Optimizing Business Performance with Value Networks

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The Rise of Network Intelligence
Why Value Networks?

What’s the problem?

Traditional business methods fail to adequately address intangible assets and interactions, which represent 80% or more of business value.

This leaves companies struggling with...

- **Strategy** – missing emerging opportunities in industry and markets;
- **Business performance** – *predicting*, negotiating, managing performance;
- **Operational compliance** – adhering to standards;
- **Data and Technology** – integrating taxonomies for interoperability.
What Isn't Working

Traditional approaches to business activity analysis have “hit the wall” and are declining in value…

• BPM – doesn’t address human interactions
• Asset Management – doesn’t account for intangibles
• Social Networks – can’t address business processes
• Org Charts/ERP – do not accurately reflect roles
• Performance Mgmt – misses the real value sources
VNA Fills the Analytical Gap

Value Network Analysis

Formal Organization

Asset Management

Social Networks

Business Process Modeling

"Fills the Gap"
• Coherently integrates strategy, process and technology blueprints
• Enables value flow visualizations in an operational environments
• Seamlessly supports compliance models and standards
Classic Network Analysis

Many Business Uses
Informal Organization

Shows Knowledge and Communication Flows

Group A
- Sharon
- Roger

Group B
- Candice
- John

Group C
- Martha
- Stephanie

Group D
- Kathleen
- Nancy

Group E
- William
- Susan
- Diana
- Thomas
- Rosa

Acknowledgement: Valdis Krebs
Used for Industry Analysis

From July 2006 Future of Media report
Future Exploration Network, Sydney
Research by Laurie Lock-Lee, CSC
The Value Network Narrative

Value Network Modeling Basics
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.

Value network analysis (VNA) is a methodology for understanding, using, visualizing, and optimizing internal and external business value networks and complex economic ecosystems.
Focuses on Roles

Leo - Problem Solver
Oliver - Developer
Laura - Coordinator
Karen - Service Provider
Chris - Designer
Scott - Client
Alex - Leader
Claudia - Consultant
Martin - Partner
And Value Exchanges

**Tangible Deliverables**
Goods, services, revenue (traditional value chain)
All contractual or mandated activities that directly generate or deal with revenue

**Intangible Deliverables**
Knowledge such as strategic information, collaborative design, plans, processes, policy development, etc.

Benefits that go beyond actual service such as exchanging business contacts, image enhancement, recognition, co-branding opportunities etc.
Value Network Modeling

Nodes represent participants (real people), and the **Roles** that they play

Solid green lines show **tangible** (formal, contractual) deliverables being transacted

Dashed blue lines show **intangible** or informal value being provided
Formal (Mandated) Deliverables

Australian Red Cross Blood Donor Society

Fractionator

Value Added Products
Blood Collection

Donors

Patients

Blood Service Portfolios

Suppliers

Technology & Equipment

Payment

Value Networks.com

Blood Products
Clinical Demand

Technology & Equipment

Payment

R&D Collaborations

Funding
Proposal

Health Sector

Blood Transfusion
Patient Outcomes

Funding
Proposal

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Realizing Value for Us

Impact Analysis

• Tangible impact?
• Intangible impact?
Optimizing Value for Others

Value Creation

Fractionator

Blood Service Portfolios

Suppliers

R&D Collaborations

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Boeing Reorganization

By using SDM (System Dynamics Modeling) and VNA (Value Network Analysis) the Flight Operations, Test & Validation Group restructured its entire business model.

Boeing Frontiers, February 2008

“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.”

Glenda Turner, Supply Chain Integrator
Boeing Integrated Defense Systems
Cisco integrated a fragmented customer support network

- Developed global strategies
- Defined new and existing roles
- Optimized task flows
- Created new strategic impact and network performance metrics

“Value Network Mapping of an organization, or even better, multiple organizations is the most unbiased and necessary view into what really goes on in business interactions.”

LaVeta Gibbs
Cisco

LaVeta Gibbs, Former Director, Global Contact Center Strategies,
European Innovation Networks

- 2007 Evaluation of ICT-RTD Research Networks funded by the European Commission
- Linking Value Network Patterns to Intellectual Capital Formation and Macro Economic Analysis at the Regional Level
- Linking Value Networks Patterns to Intangible Asset Formation at Organizational and Inter-Organizational Level

Organizational and Inter-Organizational Value Networks

Intellectual Capital Formation

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VNA Discovers

- How the work **actually** gets done
- The kind of value you are **really** creating
- How efficiently your organization (and the network it supports) **converts** resources (inputs) to value outputs (value conversion).
- Where the value creation **failure points** are in the network (problem flow paths and roles)

If you are not generating the results you want then all the connectivity in the world doesn’t mean much.
Visualize value.

Value Network to Value Stream
Sort the Roles

Value Stream 1

Value Stream 2

Value Stream 3

Value Stream 4

System

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Network to Process

Map Deliverables as Process

Value Stream 1

Value Stream 2

Value Stream 3

Value Stream 4

Define Supporting Technology

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VNA, Lean and Process
Reducing Scheduling Time

Each Role has responsibility for processing certain inputs and providing particular kinds of outputs.

First Clearly define the Roles

- Patients
- Department Admin
- Referring Physician
- Procedure RN
- Reviewing Physicians
- Surgeon
Map the **Deliverables** in the Network

1. Referral
2. Referral
3. Request
4. Patient
5. Referral
6. Record
7. Patient
8. Referral
9. Records
10. Review
11. Inquiry
12. Patient
13. Record
14. Request
15. Questions
16. Procedure
17. Appointment
18. Referral
19. Consultation
20. Procedure
21. Pkg
22. Request
23. Consultation
24. Process
25. Confirmation
26. Schedule
27. Request
28. Needs
29. Review
30. Recommendation
31. Expert
32. Advice
33. Schedule
34. Adjustment

**Referring Physician**

**Department Admin**

**Group Physicians**

**Procedure RN**

**Patients**

**Surgeon**

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Visualize value.

Network Intelligence
What is Now Possible

- Network flow visualizations in operational environments
- Powerful new value network performance indicators
- Linking value network patterns directly to asset management
- Making intangibles visible, negotiable, and manageable
Where to Start

1. Expert services for pilot projects and learning

2. Applications for value network visualization and analysis and optimization;

3. Enterprise integration;

4. Industry benchmarks and analytics;

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Value Network Analysis Workshop:  
Leading Network Intelligence

Thursday 11 December 2008  
8:00am - 4:30pm

Davidson Conference Center  
3415 South Figueroa Street  
Los Angeles, California 90007 USA

Includes meals, refreshments, materials. Also included is a 90-day, full-priviledge subscription to VNA Professional Edition. Registration in advance required. ID required for building security. No on-site registration. Register at www.vnclusters.com