

# Capacity Development BRIEFS

SHARING KNOWLEDGE AND LESSONS LEARNED

## THE NETWORK VALUE CHAIN

By Evan Bloom, Matt Reeves, and Aaron Leonard

*In response to a growing demand for evidence of effectiveness, scalability, and accountability in international development initiatives, the international development community has begun to ask increasingly hard questions about the costs, risks, and assessment challenges associated with its capacity development initiatives. The delivery of capacity development services through networks represents an important and growing segment of the engagement strategy being embraced by development practitioners. Despite this growing interest and application, the understanding of how networks for capacity development operate and how to maximize their impact remains limited. This CD Brief suggests applying a value chain approach to network development and explores how it can be used to build systematic partnerships to solve social problems.*

What do value chains have to do with networks? Sometimes the best way to understand the future is to look back into the past. The network value chain pushes managers tasked with improving the performance of networks to adopt a tailored, end-to-end approach to generating, converting, and diffusing solutions to social problems. This is a process of transforming single-actor solutions into an integrated flow. The network value chain is an approach that can help chart a future for systematic partnership and new coalitions.

Applying a value chain approach to networks means mapping the activity “ecosystem” and undertaking an analysis of individual actors, their collaboration potential, and likely program synergies. At its best, a value chain perspective helps development professionals deconstruct how social action in key sectors, such as health, livelihoods, or conservation, evolves. From there, they can better understand how individual institutions, coalitions, and unaffiliated networks are positioned to meet specific challenges and then broker new partnerships and alliances that lead to powerful and scalable ideas.

Nonprofit management researchers and consultants to organizational networks have long been interested in what triggers collective action and high-performing networks. In an effort to find common elements, we

settled on a network value chain that consists of three key domains—*connect*, *develop*, and *scale-up*. Each of these domains, in turn, can be subdivided into specific functions (figure 1). The three domains of the network value chain are broad enough to apply to a range of different network forms, while simultaneously being flexible enough for adaptation to regional and local realities.

### Value Chain for Networks

#### *Connect*

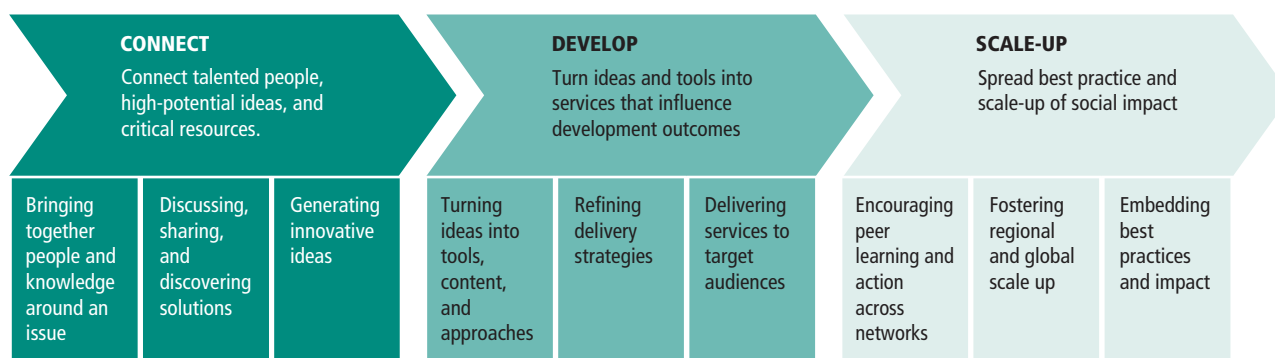
The principles of idea generation and innovation are thoroughly researched, and a convincing body of evidence now suggests that idea generation is most active

#### About the Authors

Evan Bloom is Founder and Managing Partner of Root Change ([www.rootchange.org](http://www.rootchange.org)). Mathew Reeves is Senior Program Office at Pact, Inc. Aaron Leonard is a communications consultant at the World Bank Institute.



**Figure 1: Value Chain for Networks for Capacity**



when groups of diverse people and ideas are brought together, forming new relationships and social networks.<sup>1</sup> Thus, innovation is overwhelmingly seen as a process of taking apart and reassembling ideas and experiences in new combinations. The first domain of the network value chain is about facilitating these connections of diverse actors for idea generation. Key tasks within the “connect” phase of the value chain include bringing people and knowledge together around an issue or challenge; discussing, sharing and discovering solutions; and generating new perspectives (box 1).

