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“Innovation in the Value Methodology”

Conference Organisers



INTERNATIONAL CONFERENCE ON VALUE ENGINEERING AND MANAGEMENT

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Value(s) and Management: there's Value Everywhere!

de Hemmer, Olaf¹

Abstract: AFAV has listed a long list of methodologies newly developed in various management domains, which are often reshaping the paradigm in their application field: Blue Ocean and Porter's Shared Value for strategy, Business Analysis for organization/IT projects, CSR in governance, BSC in accounting/management, Lean and Theory of Constraints for production, Customer Value management in marketing, Solution Focus in coaching, Value Creation by purchasing ...

These methods are sharing many 'Value' concepts: stakeholders' utility / needs satisfaction, life cycle analysis, system thinking and modeling, costs/benefits analysis, avoid unuseful costs, stakeholders change management, importance of people and values ... But many of the promoters and users of these methods do not know each other, nor understand they share a common ground!

We think cross-fertilization between these approaches could be the ground towards a more legitimate Value Management methodology.

Keywords: Values, Management, Methodologies, Blue Ocean strategy, Company Social Responsibility, Sustainable Development, Business ScoreCard, Business Analysis, Business Process, Lean, Theory of Constraints, Value Analysis, Customer Value Management, Economy of Functionality, Efficiency, Management by Processes, Interactifs, Leadership by Values, Radical Innovation Design, V3 method, Solution Focus.

1. INTRODUCTION

Value(s) seems to be the buzzword across the management arena, with a lot of specialists in different domains using the word with different meanings: wealth, ethic, profit, share value ... The crisis in Western countries raises the question of 'the purpose of it all': why consuming? Why working? Why spoil the planet? Where are we heading for?...

The meaning of the word is also multiple and may be confusing: the singular value is often meant as wealth; the plural values is often linked with ethics. Catch-all word or rich concept, specialists understand it in different ways.

AFAV has listed a long list of methodologies targeting performance improvement with a Value approach, developed in various management domains and functions. A collective book is under writing² to present some of these methods, with the help of specialists, academics or consultants having published books about them and applying them daily to generate more value for their customers.

2. 'VALUE' METHODOLOGIES

From its origin in product design, Value Analysis has been applied to many topics, leading to 'Value Management' (VM), but -while we know its relevance and efficiency- its legitimacy is not secured and VM is often not seen as a management method.

Many other 'value' methods may exist for years or were developed independently in the recent years, but their promoters mostly ignore each other. These methods are often reshaping the paradigm in their application field:

- *Blue Ocean – Value Innovation* change the paradigm of strategy,
- *Company Social Responsibility* and *Sustainable Development* give new foundation to governance,
- *Business ScoreCard* is shifting accounting and management towards new performance indicators,
- *Business Analysis* creates a new role for organization/IT projects,
- *Business Process Management* eases organizational improvement,

- *Lean and Theory Of Constraints* allow optimal process design,
 - *Value Analysis* transformed the design of products and systems,
 - *Customer Value Management* in marketing...
- Other approaches are less famous but are proving relevant:*
- *Economy of Functionality: proposing services instead of products for less resources consumption,*
 - *Efficiency: new performance indicators for construction projects,*
 - *Management by Processes: for organization and management,*
 - *Interactifs: interpersonal communication,*
 - *Leadership by Values: ethics in governance,*
 - *Radical Innovation Design: innovation management*
 - *The V3 method: formalization of the company system*
 - *Solution Focus: coaching and organizational development ...*

A special interest has aroused in the last months in the Supply Chain world about 'value creation by purchasing': the role of the most advanced purchasers is evolving from cost reduction towards managing an extended company, by integrating new dimensions and methods: sustainable purchasing for environmental impacts, ethical management of / by suppliers, innovation with suppliers, supplier development...

This evolution could be the sign of a new (?) paradigm for enterprise: from an assembly of specialized silos to a system of actors, implementing processes crossing functions and partners, all aiming at stakeholders' satisfaction?

In Figure 1, we used Michael Porter value chain model to position where the some of these 'value methods' find their place in a company.

Porter enlarged this view of the initial objective of a company of generating margin to distributing 'Shared Value' among the stakeholders, including environmental and social impacts (Porter, 2011).

