

**KnowledgeBoard Special Online Event:  
Value Networks and the Future of the Enterprise**  
11 July 2006 (GMT 16:00)



Special guest  
speaker:  
**Dr. Verna Allee**

In attendance:

**Verna Allee** (guest speaker), Kate Phelon (moderator), Jenny Ogden (moderator), Ed Mitchell, Anne Jubert, Peter Miles, Mimi Tresman, Bogdan Pilawski, Oliver Schwabe, Victoria Axelrod, Jenny Ambrozek, Michal Goldberg, John Barrett, Christopher Boyd, Guy Benchimol, Sally Bean, Harald DauwaStummer, Dominic Kelleher, Shaun Dunphy, Artur Silva, Han van Loon, Valentin Bach, Shashi Kadapa, Patti Anklam

***Transcript of the online event:***

**<Verna Allee>** Hello, I am very pleased to be here. This is my first time for this chat so I may have a slight learning curve  
**<Verna Allee>** Good morning. Thank you for your patience! (Good evening?)  
**<Verna Allee>** I would enjoy quick introductions also.  
**<Anne Jubert>** Bogdan, Peter, Olivier you just arrived.  
**<Peter Miles>** Hello all  
**<Oliver Schwabe>** Good afternoon from Germany everyone  
**<Jenny Ogden>** Good afternoon from Sift in Bristol, UK. Kate and I are here to moderate, take a transcript etc.  
**<Mimi Tresman>** Hi, I work at Edna Pasher's office with Michal and will be replacing her on the KnowledgeBoard when she goes on holiday to India  
**<Oliver Schwabe>** Hi Mimi - give my regards to Edna - long time no see :)  
**<Anne Jubert>** I'm Anne from France, an early KnowledgeBoarder  
**<Peter Miles>** As an intro - I manage a small facilitation company that uses complexity techniques to help organisations resolve complex issues  
**<Anne Jubert>** and a fan of Verna :-)  
**<Bogdan Pilawski>** Greetings from Poland  
**<Oliver Schwabe>** Thanks Peter - I am focused on leadership development and work closely with Verna in qualifications and tool development  
**<Verna Allee>** Thank you all so much for coming. I am actually at Google headquarters today working with an amazing group of people exploring the future of the electric car. Interestingly enough we can't seem to ask about the future of anything without addressing the future organization. It is also the challenge of the whole infrastructure, value network, society that would even support products based on a different economic proposition. It never used to be this hard to think about running a business!  
**<Oliver Schwabe>** Maybe we should "serve" the business instead? :)  
**<Guy Benchimol>** Indeed, electric car is a good instance to examine by means of KM why it is so long to emerge...  
**<Verna Allee>** Hmmm, good question. What is it we really think we are "running" or managing when we "do" business  
**<Artur Silva>** Artur  
**<Verna Allee>** There is a new movie out title "who killed the electric car?" Basically making the proposition that you can't get to the new industry from inside the old.  
**<Michal Goldberg>** so how would you describe the new organization??

**<Peter Miles>** Is "management" simply encouraging positive aspects of emergence?

**<Guy Benchimol>** **<Guy Benchimol>** well it is not only a question of industrial factors

**<Verna Allee>** I like that definition Peter. It is exactly what I have been trying to communicate. How receptive are you finding people to that kind of thinking?

**<Peter Miles>** not receptive (it takes a while to shake off the old ways of thinking)

**<Ed Mitchell>**It's very hard when you are writing a business plan!

**<Anne Jubert>** Should we shake it ALL off Peter?

**<Peter Miles>** No, I think the new thinking always encompasses the old

**<Mimi Tresman>** isnt it about changing what doesn't fit anymore

**<Valentin Bach>** there

**<Mimi Tresman>** ?

**<Valentin Bach>** hi there

**<Verna Allee>** How is language starting to change in the environments were some of you are working? What do people seem to want to do differently? Where do you find the openings?

**<Anne Jubert>** Learning and adapting is also part of the change -?

**<Guy Benchimol>** **<Guy Benchimol>** That's true all is in the environment

**<Verna Allee>** The language and metaphors we use are so important. The language of networks seems to be picking up a lot of momentum, and I am wondering if that is actually the emergent language for systems thinking?

