

TAKING A VALUE CHAIN VIEW OF BUSINESS PERFORMANCE IMPROVEMENT

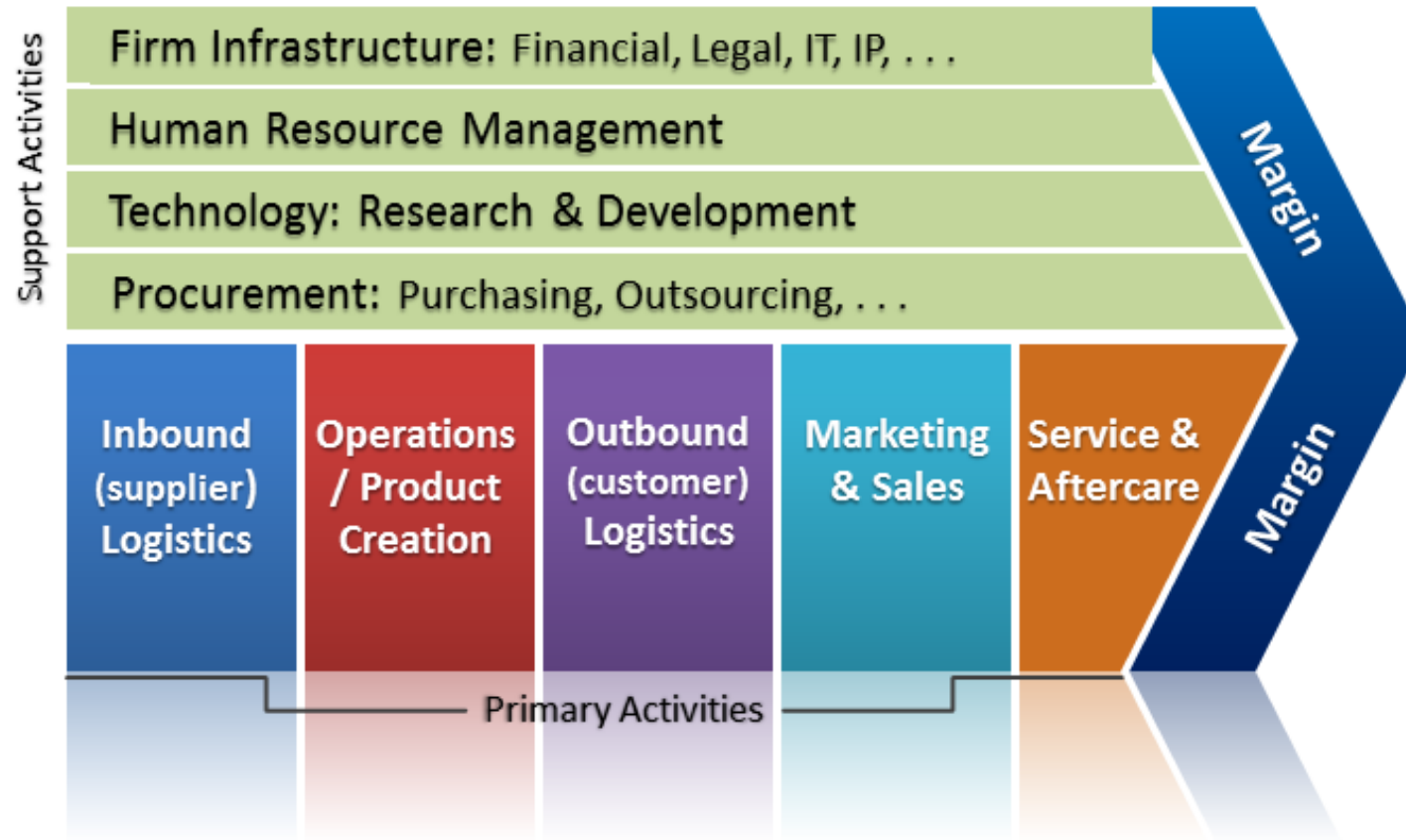
Ken Powell
Bourton Group LLP



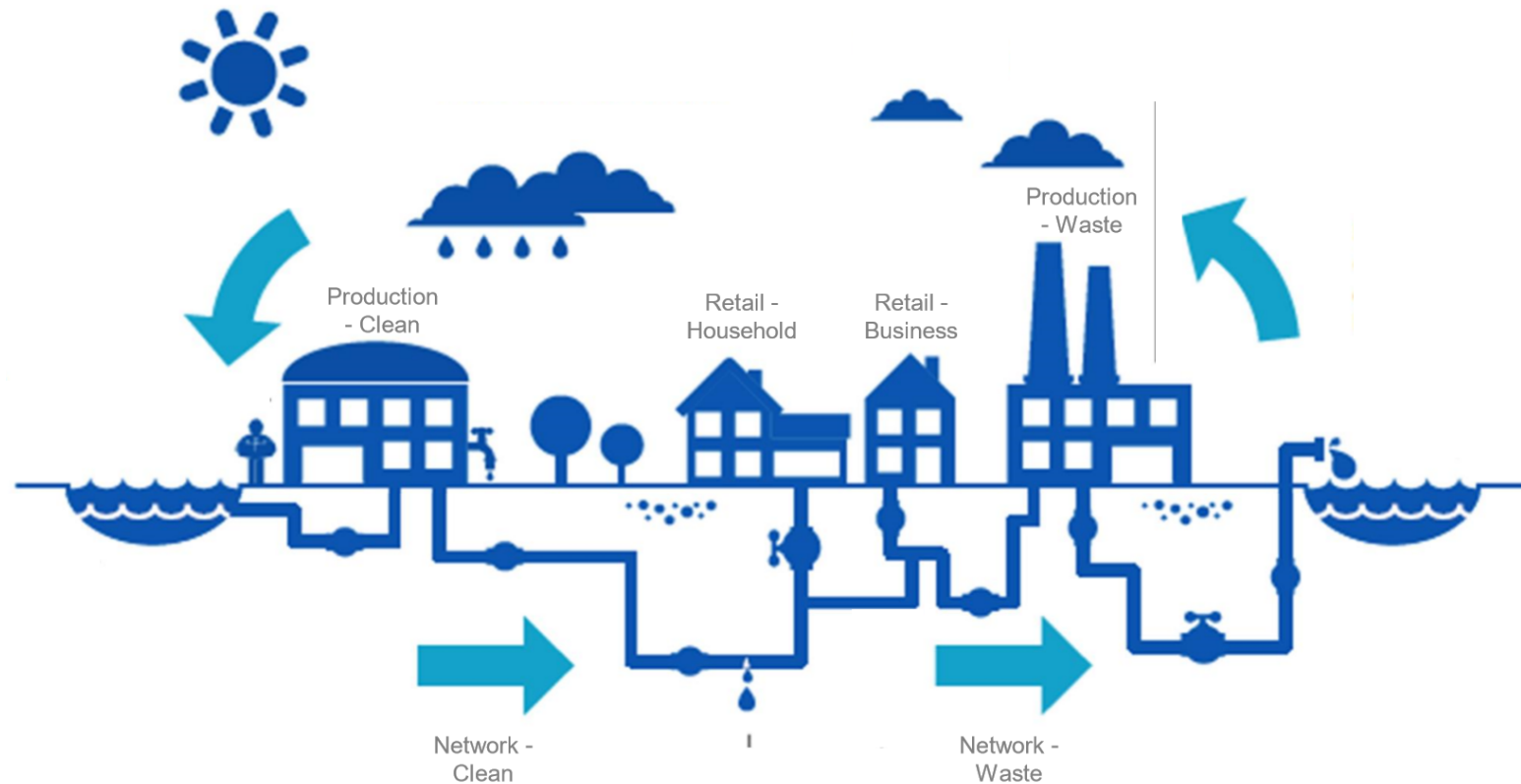
Value Chain Theory

- Concept of value chains was introduced in Michael **Porter's** 1985 book, Competitive Advantage
- The theory goes that the **more value an organization creates, the more profitable** it is likely to be. And when you provide **more value** to your customers, you build **competitive advantage**. Understanding how your company creates value is critical in developing a competitive strategy
- Rather than looking at departments or accounting cost types, Porter's Value Chain **focuses on systems**, and how inputs are changed into the outputs purchased by consumers.

Porter's Value Chain Model



Illustrative Value Chains



Helps us understand value in the eyes of the customer & value leakage

Value Chain Definitions

Value

the regard that something is held to deserve; the importance, worth, or usefulness of something

Value Chain

the process or activities by which a company adds value to an article, including production, marketing, and the provision of after-sales service.

