Value network mapping

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Managing Innovation

Value network mapping

Innovation is a multi-player game, not a solo act. From the earliest flash of inspiration to creating value from an idea we need to build networks to help realise our innovation. They provide support, key skills and resources, complementary assets, channels to reach our market, etc. No organization can do this alone.

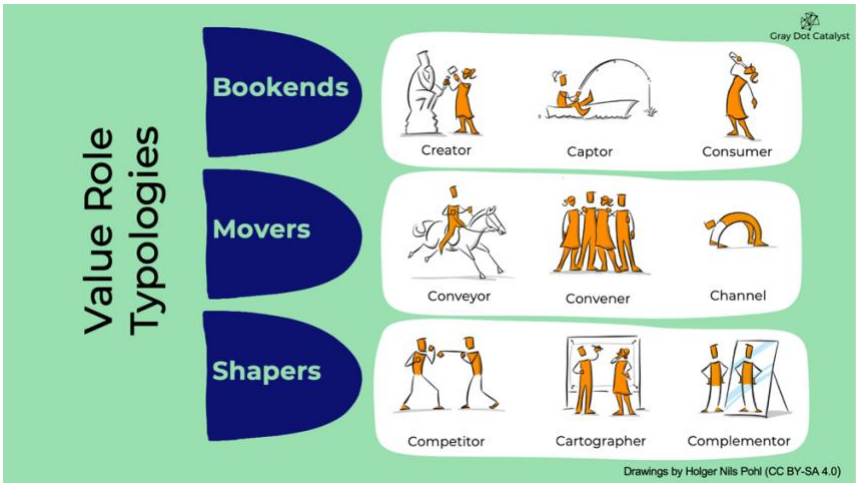
We need to recognise different players in our network and the roles which they play. And we need to understand and manage the relationships with them so that our innovation system works well together and the 'whole is greater than the sum of the parts'.

This tool involves analysing the 'value network' in terms of 9 key roles, looking at the nature of the current relationships and then developing a strategy to strengthen to overall network.

- Step 1 is to understand the multiple roles which are involved in moving an innovation to scale.
- Step 2 is to analyse your network in terms of who is playing these roles and their characteristics
- Step 3 is to analyse the strength (or otherwise) of the relationships you have with these key roles
- Step 4 is to identify key strategies to improve and strengthen the overall network in your favour – managing it as an ecosystem

Step 1: Identify key roles in your value network.

There are nine key roles involved:



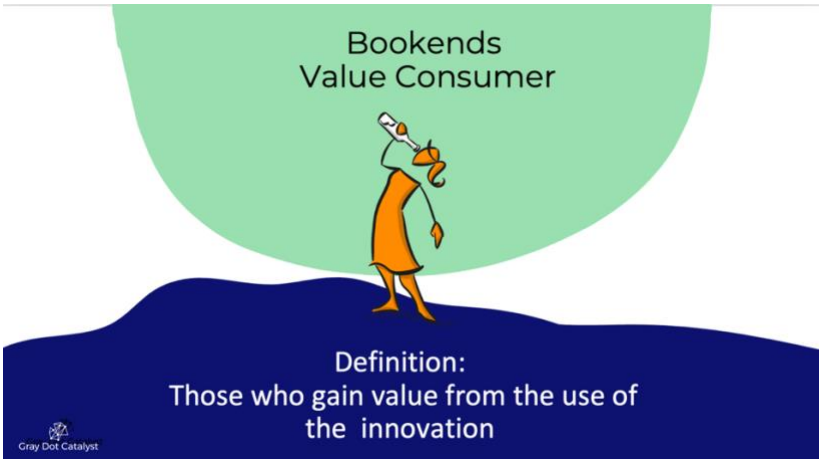
Bookends are what happens at the start and end of the value journey.

Value Creators

Value Creators are those who develop new value - the innovators. This can be one organisation, a partnership or joint venture, or can be done across a distributed network.

