

What is Value Network Analysis (VNA)?

Why Value Networks?

For many businesses intangibles represent 70% or more of their value. Increasingly – knowledge and other intangible assets such as human competence, the ability to form strong relationships, and a capacity for mutually beneficial collaboration are the foundations for success. Companies recognize the next stage of business optimization will come from visualizing and defining their internal and external *value network* ecosystems.

We are shifting to a world of dynamic, rapidly adapting value networks – loose and complex configurations of industries, businesses, and business units within organizations that engage in mutually beneficial relationships. Tools used in the past to analyze business value creation, such as value chain and process models, are simply too slow, inadequate, or inappropriate to address this new level of business complexity.

- Processes are not the active agents of innovation in organizations – people are!
- Businesses must master how intangibles and relationships create value.
- You cannot administer a network – you can only serve it through the roles you play.

A fresh approach

It is clear we need new lenses and tools to succeed in this current economic environment – tools that might feel as strange to us today as process flow charts did in the early days of reengineering, Lean, and Six Sigma. Value Network Analysis supports a more organic whole-system understanding of how people, process, and technology really work together to create both social and economic value.

“Good ideas can emerge from an inventor working solo but more often they are a result of collaboration throughout an organization and its value network.”

- Carol Rozwell
VP and Distinguished Analyst, Gartner

“Value Networks are sets of roles, interactions and relationships generating economic, social or environmental value. Any purposeful organization can be understood as a value network.”

- Verna Allee
The Future of Knowledge, 2003

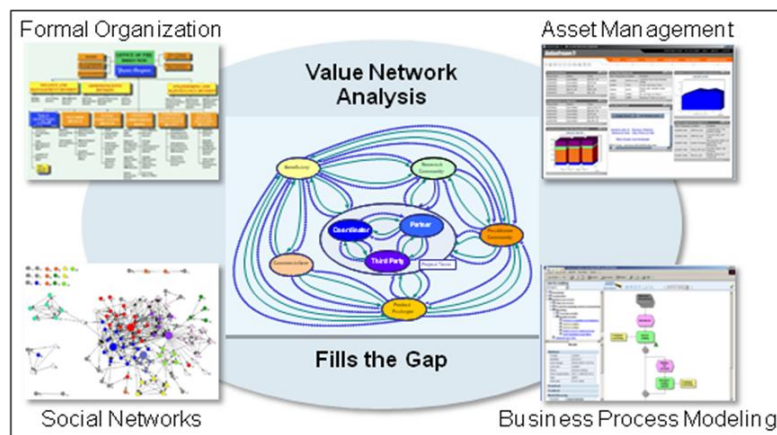
Strong value creating relationships support breakthrough innovation and organizational resilience. The value network approach helps individuals and work groups better manage their interactions and address operational issues, such as balancing workflows or improving communication. It also scales up to the business level to help forge stronger value creating linkages with strategic partners and improve stakeholder relationships.

There are many different approaches to understanding value networks. Value Network Analysis (VNA), is a specific methodology that was first pioneered by Verna Allee in the early 1990s. It has been tested and validated for breakthrough business results from shop floor to business webs and economic regions since 1993.

Value Network Analysis fills the gap

VNA fills the analytical and managerial gap between other organizational tools. It provides a powerful network perspective into how processes and people create value. VNA shows unique relationships and transactions. Critical sequences or “value flows” are visualized. Integration with business process tools, asset management, and social networks is built in.

This does not make other management tools obsolete. It does, however, bring many other tools and methods into a whole new perspective. It makes possible a whole new generation of business practice.



Value Network Analysis complements other management tools.

“Value Network Analysis, through visuals and conversations, helps build and strengthen the relationships and trust that are vital for people working together as a global enterprise....Now that I know the value networks methodology, I would not consider doing a six sigma, lean, or any other kind of project without first doing a VNA to provide the ‘systems’ context for the initiative.”

- Supply Chain Integrator
Defense Industry Supplier

How it works

The world of business processes and the world of human interactions have been treated as two complementary but separate business management arenas. Tools and methods for managing business processes rarely address human issues. Tools, exercises, and practices to improve collaboration and working relationships are rarely linked strongly to specific improvements in business processes.

“In several strategic situations the value network effect perspective rather than a value chain perspective has made a difference.”