**<Peter Miles>** I think the language of natural systems - co-evolution etc - is important

**<Bogdan Pilawski>** When it comes to language, it's mostly juggling few "modern" buzzwords like "competitive advantage" on any occasion

**<Valentin Bach>** oh so true

**<Guy Benchimol>** **<Guy Benchimol>** Let's come back to the dialog between the PRO's and CON's (Keeping the electric car instance

**<Shaun Dunphy>** I've found metaphors and analogies very powerful in successful HR management interventions.

**<Verna Allee>** You made me laugh Bogdan. Executives and consultants seems to be most guilty of that.

**<Jenny Ambrozek>** Re language. I'm interested in where new language is emerging, how you recommend promoting consensus on the meaning and adoption please

**<Anne Jubert>** The politicians as well!

**<Verna Allee>** Guy I didn't understand your question.

**<Bogdan Pilawski>** may add even few more to the list: quick wins, low-hanging fruits, to some it all seems that easy...

**<Peter Miles>** So Verna - are Google working on a car?

**<Artur Silva>** Re; Language of Networks. Why is it more important than the language of emergence or complexity?

**<Guy Benchimol>** **<Guy Benchimol>** Well, if you speak networks, you have people having various opinions, either for political or social grounds but always because they have opposite interests

**<Han van Loon>** Systems Thinking is about understanding the overall dynamics of a system, in part that is language, but it is also about behaviour, norms and values, not all of which are communicated well by language

**<Verna Allee>** A number of factors have come into play to lay context for a new way of thinking about enterprise: valuing knowledge, collaborative behaviours (or trying a little anyway), what seems to have kicked in lately is frustration with the old tools. People are finally realizing they have to learn something new. I think all of these different languages are seeking to find a way we can talk about different factors where

we couldn't before.

**<Valentin Bach>** what about languages that seek a common ground... like the business model ontology?

**<Peter Miles>** I would think networks are just an aspect of complexity?

**<Mimi Tresman>** but Verna, isn't what you just said the total opposite of what has been happening with the electric car?

**<Verna Allee>** Some of the people who have been working with value network analysis say that the greatest value is that it is a sense making device for people to surface their often unspoken assumptions about what is happening and what they think needs to happen .

**<Han van Loon>** Networks are one form of social interaction, most often a loosely coupled system, unlike a team for example.

**<Han van Loon>** I see networks as both sharing information, but quite often also just a means to gather information. This is why people like Google - to gather data and information.

**<Verna Allee>** Mimi, I think you are on target. There is a whole language and model (very adversarial, competitive, mechanistic and profit based) that goes with the auto industry and people working on socially responsible products are coming from an entirely different set of assumptions and a new language does seem to be emerging where people are questioning the old models.

**<Guy Benchimol>** **<Guy Benchimol>** It is important to stipulate which categories of people participate to the network

**<Han van Loon>** Why?

**<Mimi Tresman>** I find there's a problem in a way with innovation - as efficiency can lead to the need of less workers. How can we avoid efficiency creating unemployment?

**<Han van Loon>** We can't.

**<Verna Allee>** Han, networks not only share information but we engage in actual material exchanges as well that enable us to function physically. Business is certainly about exchanging information directly but also about exchanging advanced forms of information that we call products and services.

**<Guy Benchimol>** Because the interests depend of their position inside or outside the firm

**<Artur Silva>** Verna, can you please explain why you decided to concentrate on a particular aspect of complexity, namely Networks?

**<Verna Allee>** Our advances and innovations actually free up human creativity to address even more challenging questions.

**<Han van Loon>** A product or service comprises information (in a knowledge sense) plus (optionally) a physical entity (product) or physical activity (service).

**<Verna Allee>** I began years ago talking about systems and found that people thought systems didn't have anything to do with them. That system means mechanical systems or at least something outside themselves. People seem to connect more personally to the word network and therefore are more receptive to that term.

**<Guy Benchimol>** **<Guy Benchimol>** Verna, which challenging questions do you think of?

**<Anne Jubert>** Networks or communities?

**<Han van Loon>** Idealistically Verna I agree about creating opportunity through innovation, but our base instincts often only use innovation for personal gain.

