

THE VALUE CASE METHODOLOGY



Our society is increasingly confronted with the effects of the all-encompassing attention for financial results. This strong emphasis on financials makes it very difficult, if not impossible, for both enterprise and government to take other factors into account when making investment decisions. As a consequence, many innovations either do not take place or do not fulfil their desired impact and objectives. TNO has developed a methodology which takes into account both financial and non-financial values in the decision-making process of large innovation projects. This paper describes the relevance of such a methodology and explains the four consecutive steps it comprises.

Financial tunnel vision

TNO acknowledges that turning bright ideas into successful and scalable innovations is a road with many hurdles; one of the largest hurdles is the seemingly rigid focus organisations have developed on financial metrics as a sole measure of the success of innovations. Besides this financial tunnel vision, another major complication is the involvement of multiple stakeholders in large scale innovations. These stakeholders all have individual agendas, starting positions, inputs and interests in the innovation project. The Value Case Methodology (VCM) aims to unite multiple stakeholders along a set of values. It does so by making a very broad set of values, which are associated with the innovation, explicit. Thereby uniting the motivation and wishes, and aligning the different values of all stakeholders involved.

Multi-stakeholder and multi-value approach

Previous research on investment decisions for multi-value projects has a strong focus on monetization, i.e. translating non-financial values into cash. However, not all values are easily monetized. The VCM looks beyond financial values, making financial as well as non-financial values explicit. The **Value Case Methodology is exceptional in its multi-stakeholder and multi-value approach**. Multi-stakeholder and single-value approaches exist, as well as single stakeholder and multi-value approaches. However, the multi-stakeholder and multi-value approach has not yet been elaborated as the evident need for a multi-value and multi-stakeholder approach is recent. Today, we see multi-stakeholder and multi-value projects emerge more and more in our society and its complex, sector transcending challenges. Many problems simply

cannot be addressed from a stovepipe principle. Another reason is that exactly these projects stagnate because of the partial stovepipe rationality of the individual stakeholders, mostly for financial reasons or “not being able to work out the short term business case”.

The Value Case Method

The goal of the VCM is first to create a form of mutual understanding between the stakeholders so that they are aware of values of other stakeholders and of the extent to which each particular value should be addressed according to each stakeholder. In short capturing the motivation and wishes of the individual stakeholders in a more common language. Next, the VCM will challenge stakeholders to look at the proposed project afresh, from their mutual understanding. This may stimulate the stakeholders to reshape or redefine the goal or desired outcomes in order to fulfil the wishes of all stakeholders. Once

a level of consensus has been reached on which values and level of innovation the project should address, stakeholders will be prepared to invest and the joint project can commence.

The VCM is aimed at positive decisions to give the go-ahead for the innovation project. Once the goals and the innovation project itself are defined, stakeholders are selected and an initial overview of who-does-what is produced, the VCM can be initiated by performing the following iterative steps (see Figure 1):

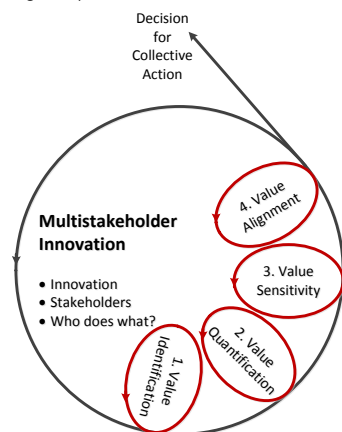


Figure 1: An illustration of the Value Case Methodology

1. **Value Identification.** For each stakeholder the relevant values that the desired innovation project should affect are elicited. A qualitative insight on who gets what values is produced. Methods used can be group workshops and advanced interview techniques.
2. **Value Quantification.** In case the distribution and impact of the qualitative values identified cannot be determined unambiguously, additional insights, expert interviews and data analysis are obtained by which the who-gets-what and who-does-what are quantified in appropriate units and measurements.
3. **Value Sensitivity.** We use a unique process of elicitation, visualisation and analysis for determining the point sensitivity of each individual value identified by the stakeholders involved. Based on the definition of the innovation, the range of acceptable values for

the innovation for each stakeholder are elicited from testing modest deviations from the base project definition. These are visualised and analysed, resulting in a list of alignment opportunities.

4. **Value Alignment.** A structured process aimed at getting an overall acceptable project definition for the innovation, based on the alignment opportunities, is performed. We use a structured-disclosure technique, complemented with other tools like serious games to make alignment between stakeholders' value happen.

Value Alignment is an iterative process, which terminates when:

- Agreement is reached and collective action will take place.
- An alteration of the elements is necessary, resulting in adapted innovation project plan or a different group of stakeholders. As a consequence, some or all steps of the VCM will have to be repeated.
- No collective action (termination of the project), because no alignment is feasible.

The VCM has a strong focus on value elicitation and satisfaction of all stakeholders by shaping the joint project based on these values. The VCM requires some additional effort and techniques, but provides the opportunity for systematic value alignment. The presented VCM thus is a practicable means to shape innovation projects such that these are valuable for all involved.

Novel Approach

We believe the VMC is exceptional in its emphasis on alignment opportunities based on values that go beyond financial values. The VCM offers a new contribution to existing methods aiding the decision-making process for large multi-stakeholder innovation projects, especially in adding Value Sensitivity and Value Alignment. The VCM thus puts the stakeholder's values (treated as

"requirements") in the core of the process. By testing the stakeholder's sensitivity towards modest deviations of the effects of the project definition we have a systematic view on the "value negotiation space" of the stakeholders, which is to be explored in the Value Alignment process and ultimately leads to a new project definition that addresses the stakeholder's values or it leads to a conclusion that no project definition can be found in the "value negotiation space".

The VCM presented in this whitepaper is still in the design phase. Hence, in a consecutive project the methodology will have to be applied to relevant multi-stakeholder projects in order to refine and improve the methodology, especially on the steps of value sensitivity testing and value alignment.

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