explicit in the graphical model
- Introduce interaction between phases
- Make the model cyclic
- Describe concepts and relationships between concepts more thoroughly
- Make the framework neutral to goods and service production
- Emphasize generic openness

3 BUSINESS INTERACTION - A PHASE MODEL

The BAT framework is oriented towards real business interaction between customers and suppliers. It is not applicable for describing relationships and interaction between different parties within one organization; e.g. with so called internal customers. It is intended to be used for describing real business transactions.

Business Action Theory uses graphical modelling for expressing different parts of the theory. It is not restricted to such models, but incorporates both graphical modelling and textual description. It is in this refined version divided into

- one phase model (described in this section) and
- some supplementary conceptual models (described in the following section 4).

A new graphical model is presented in figure 3.1 where the different phases are made explicit. This model can be compared with the model in figure A.1. Business interaction has here been divided into six generic phases

1. Business prerequisites phase
2. Exposure and contact search phase
3. Contact establishment and proposal phase
4. Contractual phase
5. Fulfilment phase
6. Completion phase

Compared to BAT'96 the first phase is redefined. Now the first phase is defined as establishing prerequisites (at supplier and customer) for performing business (sales/purchases). Identification of business opportunities is of course often made at this stage, but can also be made in later stages of the business interaction.

On the supplier side the key-word is *ability*. The supplier must have an ability (a capacity and a know-how) to perform business; to make offers and contracts and to fulfil these contracts. The customer does not have the corresponding ability (or has certain reasons for not utilizing such an ability). In the operations of the customer there are *lacks and needs* which may be satisfied by potential suppliers and their products (goods/services).

The second and third phases can together be viewed as a *business interest* stage. In the second phase both parties search for contact. The ability of the supplier is exposed and offered to the market. The lacks and needs of the customer give rise to desire and potential demand which guide a possible search for products or suppliers.

When supplier and customer find each other they *establish contact* and perhaps start *negotiating* (phase three). The communication here can be described as *proposal* stating. Bids and counter bids are made. The desire and demand of the customer are expressed. The supplier can make different offers. Of course in many cases there are fixed (and standard) offers which have to be taken or rejected as such.

The negotiation can be transferred into a contractual phase. This is the fourth phase. The key word here is *agreement*. Customer and supplier come to an agreement concerning the business transaction. The contract is a mutual communicative action expressing the *mutual*

commitments made; i.e. commitments for future actions. This involves a delivery promise of the supplier. The order of the customer also includes an obligation of future payment.

These different commitments must be *fulfilled*. Otherwise the contract is broken. The supplier must deliver and the customer must pay (phase five).

If not satisfied with the delivery, the customer can make a *claim*. The supplier is requested to make some modification in the delivery. Correspondingly, the supplier can make payment claims towards the customer. This is sixth and last phase which involves *assessments* of the fulfilments leading to *satisfaction* or *dissatisfaction*.

This generic business interaction model describes the inherent business logic when customers and suppliers perform business with each others. It describe generic business actions of both communicative and material character. Making business involves with necessity communication, otherwise customer and supplier cannot agree on the business deal. But business interaction cannot be reduced to only communication. It must include the material acts of delivering goods and/or services and paying. Of course there are special cases of deliveries, which only consist of information. I refer to Goldkuhl (1995, 1996) which includes more description of the business interaction.

Essential in business interaction is the *exchange of value*. Such an exchange of value consists of *delivery* of a product (goods and/or services) and *payment* made in return. To be able to exchange value supplier and customer must communicate. Such *business communication* includes exchange of proposals and commitments. All six phases (with the possible exception of phase 1) consist of exchanges. Both parties direct actions towards the other party. Phase 2, exposure and contact search, includes *exchange of interest*. Seller and buyer signal their possible interest for making business. In phase 3, customer and supplier *exchange proposals*. They communicate bids and counterbids. They express preferences and try to influence each other in order to arrive at an acceptable deal. In the contractual phase (4) the parties *exchange commitments*. They commit themselves to future actions, i.e. the proposed exchange of value. This *exchange of value* takes place in the 5th phase, the fulfilment. Completion phase, the 6th and last phase, can include the *exchange of acceptances or claims*.

Interaction takes place in all these five phases. The first phase is concerned with establishment of business prerequisites. This phase does not necessarily involve actions directed towards the other party. In later phases, e.g. during negotiation (phase 3), there might be a need to communicate more thoroughly the prerequisites (the abilities) of either party or both. This means *exchange of knowledge concerning business prerequisites*. This is an example of the iterative character of business processes. Later stages can trigger actions belonging to earlier phases. This kind of knowledge exchange concerning preconditions is often important in long-term relationships (partnerships between supplier and customer); see section 5 below.

Interaction means that the two parties acts towards each other. Business Action Theory emphasizes that the two parties (business roles) are actively engaged in business interaction. They both perform actions (decisions, communicating, value exchange) directed towards the other party.