New ideas built through the intersection of diverse individuals and organizations, rather than by in-house experts, is essential to facilitate deep connections across sectors. This involves “bridging” the capacity development world, a function well suited to the World Bank’s multidisciplinary orientation and its position as a connector and facilitator across the global capacity development community (box 2).

“Connect” strategies that bridge traditional sectors lead to expanded stocks of social capital by doing the following:

- **Strengthening groups and networks.** Activities help people to organize themselves and mobilize resources to solve shared problems.
- **Building trust and solidarity.** Activities enhance the level of trust among individuals in communities, while others build trust between individuals and institutions.
- **Promoting collective action and cooperation.** Activities support individuals and groups in tak-

### Box 1: Leading Practice: LinkedIn

The new movement to utilize social networks in professional circles is illustrated powerfully by LinkedIn. Founded by Reid Hoffman, formerly Executive Vice President at PayPal, LinkedIn provides an efficient mechanism for using broad networks of connections, while maintaining the quality of interaction. It is regularly used for looking for a job, finding new companies with which to partner, connecting entrepreneurs, finding consultants, and locating industry experts. In 2007 PC magazine called it the “leading career-oriented social networking service,” with more than 12 million registered users, spanning 150 industries and more than 400 economic regions. As of February 2009, it had more than 35 million registered users, spanning 170 industries, according to official LinkedIn figures.

Like Facebook, Ning, and the many new social networking platforms in use today, LinkedIn users begin by creating a profile that summarizes their professional accomplishments and then have the opportunity to link with others based on shared profiles. A critical characteristic is that users do not automatically get to connect with any member. Although any LinkedIn member can see the basics about others, they must get an introduction from a direct connection before being able to connect with someone. This process helps to establish meaningful linkages, rather than the excessive connection invitations frequent on other social networking sites.

<sup>1</sup> See Frans Johnansson (2004), *The Medici Effect: Breakthrough Insights at the Intersection of Ideas, Concepts, and Cultures*, Harvard Business School Publishing, Boston, MA; Philip Evans and Bob Wolf (July-August 2005), “Collaboration Rules,” *Harvard Business Review* 96-104, Harvard Business School Publishing, Boston, MA; Kathleen Eisenhardt and Charles Galunic (January-February 2000), “Coevolving: At Last, a Way to Make Synergies Work,” *Harvard Business Review*, Harvard Business School Publishing, Boston, MA; Eric Von Hippel (2005), *Democratizing Innovation*, MIT Press, Cambridge, MA; W. Chan Kim and Renée Mauborgne (2005), *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, Harvard Business School Publishing, Boston, MA; Henry Chesbrough (2006), *Open Innovation: The New Imperative for Creating and Profiting from Technology*, Harvard Business School Publishing, Boston, MA; Andrew Hargadon (2003), *How Breakthroughs Happen: The Surprising Truth about How Companies Innovate*, Harvard Business Publishing, Boston, MA.



### Box 2: Leading Practice: InnoCentive

Launched in 2001 as an e-business venture by Eli Lilly and Procter and Gamble, InnoCentive illustrates how institutions are successfully relying on broad decentralized networks to resolve difficult problems. The InnoCentive marketplace is an online community in which institutions post unsolved research and development (R&D) problems for scientists around the world (currently 90,000 registered) to solve. Dubbed “Connect and Develop,” the marketplace allows companies to tap the talents of a global scientific community quickly and efficiently without having to employ contributors full-time. Prior to utilizing a connect and develop strategy, Procter and Gamble spent US\$1.5 billion on R&D annually, but operationalized only 10% of its patents into new products—a poor return on investment.

InnoCentive works similarly to eBay; companies or “seekers” anonymously post R&D problems on the InnoCentive Web site, while “solvers” submit solutions in a bid to capture cash prizes. Procter and Gamble Chief Executive Officer A. G. Lafley points out, “Someone outside your organization today knows how to answer your specific question, solve your specific problem, or take advantage of your current opportunity better than you do. You need to find them and find a way to work collaboratively and productively with them.” According to Harvard Business School Professor David Wessell, who has analyzed InnoCentive, the further a problem is from a solver’s expertise, the more likely he or she can solve it, showing that organizations can reap benefits from external knowledge that they may never generate internally.

ing collaborative action to solve social problems or further common interests.