**<Valentin Bach>** I always thought of a value network as one possible value configuration

**<Verna Allee>** I also found that most system modelling approaches left out people and even left out business transactions and activities. I have always been interested in how the whole, thing works - the whole business model that includes real people interacting with each other in a dynamic that creates value.

**<Shashi Kadapa>** Hi Verna, Your report on value networks is very well written. My name is Shashi Kadapa. I run a small start up, [www.activemuse.com](http://www.activemuse.com)

**<Guy Benchimol>** **<Guy Benchimol>** Not only basic instincts, Han, but our current interests

**<Valentin Bach>** Verna which reference model are you referring to?

**<Verna Allee>** So my question with the value network lens is to see if we can get closer to the "real" business model of how people engage with each other to create value both for themselves and as an output. So I think that is the question behind the questions.

**<Shaun Dunphy>** It reminds me of Stafford Beer's viable systems model

**<Han van Loon>** Systems and systems thinking have been originally focused with people in the centre. I still use this definition. I think it just needs you to explain at the start to people. Networks to me are a form of organisational entity

**<Artur Silva>** So it is more a question of effectiveness, than of understanding the reality of organizations?

**<Valentin Bach>** I would say both, Artur

**<Verna Allee>** Networks are the basic pattern of everything living system. A network is not so much a thing as a pattern that we can observe.

**<Verna Allee>** The fundamental pattern of life itself is a network.

**<Artur Silva>** And would not you agree that "complexity systems" are far apart from mechanical ones?

**<Shashi Kadapa>** The problem with networks is that info flows in one direction. When lower rung people need info, it is given on a 'need to know basis'

**<Han van Loon>** You been in the 'base instinct' network

**<Verna Allee>** One of my favourite examples of how we miss the picture is to use the example of DNA. Think of all those illustrations you have seen these last few years of DNA as a single double helix strand of chemicals floating in space.

**<Guy Benchimol>** Verna, don't you think there are networks into networks and interaction between them according to their power of influence?

**<Verna Allee>** That strand of DNA is useless without the network connections. When you look at the DNA pattern in a living cell, it is not a single strand it is a network.

**<Verna Allee>** Networks are the pattern of life and organizations, as social systems, behave as living systems.

**<Han van Loon>** Are you saying that interaction is the characteristic of a network (using the DNA example)?

**<Verna Allee>** We also use the term network as if they are all alike. There are many different kinds of purposeful networks. A community of practice is a purposeful network focused on creating knowledge value.

**<Han van Loon>** I agree

**<Verna Allee>** There are other purposeful network that are focused on creating social or economic good. The patterns of these networks may well have significant differences - and they certainly need different kinds of support, roles and infrastructure

**<Valentin Bach>** Verna, do you use any reference business models?

**<Valentin Bach>** like Osterwalder's business model ontology for example

**<Han van Loon>** Networks are not all alike, but I'm not sure that we can resolve everything to networks. One on one interaction to me is not a network, but it can be a system.

**<Guy Benchimol>** Please, Verna, could you apply what has been said until now to the initial instance of electric car?

**<Verna Allee>** Yes, interaction is key. What makes something a living network is they way interactions occur? A living system exchanges matter and energy and it also much have intelligence exchanges. That is what makes it living instead of mechanistic.

**<Mimi Tresman>** like any relationship

**<Anne Jubert>** How do you define the minimal characteristics of a network Verna?

**<Artur Silva>** **<Artur Silva>** RE: Networks as the pattern of life and organizations. Can you give some other references sustaining that perspective? Latin

**<Valentin Bach>** Verna, do you use any reference business models?

**<Verna Allee>** I will try to bring us around. Our way of thinking in the past is to look at one product, one company, one industry. Our unit of analysis in business and economics have been the firm, the industry and the nation state. I am suggesting that we need a different unit of analysis. Ideally that would be "the system." However, in everyday business practice people can't seem to make the leap to thinking about the whole system. Networks are a step closer to systems thinking for us, I think it is part of our learning curve.

**<Shashi Kadapa>** **<shashi>** Hi Verna, at Patni we used models such as Waterfall model, Xtreme Prototyping and others. Knowledge network really helped us then.

**<Peter Miles>** Yes - it's taken me a long time to reach the understanding that the links matter more than the nodes...