SUPPLIER

CUSTOMER

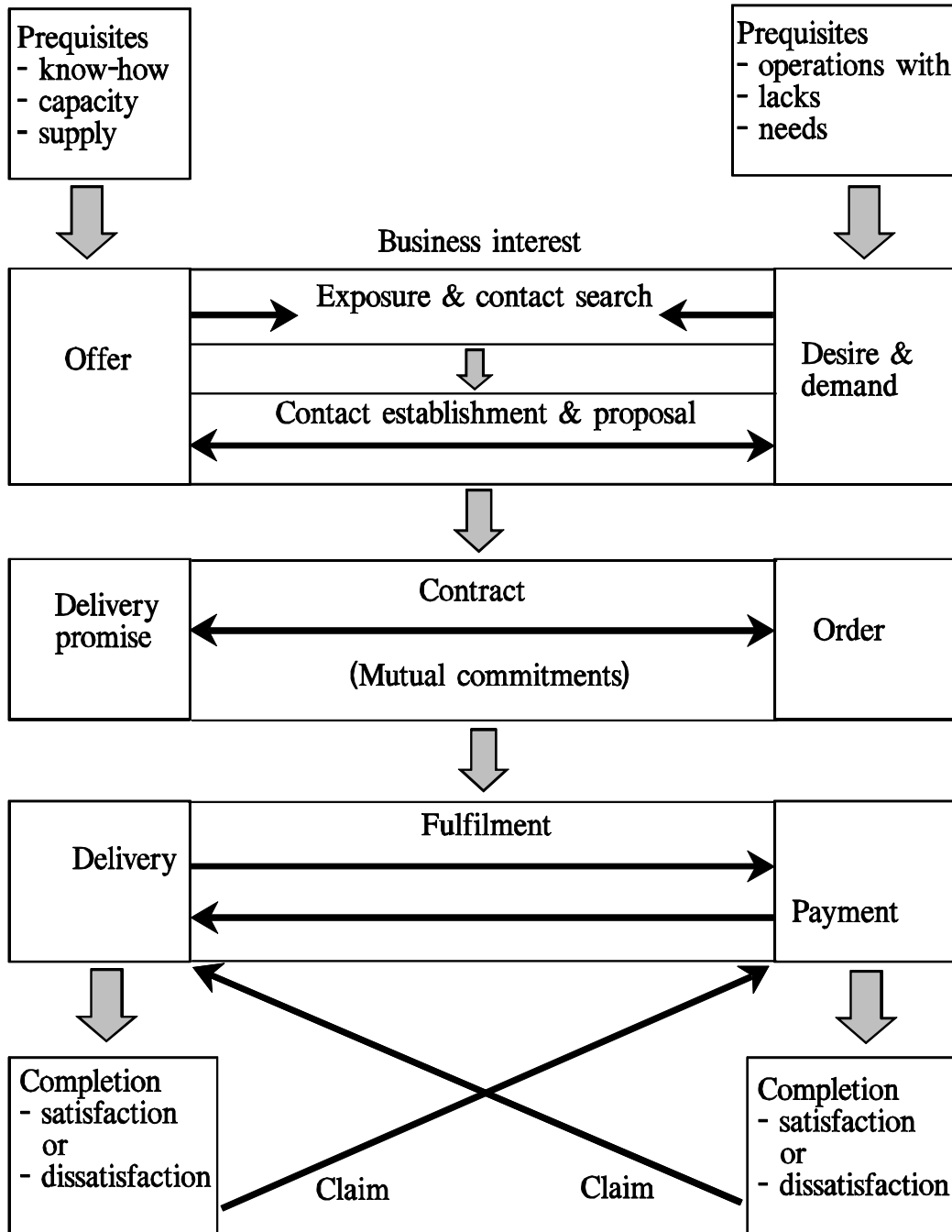


Figure 3.1 Business Action Theory: A phase model

4 CONCEPTUAL MODELLING OF BUSINESS INTERACTION

The phase model, described in the section above (cf especially figure 3.1), is sequential in character. It describes the principal logic of order between different phases of a business transaction. There are however, as was stated in section 2 above, interactions between phases

and between the principal actions of different phases, which are not given expression in such a sequential model.

The phase model is textually explained in section 3, but there is more to be said about business interactions. In this section (4) there will be a supplementary description of the refined BAT framework with focus on important concepts and relationships between those concepts.

4.1 From prerequisites to contract

The main concepts of the first four phases are depicted in figure 4.1. It shows how different concepts are related to each other, and thus gives contribution to delimitation and definition of the different concepts.