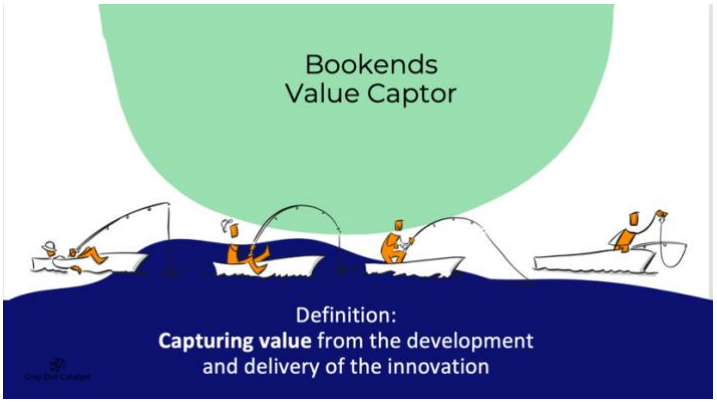
Examples would be a start-up with a new idea, a new product development team inside and organization or a social innovator looking to improve literacy rates amongst disadvantaged communities.

Value consumers



Those who derive value from the use of your innovation. They receive value when the innovation is used. It's the 'market' for your innovation. Some may pay for this (traditional customers), others may not e.g. citizens enjoying the public good of street lighting

Value Captors

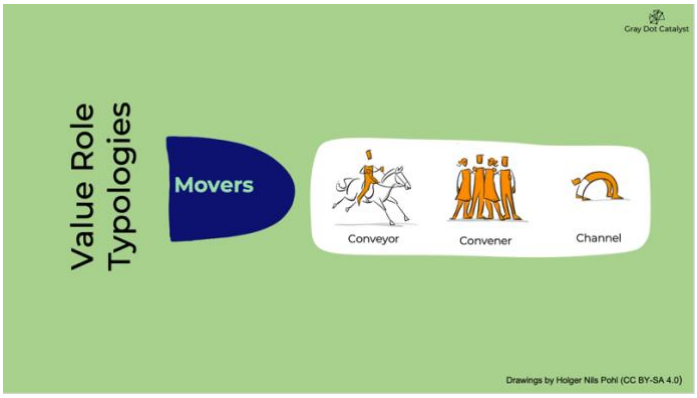


This is the process of extracting value from the value network that is not derived directly from the use of the innovation.

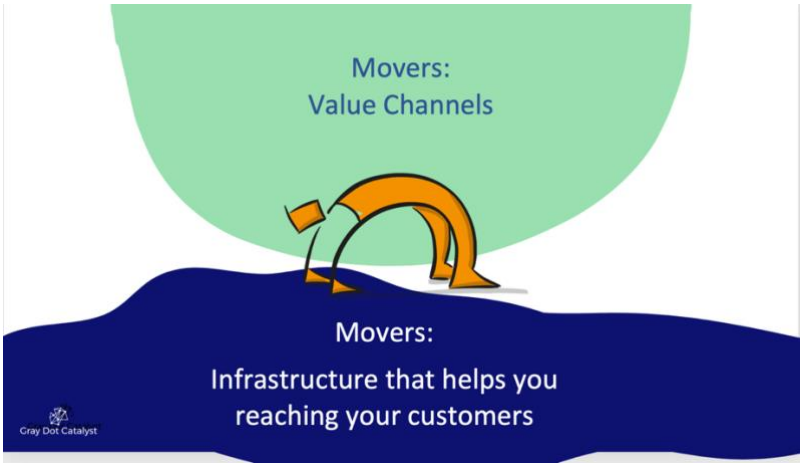
This is where the entrepreneur takes their profit from the risks they have expended. It's the company which launches and sells the product or service.

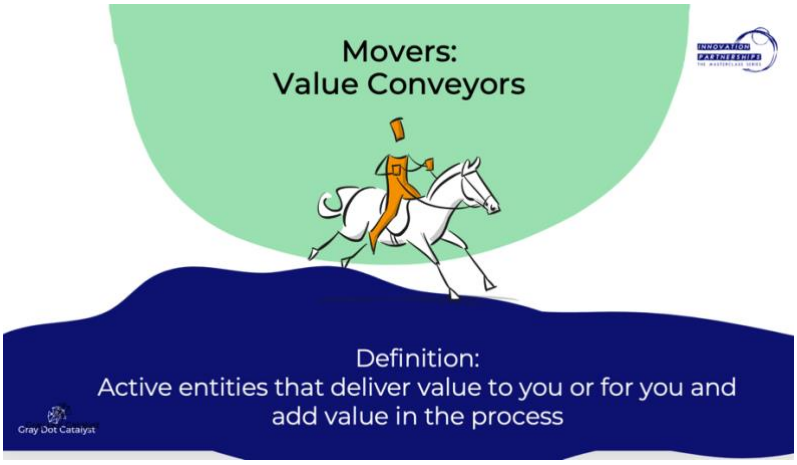
It's also where others take their 'return' – for example dividends returned to investors in your innovation.