**<Verna Allee>** The group here today is supposedly addressing the question of the electric car, but what has really attracted people are the questions that have to do with that, the organization of the 21st century, what would a new industry look like. what kind of creative linkages are possible.

**<Han van Loon>** I agree, networks are a somewhat more complex system.

**<Verna Allee>** Good way to put it Peter, we are starting to learn that what happens in the in between places is really important.

**<Peter Miles>** Let me risk a World Cup analogy - all the commentators concentrate on the players, but it's how they interact that matters...

**<Han van Loon>** I think the links are important when the power distribution across the nodes is fairly even, but if one or two nodes have a greater power than the others, than they determine the outcomes.

**<Verna Allee>** Shashi, what we are seeing now is that by modelling what they are doing as a value network analysis people can readily link to other processes and tools. AT Boeing, Cisco and May Clinic they are using value network analysis as a next generation approach to Lean and Six Sigma. You map the activity as a network to better understand the system (where big breakthroughs happen) before you move to processes.

**<Verna Allee>** Oliver and others in our network are working with business ontologies and languages such as SAP other ERP languages to integrate the methodology.

**<Valentin Bach>** how does value network analysis differ from business model simulation?

**<Bogdan Pilawski>** We'll always have more and less powerful nodes in every network

**<Shashi Kadapa>** **<Shashi>** Well, I think organizations really use networks for quick development and to reduce the learning curve. Quick bucks with the least trails is what they seek.

**<Verna Allee>** There is a huge amount of work going on now to integrate different tools. Boeing has put value network analysis as a centrepiece for a whole suite of methods they call Multi Scale Analysis for Complex Adaptive Systems. (I am working with the Complex Adaptive Systems group there). They combine VNA with social network analysis, system dynamics and process and workflow tools as well as storytelling. Very interesting work.

**<Valentin Bach>** wow

**<Guy Benchimol>** **<Guy Benchimol>** Is it more important to create networks or to observe how existing ones work?

**<Shashi Kadapa>** **<Shashi>** The emphasis is more on setting the processes rather than specifying rules?

**<Verna Allee>** There are many different lenses for business modelling. The default business model however is still the value chain, which is the linear mechanistic model that we discovered along with processes and teams in the 1980s. Often what people call the business model is an idealized version of what they would like to happen instead of what really happens.

**<Han van Loon>** Hence the value of SNA

**<Verna Allee>** You cannot create or administer a network you can only serve it.

**<Michal Goldberg>** what about COP's?

**<Valentin Bach>** Verna, according to Osterwalder, the value chain as well as the value network are just two different types of value configuration

**<Verna Allee>** You need an understanding of how the value network operates, what principles are at play, but what you really manage is your role in that network. If you manage that role superbly well then you will be successful.

**<Verna Allee>** Valentin, I would suggest that they are two different views of value creating activities. If you model the business as a network and tell it as a story, you actually do find the processes or "chains" working within the network. However, if you are looking at a process or chain you cannot see the whole system. If you model the whole system you see all the process as well as interdependencies and a whole lot more besides.

**<Shashi Kadapa>** <Shashi> Verna, problems do occur when a knowledge champion moves to another role or a different job?

**<Valentin Bach>** Verna, I see what you mean.

**<Verna Allee>** Value network analysis and social network analysis are very complementary. In the value network analysis you have identified the mission critical tangible and intangible exchanges. We know that intangibles exchanges such as knowledge, support and other kinds of benefits tend to follow human connections. So we can use organizational network analysis as a reality check as to whether those pathways are even open.

**<Bogdan Pilawski>** if some are more successful than others, they simply constitute more powerful nodes

**<Shashi Kadapa>** <Shashi> Verna, Does the network have to be flexible or rigid where each one knows what he is supposed to do. way, we are actually extending the office culture into the value network

**<Verna Allee>** In networks we identify roles instead of jobs. Roles can be played by any variety of people and in a variety of ways. It seems to open up more creativity to think about the nodes as roles rather than jobs.

**<Shashi Kadapa>** but this way, there will be no order and each does what they feel is right

**<Verna Allee>** I think people are finding that successful value networks do have shared understanding and norms of behaviour. I believe that transparency is actually driving a very different kind of business ethic that requires absolute integrity to be highly successful. The more transparent the network the more trust there seems to be.

