What is ValueNet Works™ Analysis?

(Excerpted from the Value Network Fieldbook. *http://www.alleevaluenetworks.com*.)

Value network analysis is a business modeling methodology that visualizes business activities and sets of relationships from a dynamic whole systems perspective. It includes several unique analysis approaches and also integrates with other modeling tools such as process tools, social network analysis tools and system dynamics.

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. Strong value-creating relationships support breakthrough innovation at the operational, tactical, and strategic levels. Consequently, today 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 inadequate to address this new level of business complexity.

- Processes are not the active agents of innovation in organizations — people are!
- Business models must demonstrate how knowledge and relationships create value.
- You cannot compete in a network economy with industrial age management tools.

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 Total Quality, Lean, Six Sigma and reengineering. The approaches Verna Allee has developed, *HoloMapping*® and *ValueNet Works™ Analysis,* support a more organic whole-system understanding of the value network or value web.

The core elements of the method are simple enough to master in only a few hours, with support from guides, expert coaches and applications. One business executive was able to successfully use the method to reorganize an entire company in only two months with no productivity loss – after attending one three hour introduction to the method. If needed, learning can be supported by coaches skilled in fast-track action learning processes. Competency development can be embedded into everyday projects in ways that bring immediate business results.

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. An example might be helping companies build e-commerce webs, as featured in the best-selling book *Digital Capital* by Tapscott, Ticoll and Lowey.

How it is done

Every business relationship includes contractual or mandated activities between participants — and also informal exchanges of knowledge, favors, and benefits. A *ValueNet Works™* analysis begins with a *HoloMapping®* diagram that first shows the essential contractual, *tangible* revenue- or funding-related business transactions and exchanges. Along with the more traditional business transaction the critical *intangible*, although informal, knowledge exchanges and benefits that build relationships and keep things running smoothly. These informal exchanges are actually the key to creating trust and opening pathways for innovation and new ideas. Traditional business practices ignore these important intangible exchanges, but they are made visible with a *ValueNet Works™* Analysis.

The visualizations and diagrams link to a variety of assessments, usually handled in Excel spreadsheets — to increase value outputs, to leverage knowledge and intangibles for improving financial and organizational performance, and to find new value opportunities. An expert application is also available to help move value network data between different programs such as Excel, Visio, Access, Ucinet, Mage, and NetDraw. 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 business activity that is the focus of the analysis. 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.

How it can be used

Value networks exist within an organization and also externally. Virtually any set of business relationships or any type of business activity can be visualized using the method. The approach can help with —