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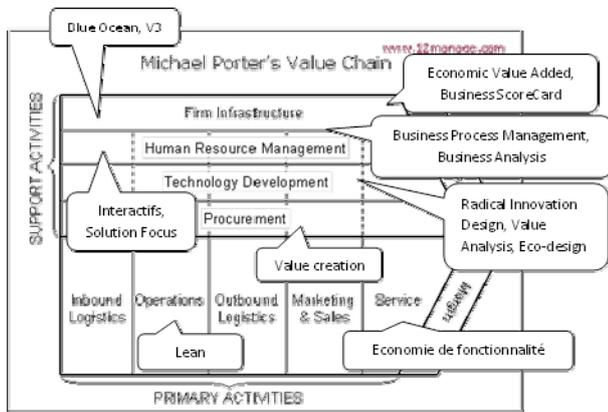


Figure 1: Many 'value' methods target different domain of management (adapted from M. Porter value chain, www.12manage.com)

Do these methods have in common only words or marketing, or do they share more fundamental grounds?

3. COMMON POINTS AND SPECIFICITIES OF THESE METHODS

3.1 Common 'value' and 'system' concepts

In Value Analysis / Value Management, the meaning of the word Value is utility(ies) / cost(s), where:

- utilities are the satisfaction of performances required during life cycle by users and other stakeholders: buyer, distributor, maintainer...
- costs are resources consumed during life cycle: money, time, material, comfort, security...

We take from this that:

- the value of something for somebody is the balance perceived between its usefulness and its costs
- the value of something is the balance of usefulness and costs for all its stakeholders

In the methods we analyzed, specialists today use their own language, with common vocabulary -including the word 'value'- but with different meanings for the same terms or different words for the same concepts. Nonetheless, a thorough analysis allowed underlining many common points:

- a Value approach, targeting to improve a solution by:
 - . improving its usefulness, and so better answering its purpose, in terms of stakeholders satisfaction,
 - . avoiding unuseful costs, or spending unuseful resources, by a costs/benefits analysis.
- a System approach, where each actor is depending on the others:
 - . things get meaning by their interactions with their environment, in a continuous flow of transformation of inputs in desired outputs,
 - . every analysis must be placed in a broader view, considering the whole life cycle and distinguishing different levels of goals and objectives (in a what for >> how way),
 - . actors and objects interact and evolve continuously
- priority is given to meaning/purpose and dialogue:
 - . no value without people
 - . analyses must be done with people involved,
 - . needs must be expressed by/with users,
 - . a change is effective if accepted or -better- proposed by those concerned and implemented with them in short loops easing quick results and retroactions.

But these methods have differences, not only linked to the management domain in which they are applied or to vocabulary.

3.2 Specificities

These methods can be differentiated along different axes:

- their domain of application: strategy, governance, organization, information systems, projects, innovation, engineering, industrial processes, purchasing...

- the dimensions of value aimed at:

- . more trust, esteem, pleasure, comfort, security, satisfaction
- . fewer resources: money, time, energy, material, stress
- . better economic performance: profit, market share, sales
- the values at work: efficiency, ecology, altruism, self-esteem, innovation, wealth

- the system considered: relation between a client and a product or service, a company and its stakeholders, people in an organization, a coach and coached person, a product and the environment

Table 1 presents for each of the methods analyzed the shared concepts and specificities.

Many other methods sharing some of the 'value' and 'system' concepts were analyzed in detail here, but are listed in Table 2, according to their domain of application.

Table 2: 'Value' methods in different management domains (in *italic*, methods analyzed in this article)

- Strategy:
 - Blue Ocean – Value Innovation
 - Corporate Social Responsibility
 - Entrepreneurial Value (Entreprises & Progrès)
 - Shared Value and Value Chain (Porter),
 - Sustainable Development
 - V3 method –Vision, Values and Will (Volontés)*
- Governance / Organization:
 - Agile methods
 - Business Analysis
 - Business Process Management
 - Business Process Reengineering
 - Business ScoreCard
 - IT value management,
 - Leadership by Values
 - Management by Processes
- Accounting / Management:
 - Activity Based Costing / Activity Based Management
 - Economic Value Added - EVA
 - Public Value Management
 - Shareholder Value
- Projects:
 - Earned Value Management,
 - Theory of Constraints / Critical Chain
 - Value Analysis and Upgrade Method – MAREVA
- R&D / innovation / Engineering:
 - (eco)Efficiency
 - Economy of Functionality
 - Ghandian engineering - frugal engineering
 - Life Cycle Analysis
 - Quality Function Deployment,
 - Radical Innovation Design
 - System Engineering