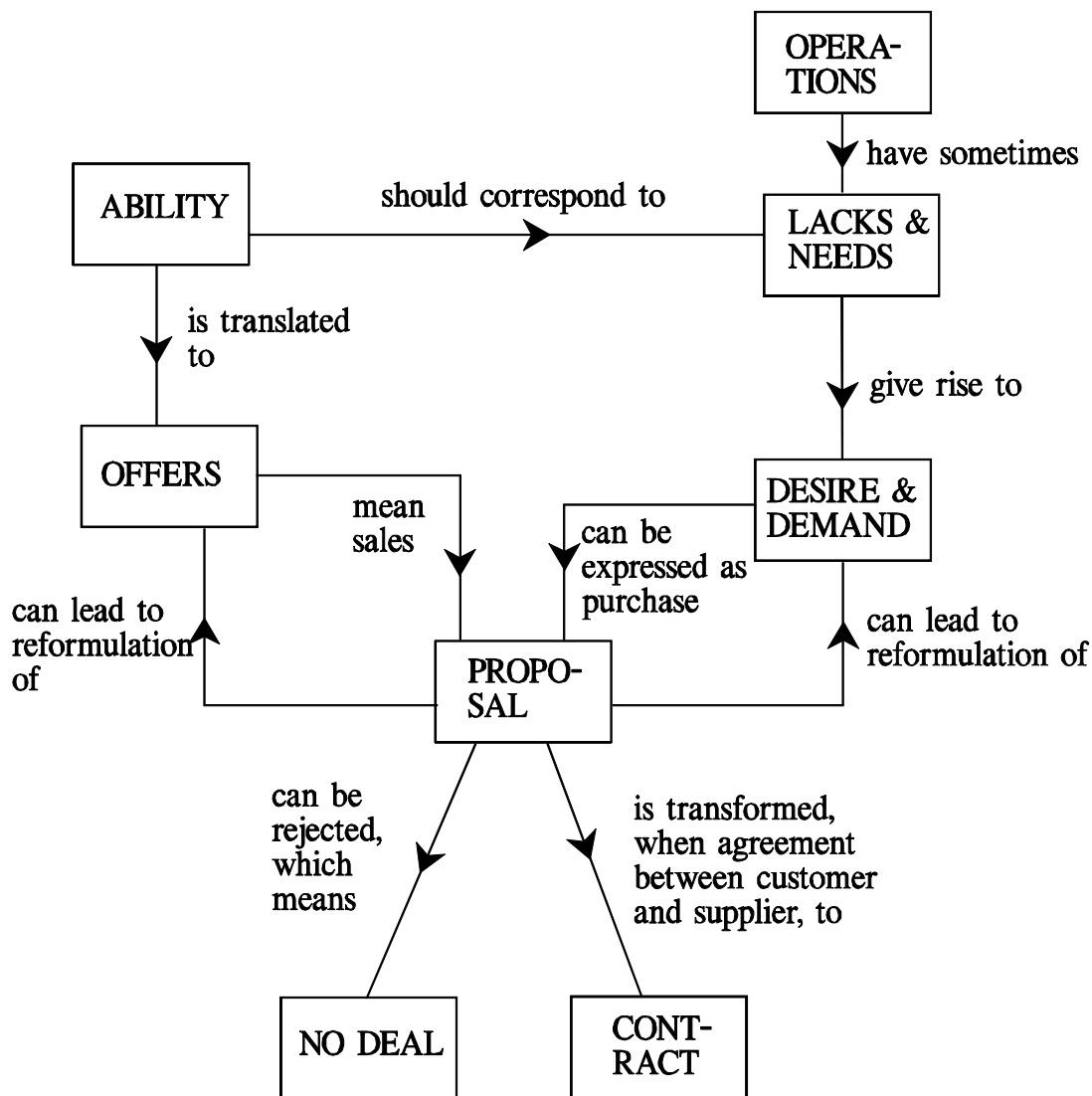


Figure 4.1 From prerequisites to contract

There are sometimes lacks and needs in the customer. These can give rise to desire to purchase. The supplier has ability which should ideally correspond to the lacks and needs of the

customer. This ability is translated to offers. There can be general offers, which means a general exposure of the ability and products of the supplier. But there can also be specific offers made to distinct customers, sometimes on request by the potential customer. In the concept of offering there is all kinds of advertising and sales promotion included. Many times it is the offering of suppliers which draws the attention of customers to possible lacks in their operations.

In figure 4.1 the important concept of *proposal* is put into centre. An offer is a sales proposal. The desires and demands of the customer can be expressed as a purchase proposal. The iterative and interactive character of phase three is expressed in the figure. In the negotiation, proposals can be used for reformulation of desires and demand respective offers. There can be a continuous adaptation to each other in the proposal phase.

A proposal can finally be rejected which means that there will be no deal. If and when the customer and supplier come to an agreement, there will be a contract, explicit or implicit. Until the contract is agreed the roles are *potential* customer and *potential* supplier.

4.2 Bases for fulfilment

The contract is one important basis for the fulfilment actions. Without a contract there is logically nothing to fulfil. In figure 4.2 some important conceptual relationships are depicted.

