

Impact Analysis

(Excerpted from the Value Network Fieldbook, <http://www.alleevaluenetworks.com>.)

Overview

An Impact Analysis shows whether a participant is realizing value from the inputs they receive. It is focused on the individual participant or role, not on the system as a whole. While the **Exchange Analysis** is focused on gain or loss between two participants, a group, or the network as a whole, an impact analysis focuses more specifically on each participant or a subgroup of participants.

It is designed to:

- Assess how specific value inputs are bringing value or benefit to the participant.
- Assess the overall tangible and intangible cost/benefit for each value input.
- Identify value realization opportunities to better leverage value received.
- Identify potential opportunities for **Value Conversion**.
- Link the key value network **Transactions and Deliverables** to financial and non-financial scorecards.

How to use it

This is one of the core analysis tools for the methodology. It is one of the easiest ways to link specific activities in a value network to financial indicators, and with intellectual capital scorecards, intangible asset indexes, and monitors – even the Balanced Scorecard. It provides a way to develop strategies and consider investments in capabilities that would increase value realization.

Definition

Value realization is the act of turning a value input, either tangible or intangible, into real gains, benefits or assets that contribute to the success of the participant or their organization.

When to do it

The impact analysis should be conducted after completion of the visual **Value Network Map** and after an initial **Exchange Analysis**.

The impact analysis requires that:

- All **Participants and Roles** have been identified.
- All **Transactions and Deliverables** are indicated.
- **Sequencing** or other validation has been completed.
- A participant group has been identified for the analysis.

Definition

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 output. An example might be converting industry insights and experience into a tangible value output of a subscription-based newsletter.

How to do it

- Determine if impact is going to be evaluated for only the participant group – or for how value accrues to the company as a whole. If both are being evaluated then you will need to:
 - expand the table to include extra fields, or
 - build two separate tables, or

- use color coding to signify whether the impact is only experienced locally in the participant group, or more generally for the company as a whole.
- Create a spreadsheet or table by listing the transactions on one axis and the key impact categories on the other. You can use icons, numeric values, or symbols to indicate degree of positive or negative impact. You can include actual **Performance Indicators** (current or targeted) in the table as well.

What to ask or observe

In general

Consider each transaction or activity (or selected group of activities) in turn, asking:

- How is this specific activity impacting us or bringing benefit?
- What are the real costs?
- What is at risk in this transaction?
- Is there an opportunity cost?

Activities generated

What is our immediate visible response to this particular input? In other words, what activities or behaviors are triggered by this input:

Costs

What are the costs/risks of these activities?

What is at risk when handling this input or in not handling it well?

What are the demands on resources and assets?

How does it impact our tangible assets?

How does it impact our intangible assets such as human competence, internal structures and business relationships?

Things to Know

A valuable resource for understanding intangible assets is the Sveiby Intangible Assets Monitor (IAM). You can learn more at <http://www.sveiby.com>.

Benefits

What are the benefits of this input?

In increased tangible value?

In improved current capability:

In expanded future capability (intangible value)?

Patterns to look for

Look for costs/risks or improvements in:

- Financial performance
- Handling costs
- Performance
- Knowledge loss or gain
- Learning curves and competence

- Allocation of resources (including human)
- Demands on internal structures and systems
- Needed business relationships
- Brand and Image
- Physical environment
- Business climate and culture

Displaying Data

- Use a table or spreadsheet in one of the following suggested formats. The table can be customized for any financial and non-financial scorecard. The example below uses the IAM of Karl-Erik Sveiby, which has the non-financial asset categories of Human Competence, Internal Structure, and External Structure. In some companies the scorecard might include corporate social responsibility, leadership, or even culture. For example, receiving a particular knowledge input may increase human competency, a measurable gain for the intangible asset of in human capital. Conversely the skill required to process the input may place time demands on certain categories of skilled people, which has both a financial cost and an intangible opportunity cost as skilled people are not able to be deployed elsewhere.

Example A

This is the configuration that is used in the *GenSis™ application that supports ValueNet Works™ Analysis*.

Below the outline table are larger versions of sections showing text details.

Transactions	Impact Analysis					
	Activity	Impact - tangibles	Impact - intangibles	Cost	Benefit	Perceived Value

Below are the detail tables.