- **Promoting social cohesion and inclusion.** Activities enable individuals to work together to address common needs, overcome constraints, or stake out common ground in the face of diverse interests. Spaces that foster inclusion are frequently created or extended.
- **Enhancing the flow of information and communication.** Activities enhance both horizontal (peer-to-peer) and vertical (both upward and downward) information flows that build trust and cohesion.

Social capital is the fuel that propels the creation of vibrant, sustainable networks. By connecting talented people, high-potential ideas, and critical resources, the “connect” domain of the network value chain fosters new relationships and trust among actors.

### Develop

The second domain of the value chain involves developing ideas into innovative and practical

approaches and delivering services to local actors. Key tasks within the “develop” domain of the value chain include turning innovative ideas into tools, content, and approaches for capacity development initiatives; developing and refining effective delivery strategies for interventions; and delivering services and interventions to target audiences.

New ideas do not get converted into practice without proper screening and funding mechanisms. Instead, they can create bottlenecks and headaches across agencies (“too many ideas and not enough execution”). In many organizations, tight budgets, conventional thinking, and inadequate skills can handicap the idea conversion process. By taking a value chain perspective, individual organizations can work with other institutions that are more suited to the development and execution of new ideas and projects within an overarching strategy (box 3).

### Scale-up

The last domain of the value chain involves the diffusion and scale-up of new ideas and best practices within the broader community through promotion of productive partnerships that transcend their individual constraints and organizational boundaries (box 4).

Key tasks within the scale-up domain of the value chain include encouraging peer learning and action among local networks of organizations, fostering the

### Box 3: Leading Practice: Ashoka’s Changemakers

Launched in 1994 as a magazine based in Calcutta, India, focused on social entrepreneurship and innovation, Ashoka’s *Changemakers* went online in 1998. *Changemakers* is a “collaborative competition” that awards cash prizes for the best models that address certain social change themes. Although a panel of expert judges selects the finalists, the online community is critical to selecting challenge winners. The *Changemakers* competition involves more than discovery of good ideas; it incorporates peer production or “crowd sourcing” through community dialogues that lead to refinements in submissions until the competition deadline.

Approaches like Changemakers.net provide new ideas, but they excel at cross-pollination and idea conversion. The ability to investigate a potential new market in a timeframe that would not have been possible if researched by a single team was a value-adding mechanism for the Robert Wood Johnson Foundation sponsorship of a challenge focused on innovative approaches to combat domestic abuse. Even after the competitions on *Changemakers* end, proposed solutions stay online so that collaboration and dialogue continue and “the whole body of ideas lives on.” For more details, see <http://www.changemakers.net>.

#### Box 4: Leading Practice: The CORE Group

The Child Survival Collaborations and Resources (CORE) Group formed in response to a donor, and initially, anyone who received a Child Survival Grant from the U.S. Agency for International Development (USAID) was a de facto member of the network. As relationships deepened, many of the members felt that they would derive more benefit by forming a collaborative body and leading their own capacity development. They sought assistance from USAID to do this. Many years later, CORE became a registered nonprofit as a dues-paying membership association. As of November 2006, it had 47 member organizations working in more than 180 countries. As a network of nongovernmental organizations, CORE enables its members to collaborate on strategies, approaches, tools, and best practices of all kinds. It avoids the “reinventing the wheel” syndrome and decreases duplication of effort. CORE also brings organizations together to collaborate at the country level. For more information, see <http://www.coregroup.org>.

#### Box 5: Leading Practice: The Impact Alliance

Launched in 2001, the Impact Alliance is a global learning and action network bringing together leaders of organizations and networks who seek to improve their effectiveness and maximize their impact in the communities that they serve. It promotes the discovery, connection, and application of *best* practice and creates the space for experimentation and partnership to develop *next* practice.

The Impact Alliance focuses thematically on the cross-cutting *drivers* of impact—open innovation, leadership, and network effectiveness—that are shared by actors across sectors. As a network, the Impact Alliance organizes its services around the “connect, develop, and scale-up” value chain—focusing special attention on the need not only to enhance knowledge exchange and learning, but to foster partnerships and joint action that enable great work to go to a larger scale for even greater social impact.

For more information visit <http://www.impactalliance.org>

regional and global scale-up of best practices, and embedding high-impact practices (box 5).

Concepts that have been funded, developed, and implemented still need buy-in for scale-up and replication to happen. The international development landscape is littered with good practices stuck at the national and subregional level that never break through geographic boundaries, promising practices implemented by civil society organizations that never reach through to national and subnational government, and successful practices well documented within individual organizations that rarely span organizational boundaries. Capacity development institutions must work proactively to get the relevant constituencies to support the spread of good practices across geographic, political, and cultural lines.