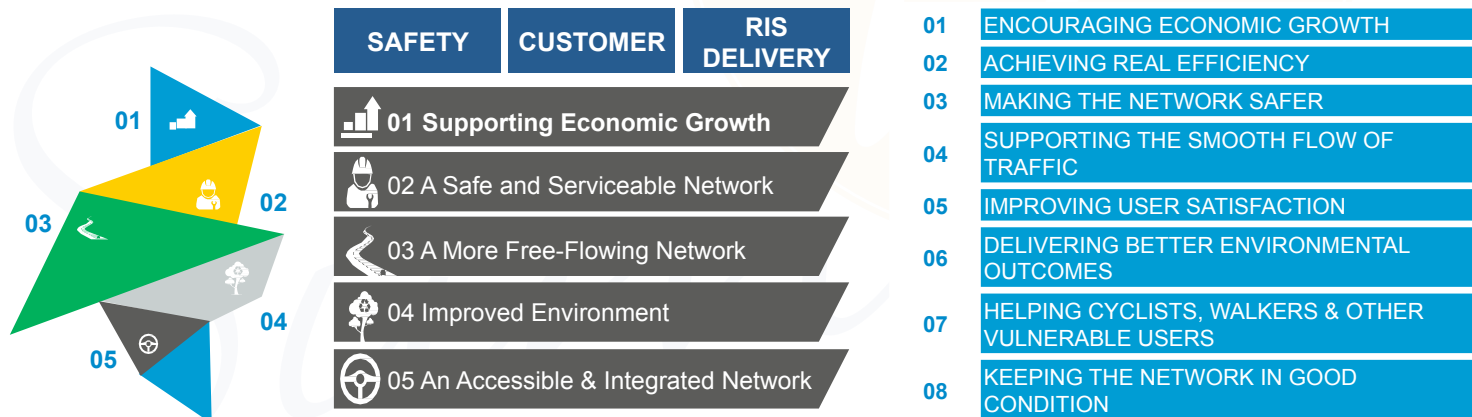
Construction view of Value Chains

- Take a systems view of the work undertaken – end to end
- Understand what Value is within the system
- Construction relies upon supply chain partners – understand the links
- Looks at the benefits and risks associated with changing the system