Transactions			Impact Analysis
Deliverables	From	To	What activities does the input generate for the recipient?
Intangible	<Please select>	<Please select>	
Tangible	<Please select>	<Please select>	
Intangible	<Please select>	<Please select>	
Tangible	<Please select>	<Please select>	

Impact Analysis						
	select>	select>				
What is the impact on the recipient's costs and tangible resources?	What is the impact on recipient's intangible assets? (Human Competence Internal Structures Business Relationships)			What is their overall cost / risk for managing this input?	What is their overall benefit for this input?	Transaction Perceived Value Recipient highly values this deliverable. Strongly agree (+2) Agree (+1) Neutral (N) Disagree (-1) Strongly disagree (-2)

- Use the cost/benefit comparison to identify high-potential or high-leverage activities. The goal is to realize the highest possible return for the lowest possible cost or risk.
- Once you have completed an “as-is” analysis, you can use the same approach for brainstorming ways to increase the impact or value. So you can use the same analysis table configuration to do both a “current state” and a “strategic” impact analysis.
- A very natural extension of this table would be to include **Performance Indicators** or performance targets. There are also other factors that could be included such as costs and benefits in terms of corporate responsibility and brand. See Example B for other possible configurations.

Example B

Another possible configuration for the impact analysis

Expanded Impact Analysis			
What are our performance targets for this input?	What is the impact on our corporate social responsibility?	What is the environmental impact of this input?	Who is accountable for value realization from this input?

Analysis Questions

How is a specific value input adding or subtracting value, or otherwise impacting the participant or the organization the participant is a part of?

High-value transactions have high positive impacts on the participant – prompting action, increasing competency or service qualities, expanding current or future capability, contributing to intangibles and intellectual capital, fostering innovation, or triggering value creating activities that will lead to other value outputs.



How are intangible value inputs contributing to current or future capability by increasing intangible assets or intellectual capital?

Intangible exchanges should be linked to company indexes and metrics for intangible assets.

Does a given value input actually accrue value for the company as a whole?

If a group of participants belong to the same organizational entity, then value that is gained by one participant from an external stakeholder accrues both directly to that entity and either directly or indirectly to all other participants in that organization. If value gained by one participant does not accrue to its organizational partners then it may be a lost value realization opportunity.

Perceived Value at the Transaction Level

Perceived value is a way to assess the level of value participants feel they receive from individual transactions, from other participants, and from the network as a whole. Perceived value at the transaction level can be assessed as part of the **Impact Analysis** for each participant. It can also be done at the whole system level during the **Exchange Analysis**.

Perceived value is especially useful for surfacing assumptions — often unspoken or unconscious — about value and value flows. Simply because there is an interaction does not mean that positive value is being created. In fact people may actively dislike the input, or feel it is too costly to process — which could be a negative value. Perceived value is especially useful when applied to intangible indicators, as it is often difficult to gauge their value with a number or financial measure.

Tip

It is important to remember that this is a subjective assessment. Unless it is conducted using only data-driven financial indicators (which is not recommended) it is only about a participant's perception of value.

Nonetheless, the different patterns that weighted value measures produce can lead to significant insights and point to where further research is needed.

Perceived Value Assessment at the transaction level

The weighted measure is in parenthesis. In this example N is neutral, meaning there is a link and deliverable but that it is not perceived either as positive or negative.

For each participant please complete this statement:

1.	I place a high value on the inputs I receive from (participant name) -----	strongly agree (+2)	agree (+1)	neither (N)	disagree (-1)	strongly disagree (-2)
2.	I place a high value on the inputs I receive from (participant name) -----	strongly agree (+2)	agree (+1)	neither (N)	disagree (-1)	strongly disagree (-2)
3.	I place a high value on the inputs I receive from (participant name) -----	strongly agree (+2)	agree (+1)	neither (N)	disagree (-1)	strongly disagree (-2)

To visually depict the weight when mapping the network, you can make the lines progressively thicker from negative to higher values (with N being the default size), or use different colors to identify the exact value of each input.

Caution



It is possible to ask participants to assign a financial value to their participation in the network or in regard to their relationship with another participant. A financial “value” could, in some cases perhaps, be calculated by analyzing financial transactions within the network.

But this is a very limited understanding of value. The real strength of the value network analysis is in helping us understand the value of the non-financial “glue” that makes the network successful. Intangible value transactions can be thought of as emergent value in that they build relationship capital for the future.