Diffusion of learning and best practice entails bridging different “worlds” and recognizing how people and ideas found in one world can be useful to others. Diffusion requires patiently building a network of information brokers who are connected to people with fresh ideas and to stories of high-impact practices (box 6).

#### Key Roles in the Value Chain

Value maximization at each stage in the value chain for capacity development depends on the interaction of a wide range of actors, each playing a number of different roles within the system. A review of the literature and previous research in the area of networks

#### Box 6: Leading Practice: Microcredit Summit Campaign

Through an enabling networking structure, active volunteer base, and high concentration of social capital, the Microcredit Summit Campaign was critical in putting microcredit at the forefront of the development agenda. As Prime Minister Driss Jettou of Morocco puts it, “the Microcredit Summit Campaign has played a determining role in the worldwide success of microfinance.” The campaign began in 1997 as a summit with 2,900 delegates from 137 countries, who launched a nine-year campaign to reach 100 million of the world’s poorest families with microcredit by the end of 2005. In November 2006, the campaign was launched with two new goals: reaching 175 million of the world’s poorest families and ensuring that 100 million families rise above the US\$1 a day threshold, adjusted for purchasing power parity, between 1990 and 2015.

Outcomes of the campaign have been impressive, although the original goal of reaching the 100 million poorest has only been 80 percent achieved. As of 2005, more than 3,000 microcredit institutions had reported reaching more than 130 million clients, of which 82 million were among the poorest when they took their first loan. Of these poorest clients, 84 percent or nearly 69 million were women. Of the microcredit institutions, 847 submitted an institutional action plan in 2006; these 847 institutions account for 88 percent of the poorest clients reported. Assuming five persons per family, the 82 million poorest clients reached by the end of 2005 affected some 410 million family members. For more information see <http://www.creditsummit.org>.



has highlighted a number of roles (table 1). Each role is described and the value chain phases in which this role is particularly important are noted. It is important to note that roles should not necessarily be assumed to correspond always to one person. An individual may fulfill multiple roles, or multiple individuals can perform similar roles.

Figure 2 situates these various roles within the network value chain. The key question for any organizational or individual actor to consider is where they are best positioned along the value chain to maximize effectiveness, scale, and accountability. Unifying these actors along the value chain will improve network effectiveness.