System Design

Target costing – Genka Kikaku,

The ‘good enough’ revolution,

TRIZ

Value Analysis

- Marketing:

Customer Perceived Value

Customer Value Added,

Customer Value Management

Value Marketing,

- Manufacturing:

Lean Manufacturing & 6 Sigma

Theory of Constraints,

Value Stream Mapping – VSM

- Purchasing :

Achats durables / responsables

Total Cost of Ownership – TCO

Value Creation by Purchasing

Redesign To Cost - RTC

- Risk management:

Failure Mode and Effects analysis FMEA

Safety management

- HR / communication /problem solving:

Non Violent Communication

GROW coaching

Interactifs

Solution Focus

4. TOWARDS SYNERGIES BETWEEN VALUE METHODS

As these methods are promoted independently in various domains, some companies have implemented some of them in parallel. But many ignore their complementarities, which were shown by previous experiences:

- for process optimization, Value Analysis can provide new tools to Lean and allow to optimize at the same time a product and the process to manufacture it ; some purchasers push at the same time their suppliers to redesign their product and optimize their processes with Lean ; Economy of Functionality opens new options by pushing to replace products by services.
- Blue Ocean helps a company define a broad innovative positioning, that can be implemented optimally in products and services with Value Analysis and Economy of Functionality ; Blue Ocean legitimizes the application of the Value approach at strategic level ; Value Analysis, Sustainable Development, Corporate Social Responsibility and Creating Value by Purchasing would help define the company strategy not only towards customers but also other stakeholders : environment, suppliers, territory, etc.
- Balanced ScoreCard allows managing orientations through KPIs defined with Blue Ocean, sustainable Development and Corporate Social Responsibility.

5. A COMMON SCIENTIFIC BACKGROUND: THE SYSTEM APPROACH

It seems many common points of these methods –developed independently! - are based on the system approach: this new paradigm overcomes the Cartesian reasoning the same way Einstein’s physics overcome Newton’s:

- Yesterday:
 - . Newton’s physics correctly describe the behavior of objects at our scale.
 - . Descartes was obviously right in the ”Discours de la Méthode”, which paves the way of the scientific reasoning, basis of so many progress in our daily lives.
- Today:
 - . Einstein explained in a much more accurate way the behavior of matter, limiting Newton’s physics to the particular case of our scale.
 - . Le Moigne describes in ”General System Theory” how the system approach overcome the Cartesian way of thinking, proposing 4 new principles to ”correctly lead the reasoning” :

Table 3: New principles of “General System Theory” VS the “Discours de la Méthode”

(from « La théorie du système général » JL Le Moigne 1994)

“Discours de la Méthode”	“General System Theory”
<i>Evidence</i> : knowledge is absolute	<i>Relevance</i> : knowledge is relative
<i>Analysis</i> : understand the whole from its parts	<i>Globalism</i> : understand an object by its environment
<i>Causality</i> : study causes/effects relations	<i>Teleology</i> : study goals/means relations
<i>Exhaustivity</i> : study every detail	<i>Agregativity</i> : study the global picture

These two approaches are of course complementary, as Newton and Einstein are in physics. But the System approach leads to a much broader mindset and degrees of liberty which –as too often observed- cruelly lack in the Cartesian reasoning!

It seems in fact that the Lumières movement in the 17th century had been a reaction to the excess of a clergy refusing the dogmas to be challenged (world’s creation in 7 days, etc.): the best way to avoid that a rigorous reasoning, necessary for the understanding of phenomena, would be mixed with spiritual considerations, has been to deliberately put apart the question “What for?” and the study of purpose. After Rabelais declared “Science without conscience is but ruin of soul”, Descartes decided to split science from conscience! Since then, scientists and spiritualists claim distinct territories. The developments of life sciences and robotics, as well as management sciences, pushed to rediscover meaning and purpose as central questions. The System approach could reconcile the analysis of causes and goals?

6. CONCLUSION

The more general use of system reasoning, with the help of methods which are exploiting it already with proven efficiency in many management domains, opens up considerable hopes for those who dream of giving back meaning and humanity to economic sciences!