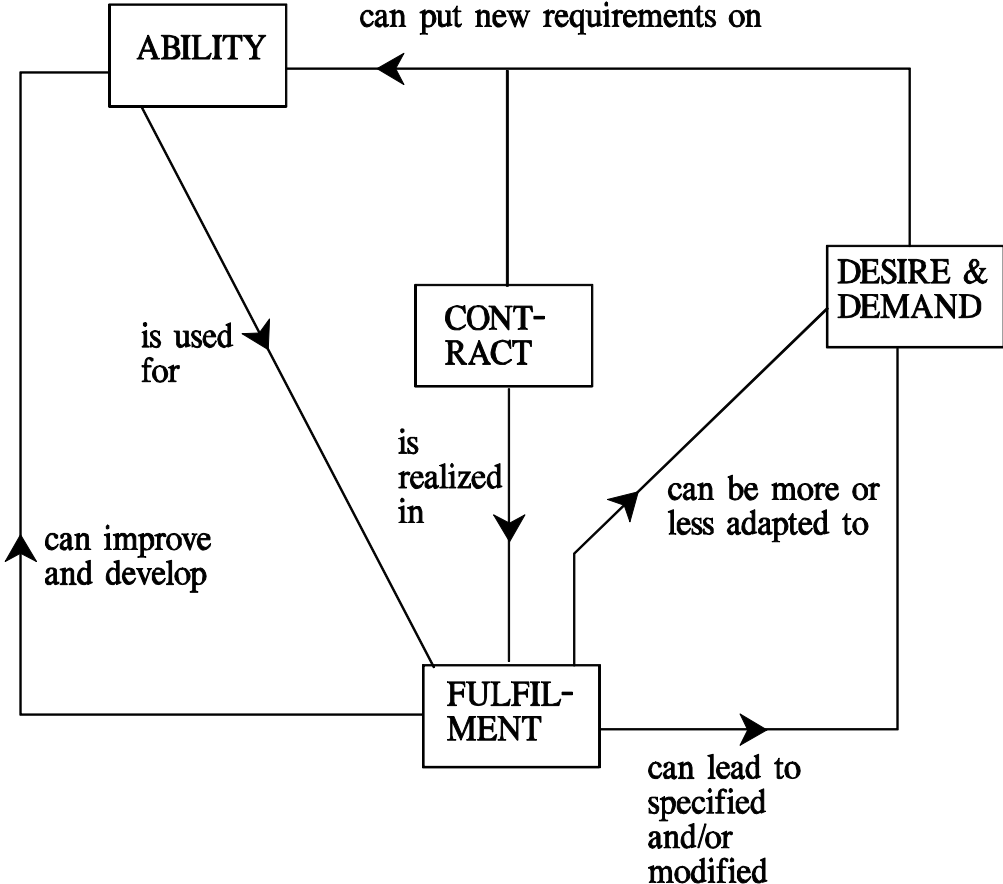


Figure 4.2 Bases for fulfilment

The ability of the supplier is utilized in the fulfilment phase. The ability should however not be seen as given and not changeable, as can erroneously be understood from the phase model (figure 3.1). The contract can lead to requirements to improve or increase the ability of the supplier. If the ability does not fully correspond to the desires and demand, then the supplier can try to improve the ability. This can be done in different phases of the business process; in the proposal phase and in the fulfilment phase. This means among other things that there can be a continuous adaptation to customer desires and demand in the fulfilment phase. This is probably not unusual in many service delivery situations and also when working with complex technical products, which are partly developed during the fulfilment phase. In such situations, partly deliveries can give rise to modified and/or specified requirements from the customer; i.e. such requirements which are not explicitly specified in the formal contract. This is an expression of a co-creation of supplier and customer in the fulfilment phase which is stressed by some authors (e.g. Normann & Ramirez, 1993).

Another important aspect is that the fulfilment, which can include design, manufacturing and delivery of products, usually will improve the competence (ability) of the supplier. This is known in modern business as the imperative for working with demanding customers.

4.3 Results of fulfilment

Fulfilment means that goods and/or services are delivered and the customer pays the agreed price (figure 4.3). If the delivery does not correspond with expectations then the customer will be dissatisfied. Customers can express their discontent and make claims about repeated/modified delivery. A positive usage of the delivery will lead to value and satisfaction for the customer. This usage should lead to a reduction or elimination of the initial lacks and needs of the customer. The circle is closed or to put in another way: a new business cycle can start with the results and experiences from this business cycle.

The corresponding results for the supplier are also depicted in figure 4.3. If the supplier is not satisfied with payment there can be claims for such payment. The payment is necessary for the supplier to sustain and develop the ability. It is an economic prerequisite for making further business.

This cyclic character of making business for customer and supplier is not explicit from the phase model (figure 3.1). Therefore this supplementary conceptual model is important for enhancing that making business

- has and should have effects on the initial prerequisites for making business and
- is followed by making further business

