

## Will the *Real* Project Please Stand Up? Getting Organized with Value Network Analysis

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This is a prepublication draft for an article for the Association of Project Management to be published in APM Yearbook 2006-2007, publishing date 31 October, 2006.

<http://www.apm.org.uk/>

Over the last two decades, we have put into place many different tools, methods, and frameworks for organizing projects. Similarities exist between these, but when you peel away the variations, you find at the core of most project management approaches either a list or table of action items or a linear process flow. Yet, the day-to-day experience of pulling together projects feels much messier. Because there are so many variables and so many little agreements, making sense of what is really going on is increasingly a challenge. Is there a better way to understand what is going on? A key question that can be asked of any project at any stage in its life cycle is: "Will the real project please stand up?"

A trend in project management offers hope. Many organizations now conceive of projects as mini-businesses<sup>1</sup>. Viewing projects as a set of business relationships puts them in a more realistic light, revealing the sets of rules, interactions, and relationships that 'really' define how a business generates value – the 'real' business model. To do this well, we need a new lens through which to explore the otherwise hidden relationships, processes, and deliverables that underpin high-performing workgroups. Needless to say, the focus would be on people, not on formal project plans and controls. Through this lens, we would see networks that stand alongside the familiar hierarchy. Revealed is the natural pattern of organization into which people move to make things work – the human-focused networks that give life to the organization.

Projects possess different degrees of complexity. For example, a 'simple' project, such as the construction of a warehouse, can invariably work well with a strong hierarchy and standard procedures. At the other extreme, in a more complex project, such as renovating a city center, chaos can seemingly predominate. This can occur even without unexpected complications, such as major natural catastrophes or unanticipated terrorist attacks. Yet, even in the latter circumstance, people somehow self-organize to cope, using whatever weak network links are available. Interestingly, within the chaos project mode, outcomes can be generated quickly and with breathtaking ingenuity, provided a strong and unifying purpose to the collective endeavour is communicated to participants in the project.

Most projects lie between these two extremes of intricacy and unpredictability, yet the network theme runs through all of them. To help management select the required mix of project models to drive the outcomes needed, the lens of value network analysis (VNA) provides effective support at every level of detail – for the CEO and his top management team scoping out possibilities at the project identification stage, as well as for the human resource and communication planners assisting the project manager develop a clear picture of what needs to be communicated between project roles.

### What is a Value Network Analysis?

In this context, an internal or external value network refers to any web of relationships that generates tangible and intangible value through complex dynamic exchanges between two or more individuals, groups, or organizations. This definition applies regardless of whether the parties involved are from private industry, government, or the public sector. Tangible value is generated through contracted or mandated activities that contribute directly to economic gain. Tangible value is what we track in the 'value chain' or in business processes.

Intangible value, however, normally lies concealed. Here we include the value generated by informal, non-mandated activities that help deepen business relationships and contribute to operational effectiveness. Examples include technical know-how that flows around and supports the core project and value chain, and the trading of political support with a stakeholder group apparently existing outside the immediate project environment boundary.

A VNA begins with a diagram that shows the essential contractual, tangible revenue- or funding-related business transactions and exchanges that occur between those involved in the business activity. It also shows the critical intangible, but informal, knowledge exchanges and benefits that build relationships and keep things running smoothly. These informal exchanges are actually the key to creating trust and open pathways for innovation and new ideas. Traditional business practices ignore these important intangible exchanges, but they are made visible with a VNA.

### Reconfiguring an Internal Value Network

Here is an example. A large multinational technology unit company wanted to improve the quality and timeliness of its training evaluations. It was using an evaluation designer to gather and analyse data by conducting global surveys post training – a time-consuming and costly process. The company instigated a project to improve knowledge flows throughout the training activities and to gain more real-time feedback. Instead of jumping into process improvement tools, it involved key stakeholders in mapping out an ‘as is’ understanding of the business activity and the supporting knowledge exchanges the company was trying to improve (see Figure A).<sup>2</sup>

