

Unlocking Your Value Chain

The Law of Conservation of Energy states that energy is never created or destroyed, it is simply transferred from one form to another.

This transfer of energy from potential to kinetic is key to creating balance in the universe. And so it is at a micro level with your individual business in creating balance.

Your company's value chain defines and articulates your potential energy to your customers—both current and prospective alike.

Scientifically, the definition of power is the consummation of energy over time. So unlocking this value chain is the key to obtaining business success by transferring the potential energy to kinetic over time leading to powerful results.

Your value chain is the high-level flow of materials and information required for delivery of products and/or services to the customer. Identifying the “chain of high-level activities creating value” is the foundation needed to create improvements to organizational capability, increases in process efficiency, and the optimization of overhead costs.

In this article, you will be provided with a holistic approach to process improvement using the elements of a value chain, how to develop your company's value chain, and how to unlock your value chain for sustainable business growth.

The Value Chain

The value chain includes 5 main elements:

- 1. Identify value:** determine the opportunity to deliver value to the customer (value proposition) and how the business plans to deliver the value proposition
- 2. Define value:** definition of the delivery model for the value proposition and identification of the materials/elements



- 3. Create value:** integration of the materials/elements during product/service development
- 4. Deliver value:** providing the product/service to the customer and delivering on your value proposition
- 5. Capture value:** maximizing profit margins and the return on investment

Value Chain Examples

Let's take a look at these elements using the Upstream Oil and Gas Industry as an example. The value proposition of any company in the oil and gas industry is to extract oil reserves and deliver barrels of oil and gas equivalent (BBLs) to its customers.

Identify-Reserve Strategy Development: definition of the opportunity for value extraction and how the business plans to deliver the value proposition

Define-Reserve Validation and Design: utilizing seismic analysis and earth science expertise to validate the value proposition and the design of the drilling, completion, and workover operations in support of this

Create-Reserve Integration and Development: integrating and developing the facilities, equipment, and assets in support of the drilling, completion, and

workover operations for reserves

Deliver-Reserve Extraction and Production: efficiently extracting and producing of BBLs to deliver production and reserves estimates

Capture-Reserve Sustainment and Support: maximizing value extraction and the delivery of BBLs through the continual production of reserves

Now, let's take a look at the delivery of a service using Supplier Diversity as an example. The value proposition of any corporation is to utilize their Supplier Diversity program to source diverse suppliers providing value added capabilities and improving shareholder returns.

Identify-Identify Business Opportunities/Sourcing Needs: identify and validate the business opportunities and determine the supplier capabilities needed to fulfill the sourcing opportunity

Define-Define Diverse Supplier Capabilities: define and collect the capabilities of various diverse suppliers suitable for the business opportunities

Create-Source and Discover Diverse Supplier Match: efficiently utilize networking events to source and find diverse suppliers to match business opportunities

Deliver-Connect Diverse Supplier to Business Opportunity: successfully connect supplier to internal business partner with sourcing need

Capture-Capture Value of Connection: identify, extract, and communicate success of the connection and the value gained





Unlocking Your Value Chain

We've just had the pleasure of witnessing the "unlocking of the value chain" at its best during the Enterprising Women of the Year Awards at Walt Disney World.

Disney has mastered this by striking a healthy balance between process efficiency and customer experience. Disney **identifies** its value proposition as delivering a "Magical" experience to the customer, and not just as an amusement park.

On a routine basis, the Disney team defines and refines what makes a "Magical Experience" by collecting customer data. This data is used to create the "Magical Experience" and deliver the magical "Ahhhh" moments in every moment of your time with Disney.

Disney has **captured** sustainable growth with raving fans which become advocates of the Disney brand of excellence from generation to generation.

To unlock your own value chain, convene a cross-functional team and complete the following steps:

Identify the total cost of ownership of delivering the product/service to the customer. For each element of the value chain, determine all costs to design, purchase, construct, and operate over the entire lifecycle of product/service development.

Based on customer and process performance data, assess the value chain and classify the steps as either value added or non-value added. Determine a plan for reducing or eliminating the non-value added steps.

Optimize the value chain by reducing or eliminating the non-value added steps. This will improve process efficiency by at least 20 percent while improving the customer experience, the costs of the product/service passed onto the customer, and thus increase your profit margins.

Unlocking your value chain is the foundation for sustainable business growth. Once you have successfully identified, assessed, and improved your potential through your value chain, you can better articulate and more effectively deliver value to your customer. ☺



LATOYA BULLARD-FRANKLIN is CEO and founder of The Bulsard Group, named by *Fortune* magazine as one of the top 100 fastest-growing businesses in America. Bulsard Group specializes in delivering value and

operational excellence by applying the following methodologies: Lean Six Sigma, Change Management, Strategy Development, Continuous Process Improvement, and Supply Chain Management. For more information, assistance in developing your value chain or to sign up for weekly "Friday Focus" webinar sessions, contact info@bulsardgroup.com. Follow Latoya on twitter @leansixyourlife. She is a member of the Enterprising Women Advisory Board.



DESERTJET

Aircraft Charter, Management, Acquisitions and Sales
800-381-JETS