**<Anne Jubert>** Yes but inside an organisation you cannot always choose your role, the job you have sets certain limits

**<Peter Miles>** Verna, can the value network be used to replace the "organisation chart"?

**<Bogdan Pilawski>** a job is what one does, and the role is how he/she does it (ability to play instead of common routine)

**<Anne Jubert>** Wow that is advanced!

**<Verna Allee>** Networks are self organizing in that people don't "vote" to eliminate a node. But if a node is not behaving in a way that contributes to the health of the network people gradually withdraw their support. By the same token if people feel the network is not supporting them in the way they want they just go away.

**<Shashi Kadapa>** At the end of the day, we have to justify the costs, so how do we measure how much a network has 'earned'?

**<Valentin Bach>** a good case study to look at concerning networking inside an organisation is Oticon, the Danish hearing aid manufacturer

**<Verna Allee>** Anne, I believe people actually are choosing their roles more and more, especially as you move up the professional ladder.

**<Anne Jubert>** Yes but the majority of people are not that lucky

**<Valentin Bach>** @ shashi how about time to market as measure?

**<Verna Allee>** I don't think network necessarily replace the org chart. The org chart is a formal reporting relationship and could itself be mapped as a network.

**<Valentin Bach>** so the actual network hides behind an org chart?

**<Verna Allee>** Yes, Anne, I agree, but I also think some of the frustration people feel is that they are actually playing valuable roles that go unrecognized.

**<Anne Jubert>** Sure!

**<Shashi Kadapa>** <Shashi> Thanks Valentino, but the problem is that people tend to understate the value received and inflate the actual contribution they or their teams have made.

**<Verna Allee>** I think of the value network map as a response to the question will the real business model please stand up. Would the org chart tell a 12 year old how value is created?

**<Verna Allee>** Shashi, I think the behaviour you describe is actually one that people will find does not serve them well in a more transparent and networked world. People will not want to work with them.

**<Anne Jubert>** Verna you describe the culture of the organisation that I want to work for

**<Shashi Kadapa>** <Shashi> Thanks Verna, u r right, but in an organization where pay hikes and bonus is decided by the contribution made, it usually ends in a race.

**<Verna Allee>** In the successful (and fun and profitable) networks I know of people genuinely support the success of others. In the old thinking we did not care about the success of others, especially if they are competitors, what is remarkable about success stories such as Cisco (and hopefully the electric car) is that people are now concerned about the whole value network being successful, even for those who are competing with us.

**<Shashi Kadapa>** <Shashi> Verna, what exactly could be shared in a network? Could it be tools, tips, trouble shooting aids, sage advice, case studies, etc?

**<Han van Loon>** Shashi and Verna are both right, there will be both types (and more) of these situations for a long time to come.

**<Verna Allee>** That is a mindset that is enormously difficult for some people to get their heads around, but it really does work and I think the value network of people who are bringing these new approaches forward, including the KM community actually demonstrate that. I am about to lose my battery and am going to have to take off very quickly here.

**<Verna Allee>** I know that some people in this group are actively pursuing some of these new approaches and Oliver can also describe some of the developments that are going on.

**<Verna Allee>** If I just disappear it is because my battery gives out but I will try to stay on another five minutes or so.

**<Anne Jubert>** Good to have business advisors like you Verna!

**<Valentin Bach>** thanks a lot Verna

**<Valentin Bach>** Verna

**<Verna Allee>** This is a very lively bunch!

**<Valentin Bach>** see you another time

**<Han van Loon>** Thanks for your time

**<Oliver Schwabe>** If anyone is interested in current developments I am more than happy to support in sharing web resources

**<Anne Jubert>** We hear about so many scandals, people who do not care

**<Shashi Kadapa>** Nice chatting with u Verna

**<Verna Allee>** Bye for now. If I have not got to your question feel free to e-mail me directly at [verna@vernaallee.com](mailto:verna@vernaallee.com). I may not answer the same day - but I will.

