Traditional value chain view risks making your business model obsolete

The world is increasingly networked. The connections these networks foster are radically transforming business, making it richer as well as more turbulent, uncertain, fast changing and ambiguous. Networks are blurring the traditional industry sectors, geographical regions and profit and not-for-profit sectors. This is the age of Networked Strategy.

In today's service-based, solution-oriented, IoT networked world, what matters are the *interactions* among networked parties that provide values of many types. These relationships are configured into a value-creating system (VCS). Within such a VCS there will be an interplay of different stakeholders with different value offerings and different forms of value (e.g. economic, societal, sustainability). The strategic ability to invite, interest, enrol, and mobilise others into a designed value-creating system is in networked contexts as important as a focus on competition.

In a nutshell, networked strategy is based on four key pillars, namely:

- **Systems of interactions:** It is the networked structure of the VCS as a whole that matters. As the VCS evolves, it can become a powerful force for disruption and transformation. The VCS is not defined by conventional industry borders, but by the interactions that co-create value - indeed, values - in the system.

- **Collaboration**: This is not the world of a passive consumer and an active producer, nor of positioning in a conventional value chain. Here, the focus is on the relationships. They are contingent, interactive, dynamic and mutual. Key to success in the networked systems is not competition, but the ability to attract others into systems to co-create different values with you and with each other.

- **Multiple values:** Different parties will value different aspects of the networked system, not all of which will be monetary. Understanding these values is critical to understanding the interactions at play, and to enable better system efficiency and better values. In a well-designed VCS the values make music, not noise.

- **Design:** Offerings are designed. Offering design is what strategy is about.

The Networked Strategy approach involves five basic modular steps. These apply design thinking to help companies and organisations assess how to redefine their options within larger ecosystems, to design offerings that attract others to co-create value. They are: **purposing** - **mapping** - **exploring** - **defining** - **changing**.

Strategy for a Networked World

In 1993 the late Richard Normann and Rafael Ramirez wrote a seminal article in *Harvard Business Review*. They argued that the value chain metaphor, with its linear perspective, was incompatible with the world of business as it was unfolding and that what mattered were collaborative networks of value-creating systems.

These ideas have been further updated and expanded in the recent *Strategy for a Networked World.* This book provides practical guidance and a theoretical basis for organisations which want to explore networked opportunities and risks. It provides a rich collection of cases from various fields, which showcase how this strategy approach has been used successfully for example in EDF, Scania and Shell. The book is based on a long academic tradition of applied knowledge and more than 20 years of practical experience in developing this strategic approach for use within both small NGO's and large organisations. The book sets out key aspects of the approach, illustrating why and how it is more relevant than ever. NormannPartners' strategy practise is founded on the networked strategy approach, which has enabled many businesses, NGO's and public-sector clients to design and create value, using a range of methodologies and processes to achieve bespoke solutions. Networked strategy is also the basis for the Oxford Networked Strategy Lab, where strategy teams from leading companies get together to explore next stage strategy developments.

The five modular steps

Purposing: Clarifying and creating alignment around the purpose, identifying links to other initiatives, adjusting the process, establishing an effective team and governance, and learning from previous initiatives.

Mapping: Laying a foundation by mapping the current situation and its roots. Creative assessment and reinterpretation of the system and your role including mapping of offering systems, distinct competences, actors, how systems have emerged and identifying forces that have shaped them.

Exploring: Bringing foresight into the process: upframing the system and how value is created, identifying invaders, exploring how global trends and unknowns might change the system, and reframing the system and conditions for success.

Defining: With the foresight as basis, looking more closely at system impacts: values and risks, opportunities and threats. Defining options to effectively meet these by changes to how you and others create value in your system. Clarifying strategic choices and drawing conclusions on strategic intent and strategy or technology elements.

Changing: Developing capabilities and creating better values by defining pathways, identifying signposts and how to track these – be it for scenarios, a strategic change or a roadmap. Setting actions, securing resources, engaging stakeholders and successfully meeting the challenges of driving change.

Benefits of Networked Strategy include:

Foresight: Understanding the drivers of change that might affect the contextual environment as strategy becomes implemented. This enables more resilient planning.

Insight: Understanding who the actors and players within the VCS are, what their roles and relationships are and how they contribute values. This creates a powerful map of the entire system and its dynamics to better assess risks, opportunities, and system change.

Transforming: The approach enables you to redesign and define your role and collaborative strategy and network within your larger ecosystem. Using a stepping-stones process to system change, one can overcome internal and system challenges in realising potential and improving system effectiveness.

For further examples of Networked Strategy or details about how your organisation can thrive in a networked world, please refer to our website **NormannPartners.com**, or contact us directly:

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Networked Strategy in practice

Since it staged its initial "congress" in Davos in 1971, the WEF is widely acknowledged to have become a world leader in cross-sectoral, international, forward-looking dialogues. By inventing, prototyping, refining, broadening and redesigning its configuring offering and developing novel support offerings, time and time again over its history, WEF brought in new members to co-create new forms of value and new values in new ways. It enrolled members and co-producers into new partnership roles, providing both informal meetings with confidential meetings with educational events and social activities.

Rolls-Royce has pioneered Networked Strategy since the mid 90's, including its "power-by-the-hour" concept. It charges airlines for the power delivered by only the engines on the airship (no extras need to be bought by the airline), with the airline paying only for the use it gets from these engines: per hour flown, not per engines bought or leased. The power-by-the-hour offering involves different work sharing and risk sharing, and value architectures for each party than selling engines offerings do. It is thus a distinct value creation system with a business model including collaboration among various stakeholders in the airline power field.