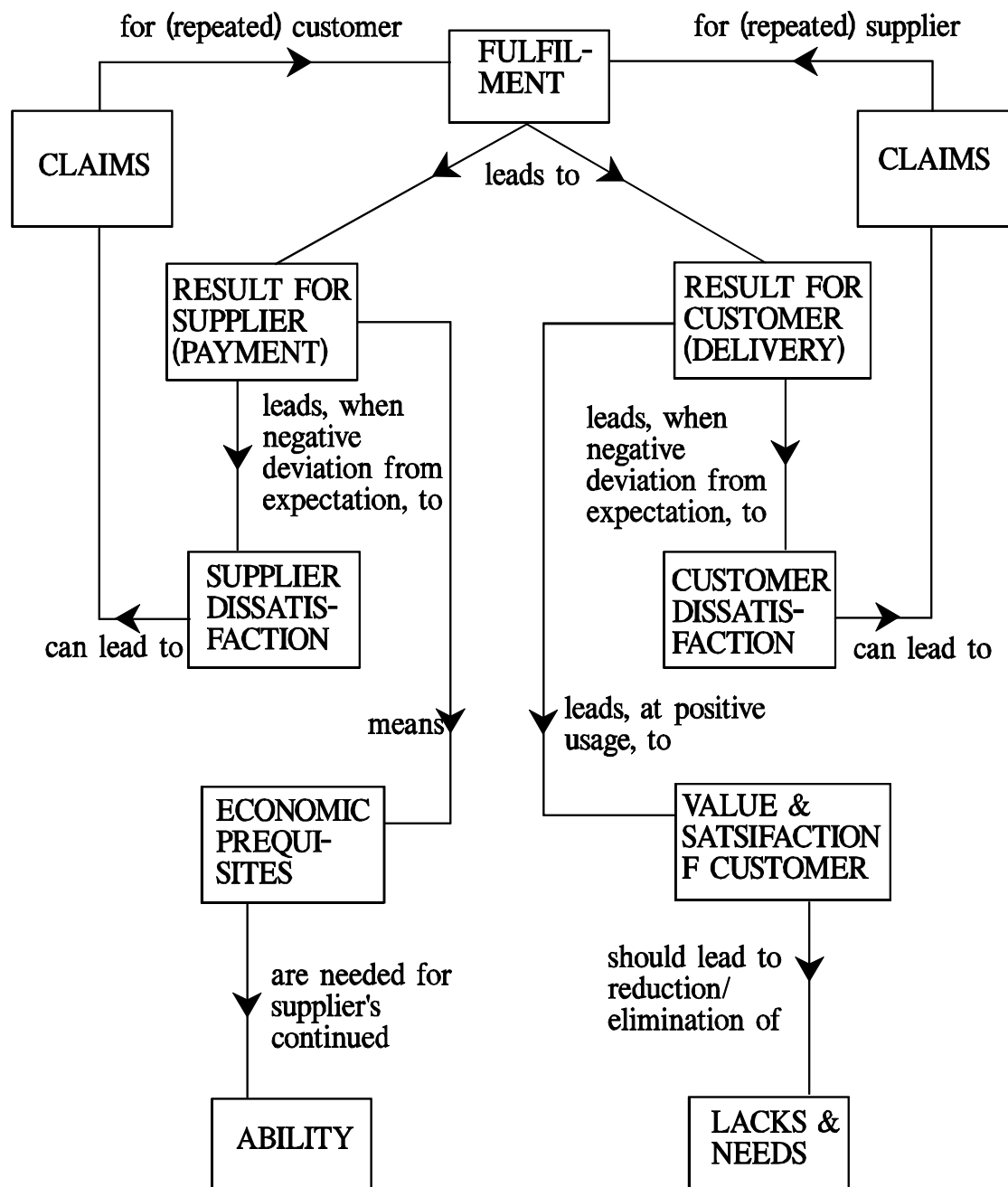


Figure 4.3 Results of fulfilment

5 RELATIONSHIPS TO BUSINESS RELATIONSHIP THEORIES

The development of Business Action Theory is made with inspiration from two main theoretical sources: Communicative action theories (as e.g. Austin, 1962; Searle, 1969; Habermas, 1984) and business relationship theories. What I call business relationship theories include business and marketing theories which have a high orientation towards business relationships between seller and buyer, as:

- Network theory (e.g. Axelsson & Easton, 1992; Håkansson & Snehota, 1995)
- Service management and marketing (e.g. Grönroos, 1990; Normann, 1991; Normann & Ramirez, 1993; Glynn & Barnes, 1995)
- Relationship marketing (e.g. Gummesson, 1995, 1996)

In this section Business Action Theory will be related to such business relationships (BR) theories.

5.1 Roles and relationships

Business Action Theory stresses the relationships and interaction between the two roles seller (supplier) and buyer (customer). There is a clear inspiration from the business-to-business sector, i.e. firms making business with firms. There is however a claim that Business Action Theory should not be restricted to business-to-business interaction. BAT is intended to be generic in nature and therefore used also when individual persons are making business. BAT is in its abstracted and generic character even a description of mass marketing and consumer behavior.

Business Action Theory emphasizes the *exchange* character of making business. The supplier and the customer exchange value (products vs payment) and must communicate in order to do this. In much traditional marketing literature there is an emphasis on a one-sided supplier-to-customer-influence. However there has been a growing critic of such a uni-directional view and the exchange character has been more stressed (e.g. Glynn & Lehtinen, 1995; Easton, 1992). The view with an active supplier influencing a passive customer is rejected. In the basic model of BAT the two roles have been given equal importance. This is also in accordance with communicative action theories making sender and recipient equally important as a basic theoretic stance; cf Habermas (1984 p 323f) for his criticism of Searle as too speaker oriented. This does not however imply that it in some situations can be appropriate to put a special emphasis on either part. Within the frame of Business Action Theory it is e.g. possible to study the marketing efforts of a supplier as foreground and having the actions of customers as background.

In network theory (e.g. Easton, 1992) relationships are defined as long-term between firms. A casual purchase is not considered to imply any relationship between supplier and customer. According to BAT even a casual business transaction means that relationships arise between the business parties. Even a temporary relationship is a relationship. It is of course important to distinguish between casual and established relationships. An established and institutionalized relationship is created through a continuous interaction between parties and sometimes also based on special written long-term contracts. Such relationships are sustained and gradually changed through business interaction involving *all* phases of the business process. It is not only specific relationship oriented actions that influences the relationship. Gummesson (1996) has a special concept, the *part-time marketer*, to point out "that everybody, irrespective of task and expertise, influences customer relations" (ibid p 5). This is important to be aware of, but in the BAT perspective "part-time-marketers", as well as "full-time-marketers" (ibid), should be seen as *full-time business performers*. Even persons who are not directly interacting with customers in the *front line* - to use an important concept from the service management area (e.g. Normann, 1991; Grönroos, 1990) - are essential participants in the firm's business performance.

Gummesson (1996) talks about the *many headed supplier* and the *many headed customer*. This means that there are many persons (from different parts of each organization) who participates in the business interaction. This is also easy to derive from the BAT phase model

(fig 3.1). It is not only the so called full-time marketers who participate in the business interaction.

The established relationship means that there are recurrent business transactions between customer and supplier. Customer retention is emphasized by several authors (e.g. Gummesson, 1996; Grönroos, 1990).