Movers: Value channels, conveyors, connectors…

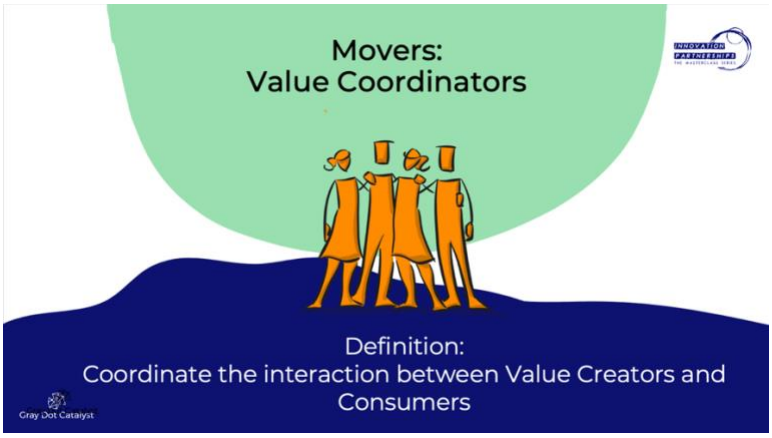


Movers are entities that help move value around the value network. The simplest of these are the channels you might use, for example to reach your market. These might be the internet for an online-business or physical sales and distribution channels.



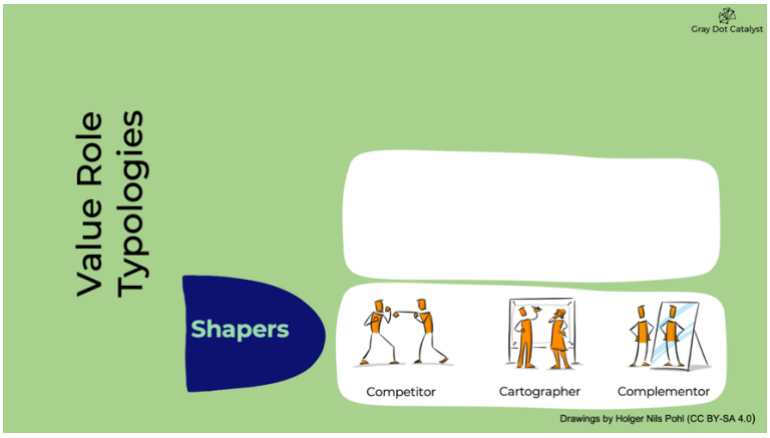


Value Conveyors are active players who help you create your innovation (e.g. key suppliers, providers of specialist services, knowledge providers, etc. as well as those who help you reach your market – for example key agents or brokers, sales representatives, etc.



Value Coordinators are players who can help make connections and co-ordinate the value system. Good examples are 'platform' businesses like Apple's App Store across which developers are able to reach their market or Amazon which does the same thing for a wide range of suppliers and customers, connecting them in value-adding fashion. Netflix does something similar co-ordinating between content creators and consumers across its streaming platform.

Shapers



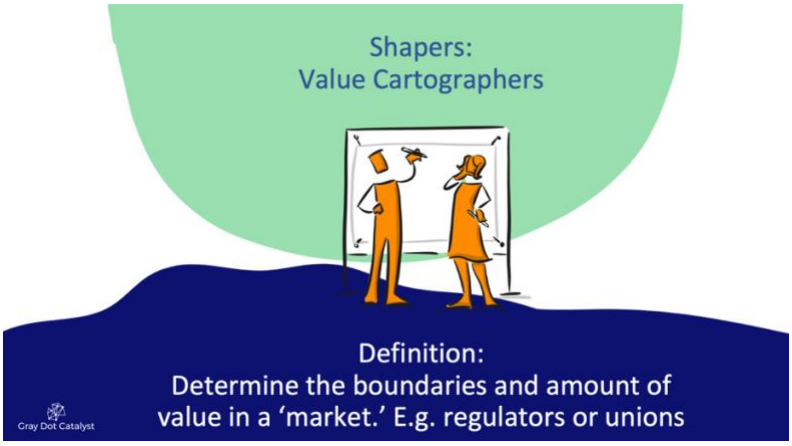
Shapers do just that, influence the space within which value creation is possible. They mark out the pitch on which the game is played and set the rules of the game. And they include competitors with whom the value space is negotiated or fought out.