- Let us dream of a company where:
- Strategy would target delivering to all stakeholders –shareholders, clients, suppliers, employees, environment, governments, and society- more value: more satisfaction at lesser costs
 - Products and services would enthusiasm current and future clients, making employees proud and suppliers loyal
 - Functions, services and units are managed according to indicators showing their contribution to the company goals and values, as well as the success of the other functions

- Processes, in industry and services, would produce only outputs useful to their internal and external stakeholders, driven with efficient information systems and tools
 - each actor would exchange his time, energy, skills and motivation against not only money but also quality of life, a sense of collective usefulness and long term personal development
 - Everyone would achieve his goals and objectives by collaborating to the other ones, in the respect of their own values.
- A company with more value(s) in its management?

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Table 1: Analysis of shared ‘value’ and ‘system’ concepts and specificities of various methods

Method	Objective	Domain - System studied	Purpose	Stakeholders	Unsuccessful costs	Costs/benefits	Environment	Flows In/Out	Life cycle	Levels of goal	Interactions	Meaning	Dialog	Involvement
Balanced ScoreCard	Manage a company with <i>financial and non-financial performance indicators</i>	Management – interaction between functions and strategy	x	x			x			x	x		x	
Blue Ocean - Value Innovation	Définer company strategy around <i>breakthrough innovation</i> targeting clients and <i>non-clients</i> instead of positioning against competitors	Strategy – interaction between offer and (non) clients	x	x		x			x		x	x	x	
Business Analysis	<i>Manage(IT) projects</i> by their usefulness to processes and strategy	Organization– interaction between projects, strategy and functions	x	x		x			x	x	x	x	x	x
Business Mapping	Formalize <i>processes</i> and resources used for easier improvement	Organization – interaction between actors, data, functions	x	x	x			x		x	x	x	x	x
Eco-design	Limit'impact of activity and products on the <i>environnement</i> and society	Engineering – interaction between product and environment		x			x	x	x		x		x	x
Economy of functionality	<i>Offer services</i> instead of products, to reduce resources consumption, develop skills manpower, lower cost and increase margin	Engineering - interaction between product, owner, users and environment	x		x	x	x		x			x	x	
(eco) Efficiency	Improve efficiency by increasing <i>values delivered and generated impacts</i> by projects	Management - interaction between building, uses and environment	x	x		x	x	x	x		x		x	x
Interactifs	Produce more value in interpersonal <i>relations</i>	Communication – interaction between people	x	x	x			x			x	x	x	x
Leadership by Values – Corporate Social Responsibility	Manage the company <i>ethically</i> , keeping coherence between the values promoted and those implemented by actors, for more mutual trust	Governance - interaction between actors and stakeholders	x	x			x				x	x	x	x
Lean manufacturing / management	Optimize <i>processes (industrials / tertiary)</i> with actors to satisfy clients at lesser cost	Production – interaction between actors, tools and clients	x	x	x	x		x			x		x	

Method	Objective	Domain - System studied	Purpose	Stakeholders	Unuseful costs	Costs/benefits	Environment	Flows In/Out	Life cycle	Levels of	Interactions	Meaning	Dialog	Involvement
Management by Processes	Organize the company by <i>processes</i> instead of functions to better serve clients	Organization – interaction between internal and external actors	x	x	x			x		x		x	x	x
Radical Innovation Design	Manage the <i>innovation</i> process	R&D – interaction between offer, competitors and clients	x	x	x	x	x			x	x	x	x	
Solution Focus	Focus people and teams on <i>solutions</i> instead of problems, for better motivation, less stress and unuseful energy spending	Coaching - interaction between coach, coache and solution	x	x	x						x	x	x	x
V3-vision, values and will	Model <i>value produced for stakeholders</i> and develop company's tangible and intangible assets	Strategy – interactions between company and stakeholders	x	x			x	x	x	x	x	x	x	x
Value Analysis	Design <i>products/systems</i> to answer needs at lesser costs	Engineering – interaction between product and users	x	x	x	x	x	x	x	x	x	x	x	x
Value creation by Purchasing	Create more value for company stakeholders through adapted <i>purchasing</i>	Purchasing – interaction between suppliers and internal actors	x	x	x	x	x		x		x	x	x	x