In established relationships, the interaction is not only guided by maximal economic gain according to market principles. There is a great element of *collaboration* between customer and supplier (Easton, 1992, Gummesson, 1996, Normann, 1991). But it is important to remember that they are different parties with partly differing goals and partly joint goals. Easton (1992 p 14) describes this in the following way:

”Inherent in any relationship is the tension between conflict and cooperation. It is inherent because in any relationship the partners will be concerned that they are receiving an equitable share of the benefits which accrue from the the existence of the relationship”.

Trust is thus important in the established relationship (Gummesson, 1995 p 259). Easton (1992 p 12) discusses the inherent social character of established inter-firm relationships. ”Social relations between firms are the resultant of the relations of the individuals involved” (ibid). Trust is also important in communicative theories; cf e.g. the validity claims of Habermas (1984). In the BAT phase model one can see that even in a single casual business transaction there must be some minimal ”cooperation” and adaptation between the parties. The different parties must be able to perform their action in an intelligible way so the business interaction process can proceed forwards and reach completion. At recurrent business transactions the transaction costs can be reduced through special forms of adaptation (Easton, 1992).

5.2 Interactions

Easton (1992 p 14f) distinguishes between the direct exchange actions between customer and supplier and the adaptation procedures performed within each part.

”Adaptation is a continuous process which results in changes in products or services brought or sold, in processes of manufacture or in routines and administrative procedures and which implies resource commitment. The resulting adaptations are investment in specific relationships” (ibid).

Such adaptation is in the BAT framework a continuous development of business prerequisites to a specific customer. The business prerequisites are not only the manufacturing ability and the potential products. It includes all other aspects of performing business, such as e.g. information systems for order and invoice handling and delivery routines and technology. Customer adaptation was described and discussed in the conceptual models of section 4 above.

Easton (1992 p 13f) discusses investments as processes of adapting to customer properties. He stresses the importance of ”acquiring knowledge of the technical, administrative or logistical characteristics of a partner” (ibid p 14).

Adaptation to the customer can thus be carried out outside the direct exchange process (as development of the business ability mentioned above). It can also be handled directly in the fulfilment phase (section 4.2 above). This is often an direct adaptation to expressed customer desires in a service encounter situation; in what is - in the service management literature (e.g. Normann, 1991; Grönroos, 1990) - called "the moment of truth". As can be seen from fig 4.2 above the communicative act of desiring is not restricted to the business interest phases (2 and 3) preceding the contract. Desires can be expressed during fulfilment and then it is up to the actual performers (in the front line of the supplier) to judge, in such moments of truth, to what extent it is appropriate to adapt to those customer desires.

The BR literature emphasizes the interactive character of doing business, which is fully in line with BAT. Easton (1992 p 12) writes that "information is the common currency of interfirm relationships". The business logic (in terms of generic business actions as described in BAT) is however only implicit in this and other BR descriptions. Grönroos (1990) is one exception here when he in a "customer relationship life cycle" articulates different interactive business actions. He stresses the "exchange of promises" and the need that these promises are fulfilled in a proper way in order to gain customer satisfaction and opportunities for reselling. The customer relationship life cycle of Grönroos (1990 p 129 ff) consists of three stages and has some obvious similarities with the BAT phase model. In the *initial stage* "the objective of marketing is to create interest in the organization and its services" (ibid p 1143). This corresponds to phase 2 and 3 in the BAT model. The second stage, called the *purchasing process*, "general interest should be turned into sales...promises about future commitments on the part of the seller are given" (ibid). This corresponds to phase 3 and 4 of the BAT model. In the third phase, which is called (with a service perspective) *consumption process*, "promises have to be fulfilled, so that customers realize that the firm can satisfy their needs and that it can be trusted" (ibid p 144). This corresponds to phase 5 and 6 in BAT model.

The customer relationship life cycle of Grönroos (1990) is interesting and has certain merits. It seems however to be rather one-sided. The theory takes implicitly the position of the seller looking at the buyer and not the position of buyers looking at sellers. This is an obvious lack in much marketing literature. It usually has a customer focus from a supplier perspective; and very seldom a customer perspective. Network theory (Axelsson & Eason, 1992) seems to be more symmetrical (focusing both marketing and purchase). It is an explicit BAT objective to have supplier and customer of equal value in the theoretical model. As mentioned above (sec 5.1) this is in line with communicative action theory (Habermas, 1984) with speaker and listener of equal theoretical value. Since supplier and customer shift roles of speaker/action performer and listener/action recipient it seems very natural to have these two roles as reciprocal and thus of equal theoretical value. This is to emphasize the actor role (the agency) of each party.

6 BEYOND CONCEPTUALIZATION: BUSINESS ACTION THEORY, QUALITY AND VALUES

One basic purpose of Business Action Theory is conceptualization of business interaction. BAT is a theoretical clarification of what it means to perform business. In this sense it has descriptive and explanatory ambitions as many other theories. The emphasis on actors and actions in BAT makes it also possible and easy to discuss values related to business interaction.

There are two parties making exchanges in business interaction. There is an obvious conflict of interests in this situation. But as stated above, in section 5.1, there are also mutual interests. I will briefly discuss the issue of quality in business interaction based on the conceptualization in BAT. Eriksson (1998) has also discussed quality of business interaction in relation to Business Action Theory and L/A approaches.