- 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 is just one of many examples. A large multi-national technology company wanted to improve the quality and timeliness of their training evaluations. They were using an evaluation designer to gather and analyze data by conducting global surveys post-training — a time-consuming and costly process.
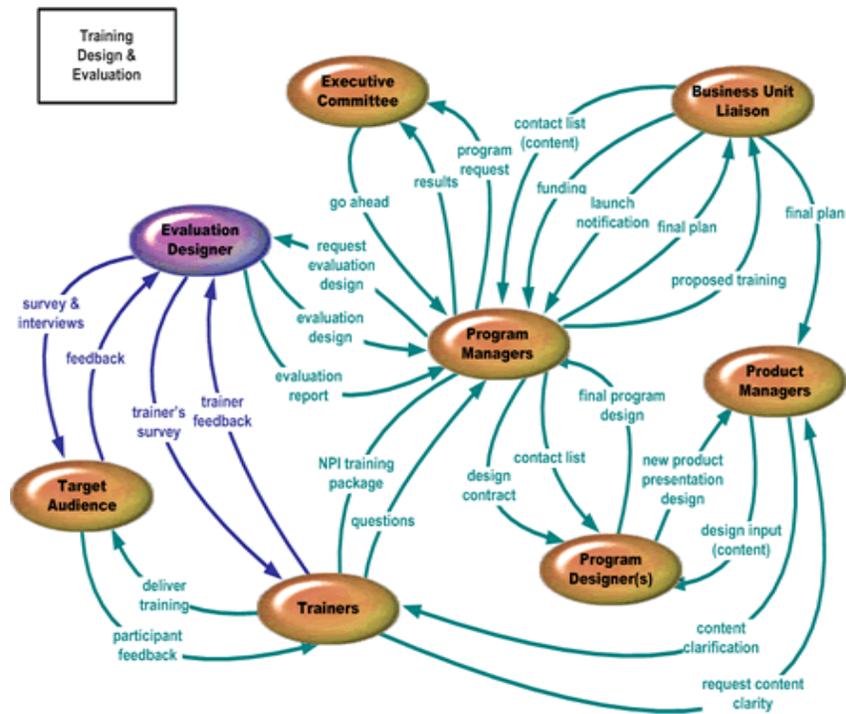
This diagram shows the situation before network analysis, with the intangible knowledge flows (in blue) being very limited. They wanted to improve knowledge flows throughout the training activities and gain more real-time feedback.
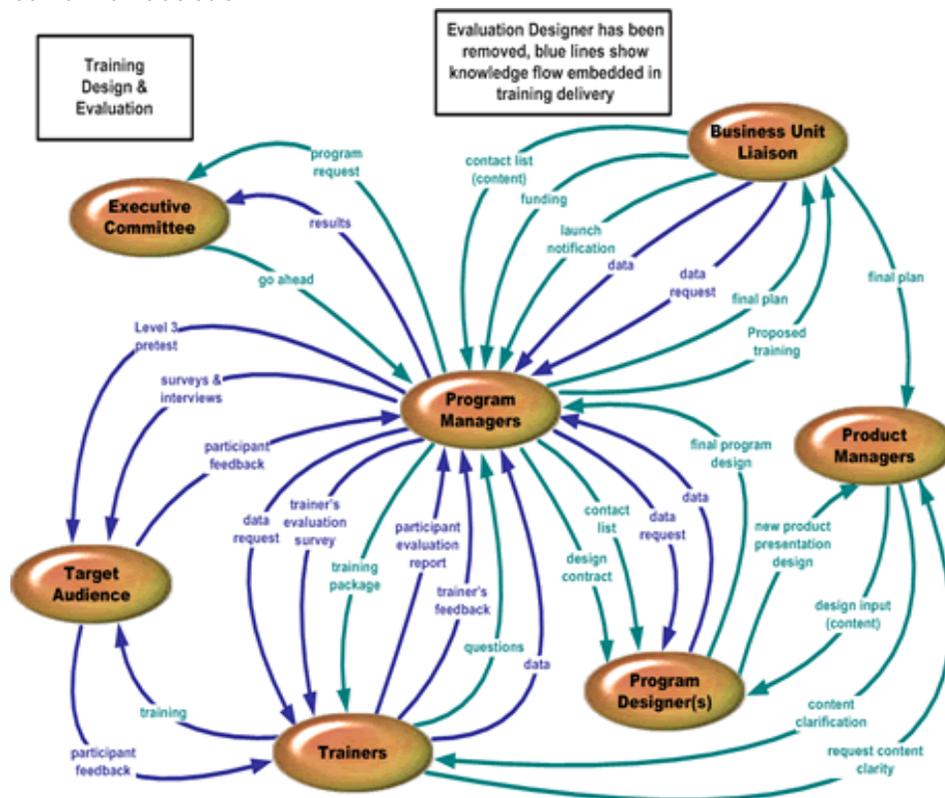
In this diagram the internal network has been reconfigured, eliminating the role of the evaluation designer. Evaluation data gathering has been embedded in the design and delivery activities for training, and knowledge flows expanded (in blue).

Value Conversion

Value conversion is a constant theme throughout the value network analysis. One of the core questions of the knowledge and innovation economy is, "How do we create value from our intangibles?" Value conversion is the act of altering or transforming one type of value into another, such as transforming an intangible output or asset into a tangible deliverable. An example might be converting industry insights and experience into a tangible output such as a subscription newsletter.

Knowledge, an intangible asset, is one of the most interchangeable commodities. We can "trade" knowledge for more knowledge, we can trade it for another kind of intangible such as a favor or benefit, or we can package and sell it for profit as a tangible. When we convert one type of value into another we have executed a value conversion.

The reason we look at both tangible and intangible interactions is to try to better understand how intangible assets and inputs can contribute to our success and help create greater value for ourselves and for our stakeholders. The value conversion question runs through both the impact and value creation Analyses but the spin on the question is slightly different in each:

Impact Analysis
How are we converting our inputs into value (tangible and intangible) for ourselves?
How is it helping us build our tangible and intangible assets?

Value Creation Analysis
How we are we utilizing our tangible and intangible assets to create value for our customers and other participants?

The question in the impact analysis helps us understand our own value realization from the things we receive to build our assets. The question in the value creation analysis helps us consider how well we are using those assets.

This is just a quick overview of the method and the type of business issues it can address through asking new questions about tangible and intangible exchanges and the dynamics of value conversion.