- Jon Fredrik Baksaas
President and CEO, Telenor

Value Network Analysis integrates mission-critical human interactions with specific business activities. The result is a fresh new perspective on how the work really gets done and leads to breakthroughs in productivity and innovation.

VNA defines the specific *Roles* in an activity and their value creating interactions. Value interactions or *Deliverables* are of two types. *Tangible* deliverables are the contractual or mandated interactions between participants. *Intangible* deliverables are the informal, more personal, exchanges of knowledge, favors, and benefits. These are the interactions that help keep things running smoothly and build relationships. Intangible exchanges are actually the key to creating trust and opening pathways for innovation and new ideas. Traditional business practices ignore the important Intangible exchanges, but they are made visible with value network analysis.

The roles and deliverables are made visible through a simple visual mapping technique. The diagrams link to a variety of tools, such as cost/benefit analyses – 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 realized, and what is required to achieve maximum value benefit across the entire system. Just as process engineering and project management are considered foundational management skills today – Value Network Analysis is an essential skill for a successful enterprise dependent on knowledge exchanges and collaborative relationships, which are now critical in almost every industry.

Where VNA can be used

Value networks exist within an organization and also externally. VNA scales from shop floor issues and team relationships to business webs, regions, and even nation-states. It is in use in global corporations, private enterprise, government agencies, and in global actions networks working in complex areas such as human atrocities.

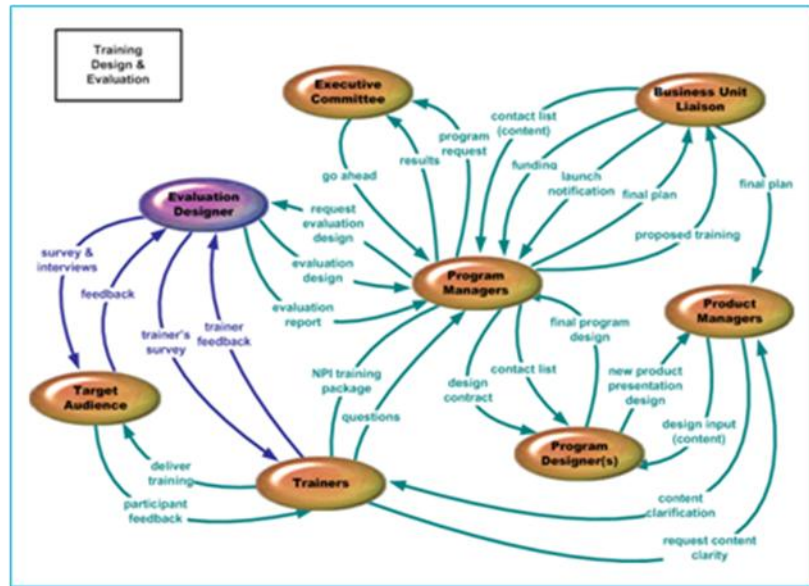
Examples are:

Stakeholder relationship management
Organizational restructuring
Business web or ecosystem development
Mergers and acquisitions
Highly complex process redesign

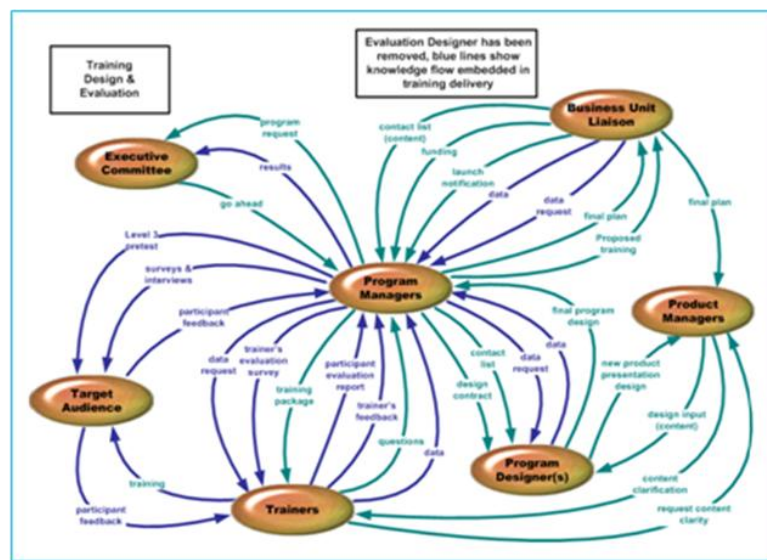
Leveraging expert communities
Project planning
Developing new business models
Supporting innovation
Knowledge management

Example of reconfiguring an internal value network

Here's an example. A large multi-national technology company wanted to improve the quality and timeliness of their training evaluations. They had been using an evaluation designer to gather and analyze data by conducting global surveys post-training – a time-consuming and costly process. They wanted to improve knowledge flows throughout the training activities and gain more real-time feedback. The business results were a cost savings of \$50,000 per training program, higher levels of competency for Program Managers and Trainers, and faster feedback for Program Designers and Business Units.