Value competitors

Competitors may not just be other organizations offering something similar to you. It can also come from the status quo – why should people adopt something new? And it could come from alternative/substitutes – for example a movie streaming innovation may compete with other options for people to spend their attention and free time on.

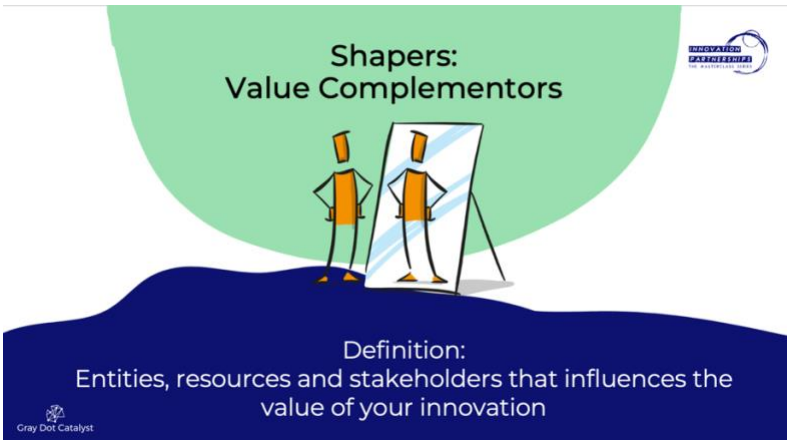
Competition is not just about the market side; it is also about shaping the context in which key resources are available – for example scarce and highly skilled resources or skills.

Cartographers



Value cartographers shape the context in which innovation takes place – for example by acting as external regulators or setting internationally agreed standards. They play key roles in structuring a market, and how much value is possible within a value network. This role can also be played by key agencies like trade unions which can shape the context in which innovation might happen.

Complementors



Value complementers provide a wider context within which innovation can happen. They may be key enabling technologies (like Bluetooth) or they may be key communities and groups which can provide support. For example the communities and user groups which grow up around innovations; examples might include Lego with its growing active user developer community or DJI which have captured 70% of the world market for drones partly through interacting with an active community of hobbyists who share ideas, test prototypes and provide rapid and early input to new product development.

Step 2: Analyse your network

The next step is to map your innovation network using these roles. The table below gives a framework for thinking not only about the key roles (and where there might be gaps) but also about the nature of the relationships involved to help bind the different players into an effective value creating system.

Network role	Key characteristics - e.g. who are they?, key functions which they fulfil	Nature of relationship - E.g. formal/contractual?, equity stake, partnership agreement, strategic alliance, etc.
Value creator(s)		
Value captors		
Value conveyors		
Value channels		
Value co-ordinators		
Value competitors		
Value cartographers		
Value complementors		
Value consumers		

Step 3: Strength of relationship (scale 1= weak to 10 = strong

The next step is to look at the relationships involved in your network and assess them in terms of strength or weakness. Having a key player who is also a formal partner is a strength whereas identifying a key player with whom there is little or no connection represents a potential weakness. The table below offers a simple framework for thinking about this.

Network role	Key characteristics - e.g. who are they?, key functions which they fulfil	Nature of relationship - E.g. formal/contractual?, equity stake, partnership agreement, strategic alliance, etc.	Strength (1-10 scale)
Value creator(s)			
Value captors			
Value conveyors			
Value channels			
Value co-ordinators			
Value competitors			
Value cartographers			
Value complementors			
Value consumers			

Step 4: Strategies to strengthen overall network ecosystem

Based on the mapping and analysis the final step is to develop strategies to help strengthen the overall system into an effective network.

Network role	Key characteristics e.g. who are they?, key functions which they fulfil	Nature of relationship E.g. formal/contractual?, equity stake, partnership agreement, strategic alliance, etc.	Strength (1-10 scale)	Strategies
Value creator(s)				
Value captors				
Value conveyors				
Value channels				
Value co-ordinators				
Value competitors				
Value cartographers				
Value complementors				
Value consumers				