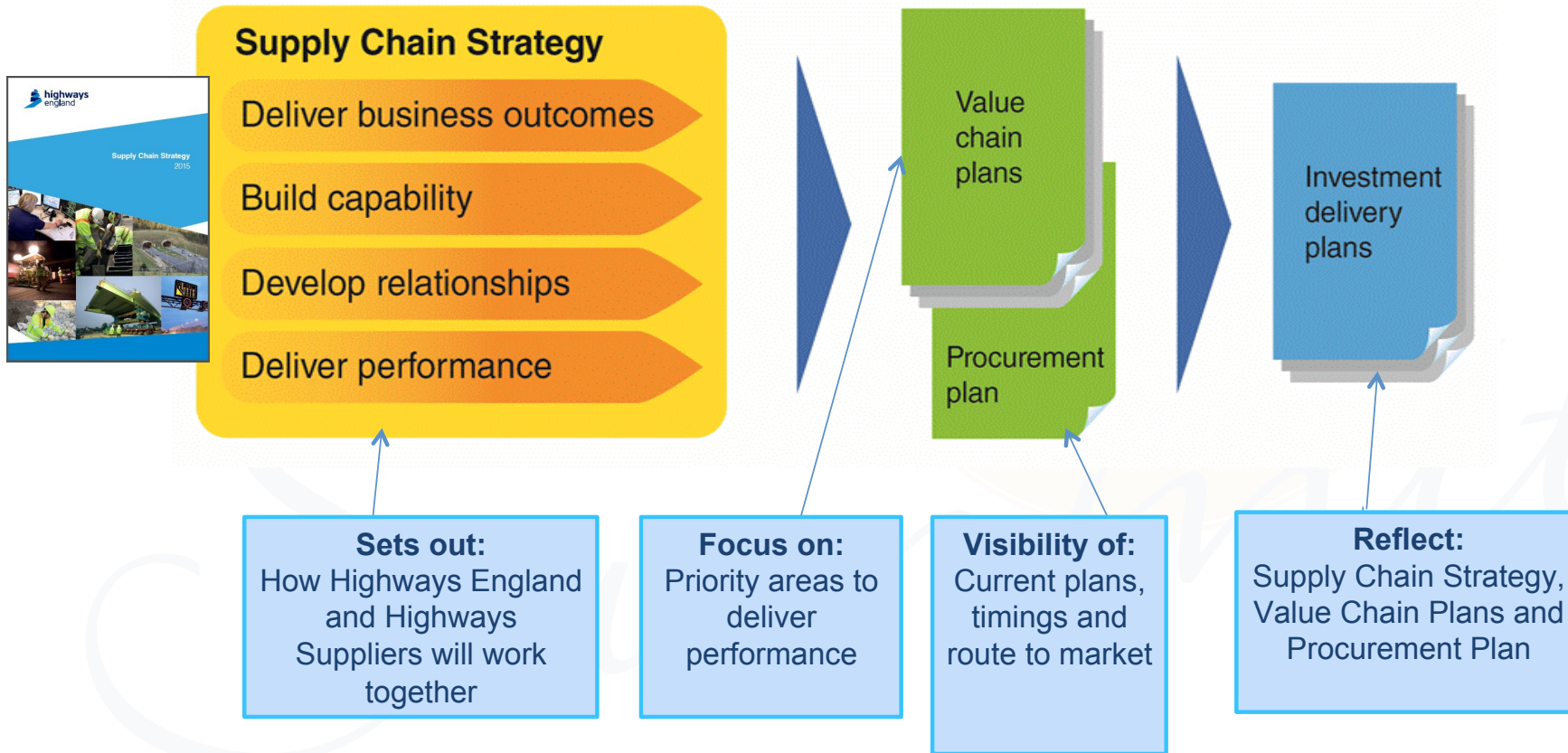


Value in Highways England

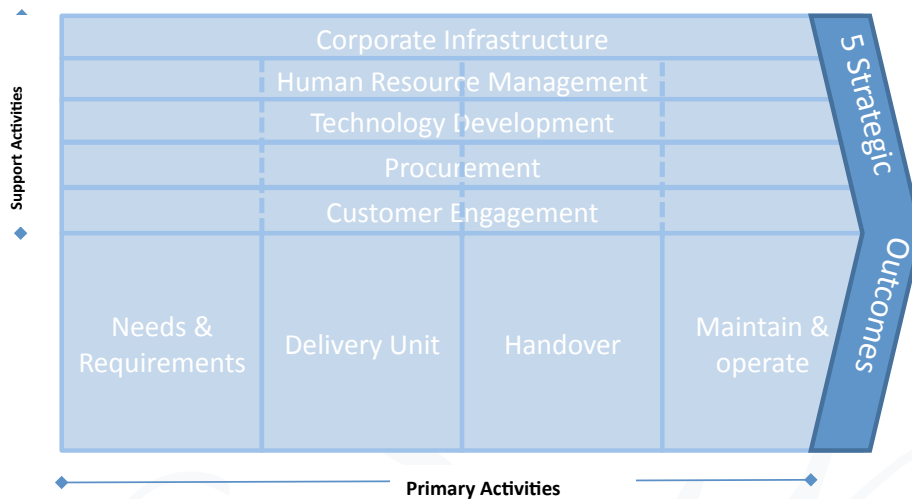
Value is defined as the five outcomes that are outlined in the current Highways England Strategic Business Plan and directly linked to the 8 KPI's



Value Chains in Highways England



Translating Porter's Model to Highways England



Needs & Requirements – These are all the processes related to the identification of a need and its necessary requirements (e.g. scheme business case).

Delivery Unit – These are the activities that change a need and its requirements via options, development and construction into a modified / upgraded / new asset..