To perform business supplier and customer must cooperate. They must coordinate and mutually adapt their actions in order to arrive at an accomplishment of a complete business transaction. Therefore there is a mutual interest in *clarity of actions*. Both communicative and material actions must be intelligible and understandable. The business process can run more smoothly if there is a *transparency* of actions and interests. The *mutual understanding and recognition of the different interests* of each party is important. There will, as said above, be conflicting interests. The *management* of such *conflicting interests* is crucial. What kind of respect is shown towards the other party? Are there attempts to create synthesis and compromises - or is the negotiation only a struggle of power? Is it possible to transform and reconcile conflicting interests to shared and mutual interests; i.e. to create win-win-situations? This can in many situations be done. But there will always be a task of dividing benefits and costs.

The clarifications of actions are important. The specification of the needs and desires of the customer is crucial for the rest of the business process. It is also important that the offers and ability of the supplier are clear to both parties. This property of transparency and clarity is related to the obvious need for *trust* in the business process. If the customer has a clear understanding of the offers, intentions and abilities of the supplier, then the customer can put confidence in this. After the contract is made the customer can rely on a proper delivery in accordance with expectations. The establishment of mutual trust is necessary in long-term business relationships.

The utilization of each party's prerequisites is also important in the business interaction. This involves a mutual adaptation to their respective abilities.

A business interaction of good quality should mean *mutual success*. Both parties should be satisfied. The business interaction should be *value generative* for both parties. This implies improved ability for future action. Improved ability is of course related to learning. Each party gain experiences from performing business interactions and this learning can be used in future business situations.

7 BUSINESS ACTION THEORY: BASIC CHARACTERISTICS

A short summary of the basis characteristics of Business Action Theory is presented below. I elicit the most important features of BAT. This theory is a conceptualization of business interaction. Such interaction consists of business communication and exchange of value. The exchange character of business interaction is important and emphasized in BAT. Different types of exchanges occur in the different phases of the business process:

- exchange of knowledge about business prerequisites
- exchange of interests to engage in business transaction
- exchange of business proposals
- exchange of commitments in contracting

- exchange of value (product vs payment)
- exchange of possible claims or acceptance

Business interaction is not restricted to business exchange. It will have impact on *business relationships* between supplier and customer. It will also have effects on the *abilities* of both parties. Business relationship is often both a precondition and a consequence of the performance of the business interaction. Sometimes there will be specific actions oriented towards the sustainment of business relationship. Figure 7.1 gives a contextual overview of business interaction.

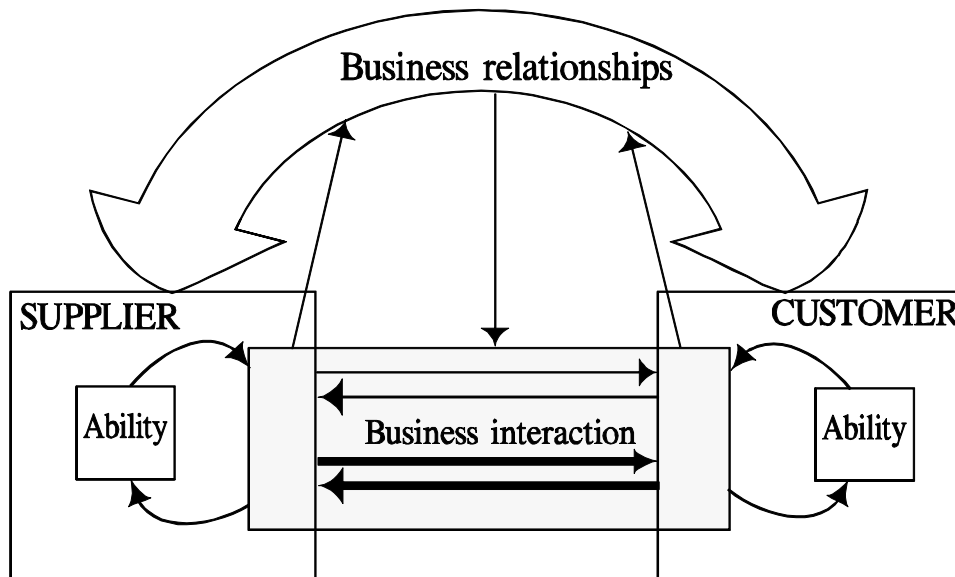


Figure 7.1 Business interaction in context of business relationships and actor abilities

The BAT model is *actor explicit*. Both supplier and customer and their roles and actions are made visible. BAT does not take any position or perspective of these roles for granted. This *actor neutrality* means that actions and interests of both parties are recognized. The traditional transaction marketing approach taking the position of "the supplier trying to influence a passive customer" is one example of an opposite theoretical perspective. The Action Workflow approach (Denning & Medina-Mora, 1995) is another example in its disregarding of commitments and fulfilments of the customer and the satisfaction of the supplier; cf critique in Goldkuhl (1996).

BAT emphasizes the generic business logic and exchange character of the business process. To be able to perform a business transaction both actors must take a *cooperative* attitude and engage in mutual coordination. BAT recognizes thus both shared and conflicting interests.

8 CONCLUSION

When developing business processes and their IT support there is a need for a conceptual understanding of meaning, function and structure of such processes. The paper has investigated a theoretical framework for business processes - Business Action Theory - and proposed refinements of this theory. A further development of a Business Action Theory has been presented. The generic phases of business processes (earlier described in Goldkuhl, 1996)

have been refined. Different concepts and conceptual relationships have been specified and modelled. The development has been performed according to an agenda, which was set in section 2 above.