**<Oliver Schwabe>** The open source site is at <http://www.value-networks.com/>

**<Oliver Schwabe>** Lots of good and free resources (case studies, applications etc)

**<Jenny Ogden>** We'll post the transcript of this event online in a little while for you all.

**<Verna Allee>** Yes, that is a great resource that the community is putting together.

**<Verna Allee>** Thank you, bye.

**<Anne Jubert>** Thanks a lot all of you!!

**<Guy Benchimol>** **<Guy Benchimol>**all the best but don't be too angelic!

**<Anne Jubert>** ;-)

**<Shashi Kadapa>** **<Shashi>** Bye verna

**<Michal Goldberg>** good bye all, thanks for a great conversation!

**<Valentin Bach>** Hi Oliver, is the on-going research concerned with intra-organisational or inter-organisational value networks?

**<Oliver Schwabe>** Hi Valentin - both are covered in fact

**<Valentin Bach>** cool

**<Oliver Schwabe>** Most organizations are seeing that in order to understand intra they need to first understand iunter

**<Oliver Schwabe>** Since the organization is embedded in a market space it must understand the dynamics of that first

**<Oliver Schwabe>** Classical boundaries are not respected by value networks

**<Guy Benchimol>** **<Guy Benchimol>**So, Oliver, haven't we a kind of fractal system?

**<Oliver Schwabe>** Good point - fractals are patterns generated by some very simple laws - similar to the way Conway's Game of Life is built

**<Oliver Schwabe>** We suspect that value networks conform to such a simple set of Rules

**<Oliver Schwabe>** We feel that the "golden ratio" is one to be explored further for example

**<Oliver Schwabe>** Conway's Game of Life is something to really look at closely in this respect

**<Valentin Bach>** So Oliver, what would you suggest I should read to get an overview of value networks?

**<Oliver Schwabe>** Verna's white paper is the best place to start - hold on - I will get the URL

**<Valentin Bach>** thx

**<Oliver Schwabe>** <http://www.value-networks.com/articles.htm>

**<Oliver Schwabe>**  
[http://www.vernaallee.com/value\\_networks/A\\_ValueNetworkApproach\\_white\\_paper.pdf](http://www.vernaallee.com/value_networks/A_ValueNetworkApproach_white_paper.pdf)

**<Oliver Schwabe>** Good case study at [http://www.value-networks.com/caseStudies/VNA-report-3cs\\_Annotated.ppt](http://www.value-networks.com/caseStudies/VNA-report-3cs_Annotated.ppt)

**<Oliver Schwabe>** You will see that we are also using the SNA/ONA tools to help interpret value networks

**<Oliver Schwabe>** Also working system dynamics simulation of value networks

**<Oliver Schwabe>** and immersive 3D visualization

**<Oliver Schwabe>** Not "tough", but challenging :) Already have it working as a prototype

**<Oliver Schwabe>** SAP integration is also on the way to allow for real-time workflow configuration based on value networks

**<Oliver Schwabe>** Valentin - maybe worth a call next week?

**<Valentin Bach>** you mean SAP SI

**<Oliver Schwabe>** Well, front-end for the Solution Composer

**<Oliver Schwabe>** Process is reaching the limit of what it can do - lean, six sigma etc are very powerful tools

**<Valentin Bach>** have you looked into business model simulation?

**<Oliver Schwabe>** With value networks we are seeing new opportunities to reshape process landscapes significantly

**<Oliver Schwabe>** Business model simulation is something we do with VenSim or PowerSim

**<Valentin Bach>** there are a few companies that base their simulations on business dynamics

**<Valentin Bach>** interesting, i would like to see such tools in action

**<Valentin Bach>** and also talk about underlying reference models / standardized business models

**<Oliver Schwabe>** Well, with a good value network you can distil the performance indicators and then model them in system dynamics software such as VenSim

**<Oliver Schwabe>** This helps to learn to manage the system versus the process

**<Oliver Schwabe>** "Standards" are just developing though

**<Valentin Bach>** I guess I will have to catch up with the literature on value networks

**<Valentin Bach>** it is rather new to me

**<Oliver Schwabe>** We have started with a benchmarking database of value networks and are exploring normalization of language. Sort of similar to where we were at the beginning of process

**<Oliver Schwabe>** If you check out the URLs above you should be up to speed pretty fast

**<Oliver Schwabe>** No rocket science in fact - just a different perspective

**<Valentin Bach>** that is exactly what I had to face, there is no "valid" reference model

**<Oliver Schwabe>** since we are transferring the solution maps into value networks

**<Valentin Bach>** good bye, it was an enlightening session