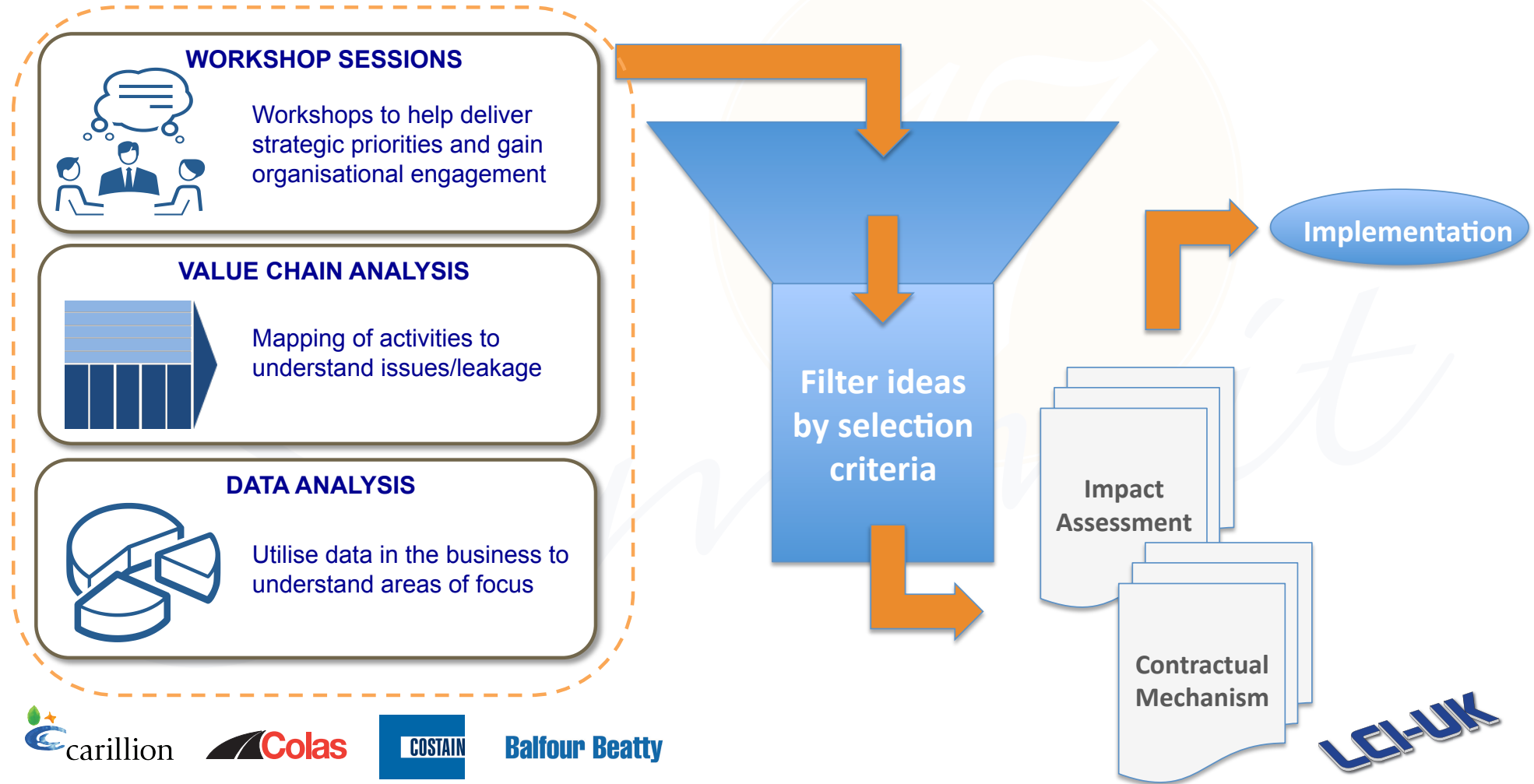
Handover – These activities involve the handover and commissioning of new / improved asset, and de-commissioning and disposal of redundant asset.

Maintain & operate – These are the activities related to maintaining the value of the modified, upgraded asset, once it's been handed over.

Considerations when Mapping Value Chains

- ✓ What the scope of the value chain map, it's objective?
- ✓ What are the inputs, activities and outputs?
- ✓ What is right level to use for the map?
- ✓ How does the process currently operate?
- ✓ Who is the customer or recipient?
- ✓ When is value realised?
- ✓ Where does cost or value leakage occur?

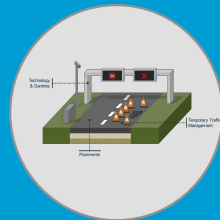
Generating Value Chain Opportunities



Opportunities

Identifying, developing, implementing and sustaining practical and innovative solutions which meet future business needs.

Modularisation



Aims to reduce construction time, increase safety and consistency, drive efficiencies on site and reduce design and other preliminary costs.

Design



Aims to prevent duplication and rework of design and survey work for the network assets reducing effort and driving efficiencies.

Value Chains v Value Streams

VALUE CHAINS

- *End to end view*
- *Focused on outcomes*
- *High level, strategic view*
- *Highlights links to supply chain*

VALUE STREAMS

- *Process level view*
- *Focused on customer needs*
- *Focused on processes and measures*

Why use the Value Chain approach?

- Strategic level thinking for organisations
 - Focussed on business goals
 - Significant impact and benefit
- Takes a 'systems' view – end to end
- Understand the links to supply chain partners
- Looks at the benefits and risks associated with changing 'the system'
- Simple!



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