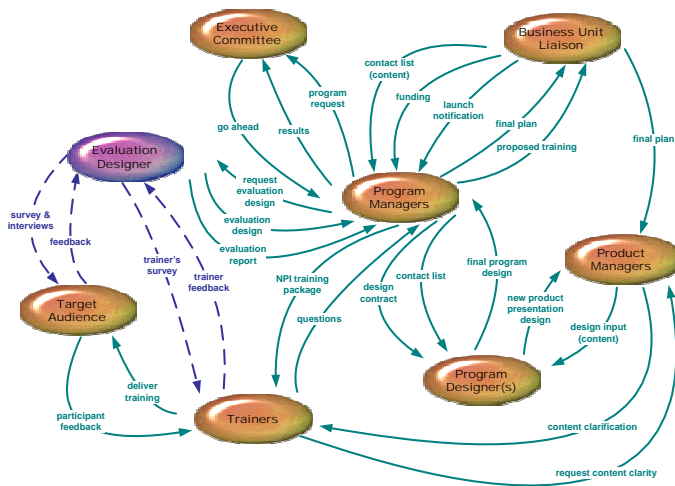
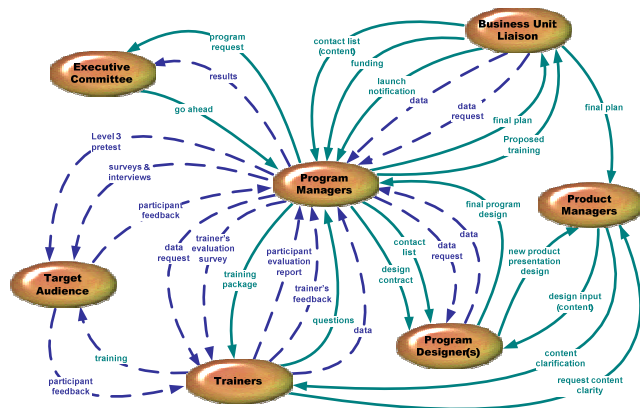


Figure A. This diagram shows the ‘as is’ situation before the change project, with the intangible knowledge flows (in dashed lines) being very limited.

Figure B. In this diagram, the internal network has been reconfigured, eliminating the role of the evaluation designer. Evaluation data gathering has been embedded in the design and delivery activities for training, and knowledge flows have been expanded.



The diagrams in Figures A and B link to a variety of tools and applications – such as cost/benefit analyses – enabled through Excel® spreadsheets to increase value outputs, to leverage knowledge and intangibles for improving financial and organizational performance, and to find new value opportunities. When the analysis is complete, people gain powerful insights into what is actually happening now, where more value can be realised, and what is required to achieve maximum value benefit across the entire system.

## Using Value Network Analysis for Project Management

There are two key times for sense making in project management. The first is at the beginning, when people are thinking through what needs to be done. They must define the existing conditions and constraints, determine a pathway forward, and negotiate responsibility and accountability. The other key time is whenever changes are occurring in one part of the project that might affect what is happening elsewhere.

VNA is a fast and powerful way to get everyone on the same page at both of these critical times. Often, misunderstandings that arise about exactly what is expected in a contractual task (i.e., both around what is really included and what the performance standards are) can sink a project. Even bigger misunderstandings can arise about what kinds of informal support people really need and expect from each other. This is particularly a problem when working across cultures and geographies. VNA allows for sense making, negotiation, and clarification at a level that is rarely achieved in initial project meetings.

As a negotiation tool, VNA is uniquely transparent. Because it is a whole-system approach, it allows people to have a collective and shared overall understanding about how the entire project is organized, while staying focused on their own roles and deliverables. With this understanding, they are free to negotiate their immediate relationships, deliverables, and performance standards with other participants, but also have a keen appreciation of interdependencies. This gives people leeway to make changes with a high level of awareness of the impact of their changes on others.

Whenever deliverables or relationships become problematic, VNA is a fast negotiating tool. For example, Boeing is beginning to use VNA as a tool for negotiating internal service-level agreements on projects. The company also includes VNA as a next-generation tool at the early stages of the Lean and Six Sigma projects, and change initiatives. VNA gives people a whole-system way of viewing the situation, which is more likely to result in big breakthroughs than only using the process tools. Once they have identified the key business value challenges, they can then concentrate on those processes that need deeper work.

VNA puts more emphasis on roles and outputs than on individual tasks. This allows greater flexibility for people with respect to how they organize to get their work done. VNA provides minimal structure with maximum flexibility. By focusing and negotiating on the inputs and outputs that are really required, people stay focused on the goals and outcomes and do not get caught up in micro-managing processes.

### Conclusions

VNA offers a valuable complementary tool for virtually any project management framework or process. As a sense-making and negotiating tool, it results in better overall understanding and in decisions that are supported more effectively and implemented more quickly than when systemic issues are not addressed.

Just as process engineering and project management are considered foundational management skills today, VNA is an essential skill for successful projects that depend on knowledge exchanges and collaborative relationships. The insights gained through VNA, which reveals both tangible and intangible exchanges, increase the likelihood of achieving the desired outcomes, regardless of the project's degree of complexity. The real project is now standing up.

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1 Interview with Charles Handy, "The Tomorrow Man," Carol Kennedy, Director Magazine, June 2006.

2 "What is Value Network Analysis?" Verna Allee ([www.value-networks.com](http://www.value-networks.com)).