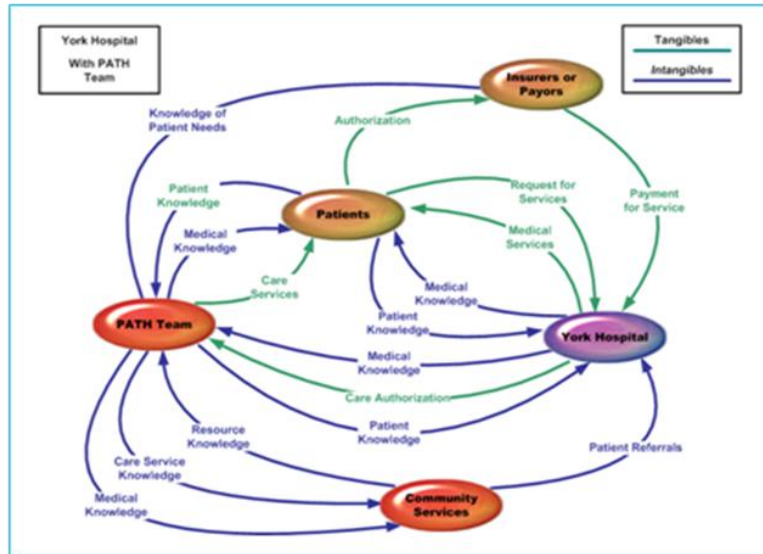
This diagram shows the situation before value network analysis, with the intangible knowledge flows (in blue) being very limited.



In this diagram the internal value 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 expanded (in blue).

Reconfiguring an external value network

York Hospital in Maine noticed that the success of a patient's stay was linked to the level of support they had at home before, during, and after their hospital stay. To assure patient success they created PATH (Patient Approach to Health) teams – groups of people that build strong relationships with community service groups and follow patients through their entire “path” of care. As a result, patient satisfaction and recovery rates improved significantly. Improving partnerships with community organizations led to innovative solutions for patient support.



The PATH team outputs are mostly intangible knowledge and benefits (in blue). The value network analysis demonstrates in a measurable, direct way how these activities are so essential for patient success, even though they do not generate revenue. The network analysis therefore helps make a strong business case to provide resources and support for the approach.

Other examples

This organization of 3500 people uses VNA and system dynamics to define the needed roles, flow paths, interactions, and relationships to achieve sharp breakthroughs in productivity.

The Boeing Company Commercial Flight Test & Validation

Evaluating the impact of research activities, linking value network patterns of innovation to Intellectual Capital formation in organizations and regions.

European Commission ICT-RTD Framework Programme

Developing strategies, roles and resource needs, value and task flows, performance metrics, and financial and non-financial strategic impact indicators.

Cisco Systems' Customer Interaction Network.

Defining scenarios and clarifying tangible and intangible cost/benefits as a first step in working with Lean Manufacturing and Six Sigma projects.

Boeing, Cisco, Mayo Clinic, and others

Mapping, analyzing and optimizing global action networks in finance, human atrocities, and slavery.

GAN-net and the Omidyar Network

Analyzing the pharmaceutical industry in Europe and defining the value network behind the successful launch of Viagra®.

Industry analyst in pharmaceuticals

Enhancing communication and improving speed of commercialization.

AgResearch government agency in New Zealand

Creating future scenarios for the top-level strategy group to identify influencers in the market space and assess business and industry impacts.	a Big Four financial services and audit firm
Evaluating tangible and intangible benefits in strategic alliances.	a South African Bank
Clarifying internal roles and staffing needs.	a professional services organization in Germany
Identifying and understanding key markets.	European merger & acquisition organization
Improving supply availability and strengthening supplier relationships both regionally and globally	Australian affiliate of a large multi-national organization