## Conclusion

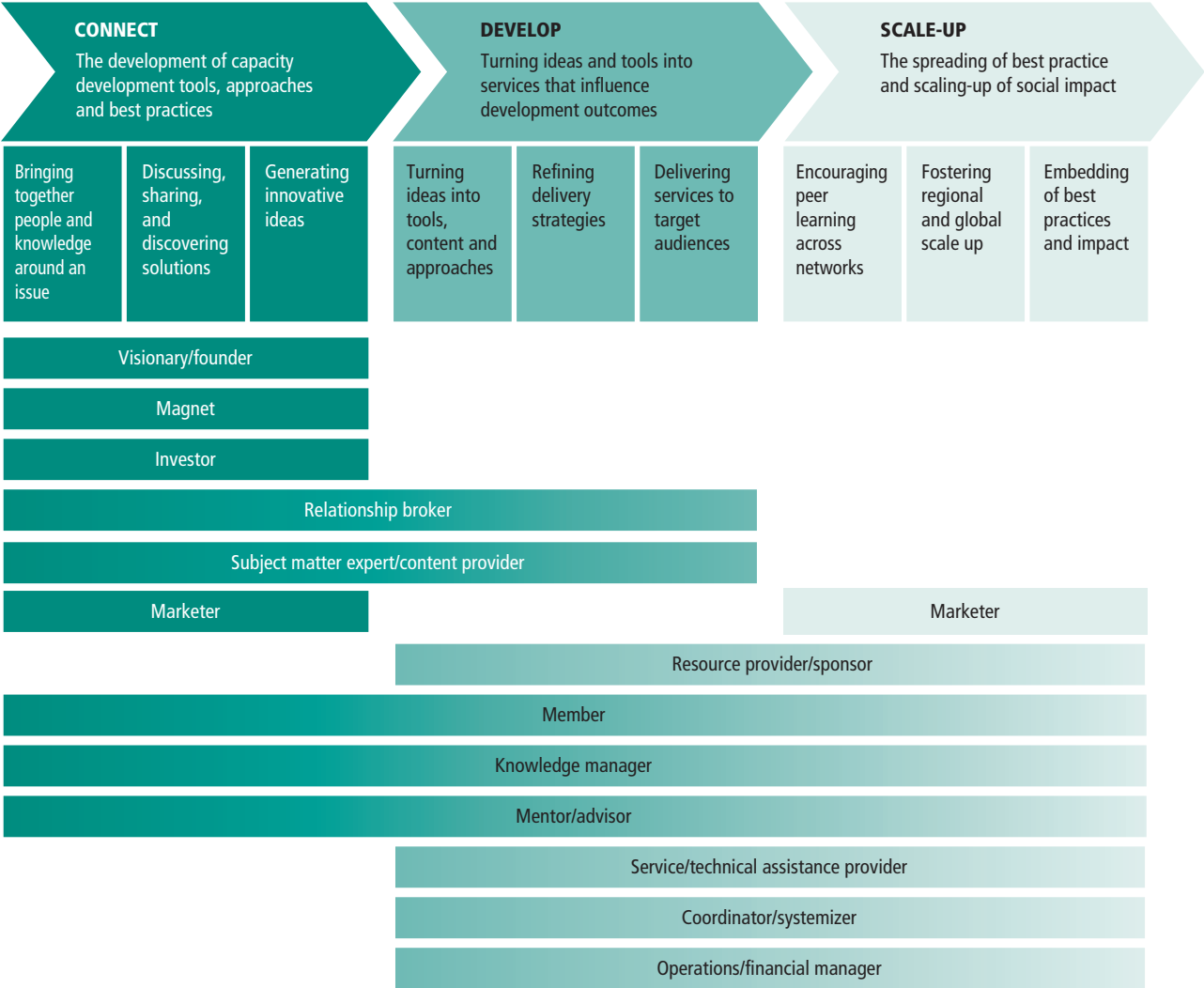
Value chain analysis of networks provides managers with an important tool for performance improvement. With this systemic view of networked action, we are able to bring greater alignment and synergy among actors working to solve social problems.

By promoting a tailored, end-to-end approach to generating, converting, and diffusing solutions to social problems we can also turn competitors into peer collaborators and turn old adversarial relationships among citizens, nongovernmental organizations, government, and the private sector toward partnerships that are systematic, if still uncharted.

**Table 1: Roles within a Network**

Role	Description	Key domain(s) in value chain
Visionary/founder	Individual or organization with a compelling idea or vision of the future and who sets out to realize this vision	Connect
Magnet	Individual or organization able to bring others to the table through financial power, high-profile brand, or past successes	Connect
Investor	Individual or organization willing to provide seed money to support a new initiative	Connect
Relationship broker	Facilitator of initial connections among disparate groups who encourages sharing, discovery, and idea development	Connect Develop
Subject matter expert	Knowledgeable and experienced individuals who contribute information, participate in discussions, ask questions, and provide leadership in their topic area(s)	Connect Develop
Marketing/communications	Individual or organization that packages and communicates features of an initiative for and to external audiences and existing members and leads outreach efforts	Connect Scale-up
Resource provider/sponsor	Individual or organization that provides sponsorship and support for a functioning network or initiative	Develop Scale-up
Member	Members who participate in initiatives and network, because of the value that they generate both for themselves and others	Connect Develop Scale-up
Knowledge manager	Individual or organization that integrates information across an initiative	Connect Develop Scale-up
Mentor/advisor	Individual who provides oversight and assistance to an initiative as needed or requested	Connect Develop Scale-up
Service / technical assistance provider	Individual or organization that delivers services or content to the beneficiaries of an initiative; should also be involved in service development	Develop Scale-up
Coordinator	Individual who guides the community's purpose and strategic intent, energizes the process, and provides continuous nourishment for the community	Develop Scale-up
Manager of operations	Individual who addresses the day-to-day needs of the network, its members, and staff, including configuration of resources and capabilities	Develop Scale-up

**Figure 2: Value Chain for Networks for Capacity Development including Roles**



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**WBI Contact:**

Mark Nelson; program manager, Capacity Development Resource Center  
 Tel: 202-458-8041, e-mail: [mnelson1@worldbank.org](mailto:mnelson1@worldbank.org)

Ajay Tejasvi; program coordinator, Capacity Development Resource Center  
 Tel: 202-458-4064, e-mail: [anarasimhan@worldbank.org](mailto:anarasimhan@worldbank.org)

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