Business Action Theory gets its main theoretical inspiration from

- communicative action theories
- business relationship theories

BAT should therefore be theoretically grounded in these two different theory areas. Grounding in communicative action theories has been described in Goldkuhl (1995, 1996). Grounding in business relationship theories has been discussed and described in this paper (especially section 5 above).

Empirical grounding can be done in two supplementary ways. The traditional *observation grounding* means that collected data can be used to prove the validity of different theoretical statements. There exist however also a possible *application grounding*: Is the framework applicable and useful when describing, evaluating and redesigning business processes? Neither observation nor application grounding have been demonstrated in this paper or the earlier papers by Goldkuhl (1995, 1996). The BAT framework has however been used in several development and evaluation projects and there are growing experiences at hand; cf e.g. Lind & Goldkuhl (1997), Melin (1997) and Eriksson (1998). These studies show that BAT is a good conceptual instrument for describing, evaluating and redesigning business processes. Business Action Theory has also been "translated" and operationalized into methodological prescriptions for business process and IT development (Lind & Goldkuhl, 1997 and Goldkuhl & Ågerfalk, 1998).

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APPENDIX

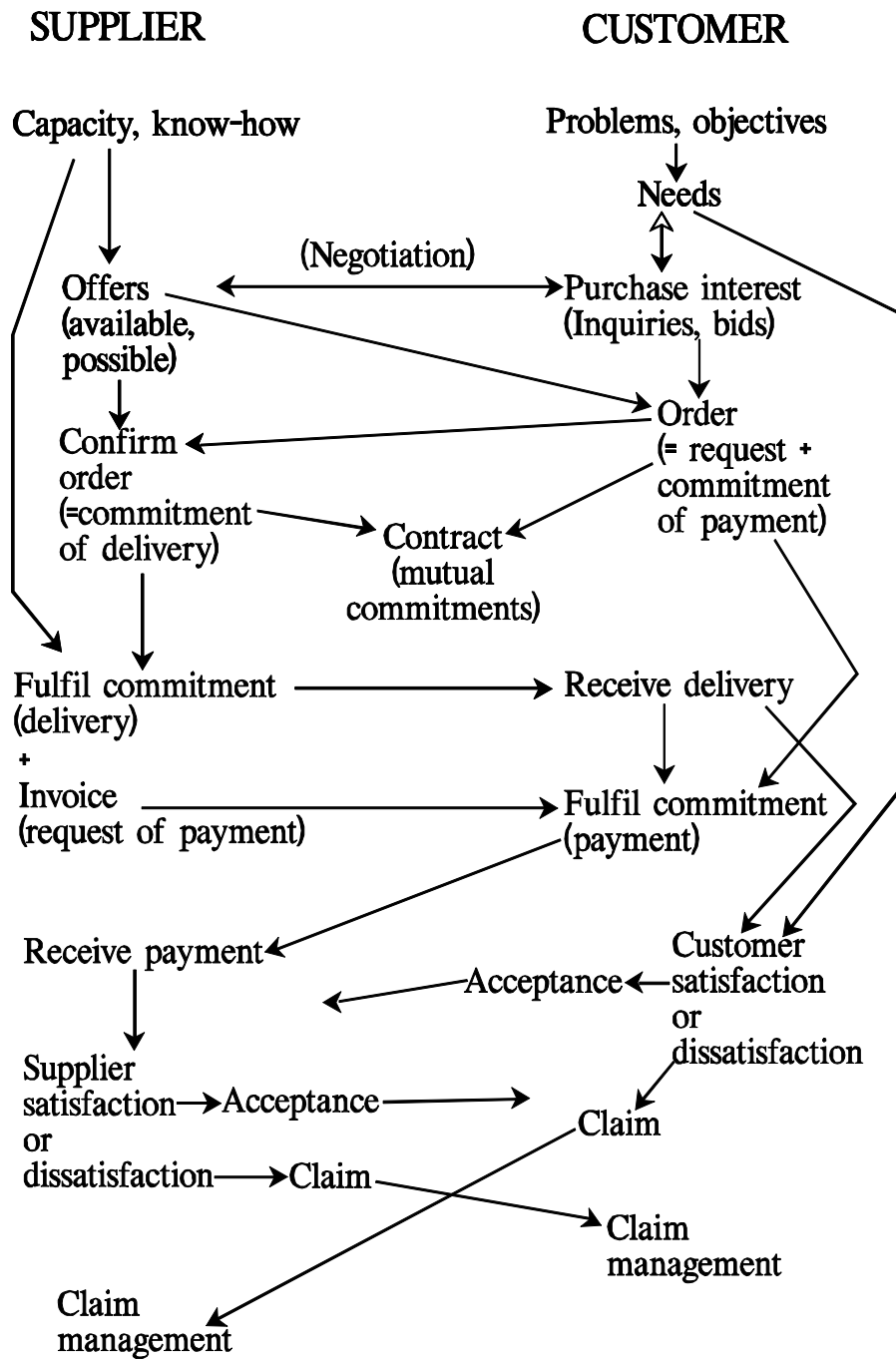


Figure A.1 Business interaction according to BAT'96 (From Goldkuhl, 1996)