

TAKING A VALUE CHAIN VIEW OF **BUSINESS PERFORMANCE IMPROVEMENT**

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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

Firm Infrastructure: Financial, Legal, IT, IP, ... Support Activities Margin Human Resource Management Technology: Research & Development Procurement: Purchasing, Outsourcing, . . . Margin Inbound Outbound Marketing Service & **Operations** (customer) / Product & Sales **Aftercare** (supplier) Logistics Logistics Creation **Primary Activities**

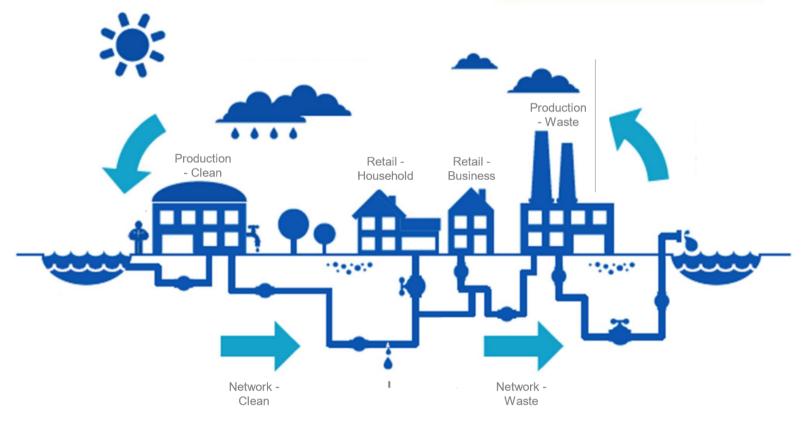








Illustrative Value Chains



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 aftersales 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



01	ENCOURAGING ECONOMIC GROWTH
02	ACHIEVING REAL EFFICIENCY
03	MAKING THE NETWORK SAFER
04	SUPPORTING THE SMOOTH FLOW OF TRAFFIC
05	IMPROVING USER SATISFACTION
06	DELIVERING BETTER ENVIRONMENTAL OUTCOMES
07	HELPING CYCLISTS, WALKERS & OTHER VULNERABLE USERS
08	KEEPING THE NETWORK IN GOOD CONDITION





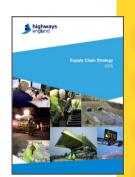








Value Chains in Highways England



Supply Chain Strategy

Deliver business outcomes

Build capability

Develop relationships

Deliver performance



Procurement plan

Investment delivery plans

Sets out:

How Highways England and Highways Suppliers will work together

Focus on:

Priority areas to deliver performance

Balfour Beatty

Visibility of:

Current plans, timings and route to market

Reflect:

Supply Chain Strategy, Value Chain Plans and Procurement Plan







"We have really started to deliver the strategic intent of the Supply Chain Strategy."



Translating Porter's Model to Highways

England

	e Management	St
	evelopment	Stland
	ement	9
	ngagement	
		Maintain & g

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

WORKSHOP SESSIONS



Workshops to help deliver strategic priorities and gain organisational engagement

VALUE CHAIN ANALYSIS



Mapping of activities to understand issues/leakage

DATA ANALYSIS



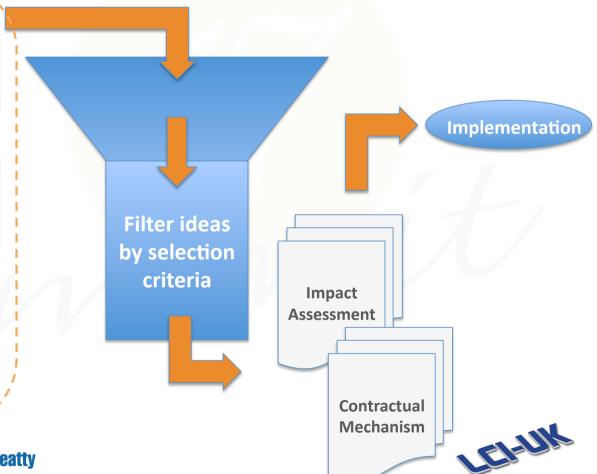
Utilise data in the business to









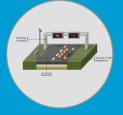




Opportunities

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.







CEIFUIK



Value Chains v Value Streams

- 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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