

VALUE STREAM MAPPING

**UNLOCKING THE POWER OF VALUE STREAMS TO
HELP CLOSE THE STRATEGY-TO-EXECUTION GAP**

The strategy-to-execution gap highlights the difficulties that can arise when there is a disconnect between the development of high-level strategic roadmaps and the practical execution of those plans within an organisation. Increasingly, businesses need to understand how they generate value and deliver their business imperative from top-to-bottom in order to be truly successful. Yet many organisations are instead guided by intuition and an unscalable understanding of how a business operates.

Value stream mapping can be a key conduit into becoming more outcome centric by providing a high quality, understandable and visual representation of how core value is generated, ultimately enabling more strategic decision making around organisational execution of strategy.

WHY VALUE MATTERS

In order to understand what value is, it is important to commence by providing a clear definition and to outline why defining value across an organisation is critical. In this context, value pertains to the benefit generated through the successful execution of an organisation’s activities, aimed at fulfilling the needs and expectations of stakeholders - including customers, employees, and the broader community.

For organisations embarking on a journey to transition towards a more value and product-centric approach, those new to this way of thinking seeking to understand its enabling factors, or those already mature in this space validating their thinking, there are a several reasons why defining and mapping value across the organisation can prove useful, as highlighted below.






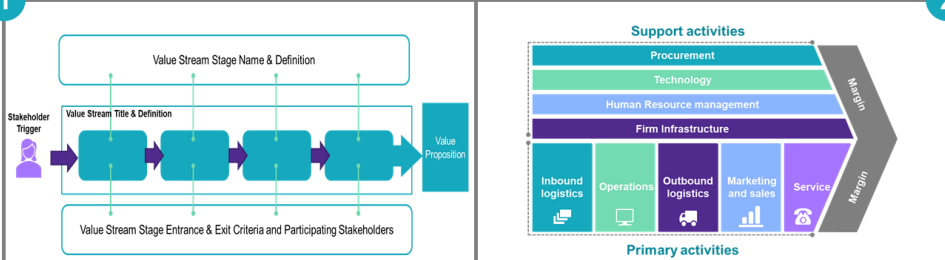
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Competitive Advantage
 By identifying and addressing unmet customer needs or providing better solutions, organisations can gain a competitive edge and attract more customers leading to a more sustainable business.
- 
Customer Centricity & Satisfaction
 Focusing on aligning an organisations products, services, and strategies to a common taxonomy in customer value, which ensures organisations can drive satisfaction and quickly prioritise product delivery and the roadmaps to realise it.
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Organisational Alignment
 If staff understands the value proposition and organisation’s strategy they can collaborate effectively across silos, make informed decisions, and work towards shared objectives, leading to improved performance and outcomes.
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Innovation & Agility
 By staying attuned to stakeholder needs and market trends, organisations can develop agile strategies, rapidly iterate their products or services e.g. using Scaled Agile Framework (SAFe), and deliver value-driven solutions.
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Value Optimisation
 When focusing on value, organisations can optimise the allocation of their resources and focus on investing in processes, technology and the capabilities that realise value, helping to bridge the gap between strategy and execution.

Figure A – Benefits of defining value

HOW TO MODEL VALUE

When considering how to model value, there are four common industry methodologies, which are illustrated and defined further below.

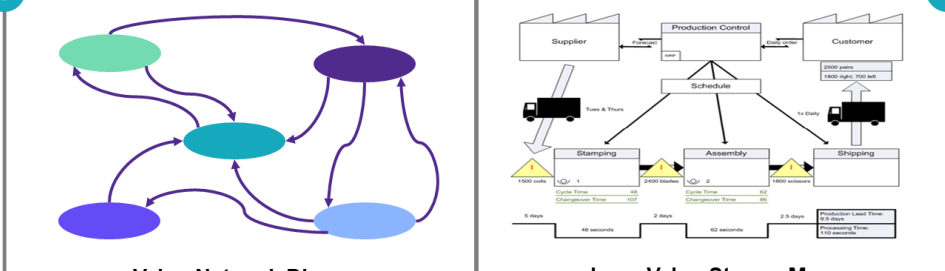
1
2



Value Stream

Value Chain

3
4



Value Network Diagram

Lean Value Stream Map

Figure B – Industry value mapping methodologies

- 1. Value stream:** An essential component of the strategic planning toolkit, value streams illustrate a stakeholder's perspective of value exchange, mapping each stage from an initial trigger to the realisation of a value outcome. Value streams facilitate further decomposition and help to identify the business capabilities required to enable realisation of value.
- 2. Value chain:** Popularised by Michael Porter¹, value chains focus on competitive advantage and differentiation, separating activities into two categories; those that directly create value, and those that support value creation. Given its origins in manufacturing the model might not seamlessly align to an organisation if its operations differ significantly.
- 3. Value network diagram:** Aims to illustrate the dynamic relationships between an organisation and its partners, suppliers, customers, and other stakeholders involved in creating and delivering value. It captures both tangible and intangible value exchanges, acknowledging that businesses engage not only in the exchange of goods and services but also in intangibles like feedback and knowledge.
- 4. Lean value stream map:** A visual tool utilised in lean management practices to analyse and enhance the flow of materials, information, and activities within a value stream. Its primary focus lies in identifying opportunities for process optimisation and reduction of wasteful activities.

A case exists for employing all of these tools while further supplementing with methodologies such as the business model canvas to offer a multi-dimension perspective of value and propositions across an organisation. Among the listed tools, value streams are particularly noteworthy and are the focus of this paper. They not only offer a holistic end-to-end view of value from a stakeholder's standpoint, but also provide the ability for organisations to overlay the capabilities required to enable value realisation.

Value streams can be useful to organisations looking to understand what they should be doing to deliver customer outcomes and identify the changes 'bottom-up' required to successfully align and execute their strategy. The next sections further explore an approach to value stream mapping, including when and how to use it to support strategy execution.

APPROACH TO VALUE STREAM MAPPING

Having understood why value matters and assuming a degree of value-orientated interest exists within organisations, this section explores how to model value streams by elucidating the core concepts and approach to value stream mapping.

Below is an example **value stream** representing the acquisition of a new car. The value stream **title** provides an overview of what will be achieved. The stream begins with the stakeholder **trigger**, which in this case is the desire for a new car, and then outline each **value stage** concisely as steps that create incremental value from the **stakeholder's perspective** to completion.

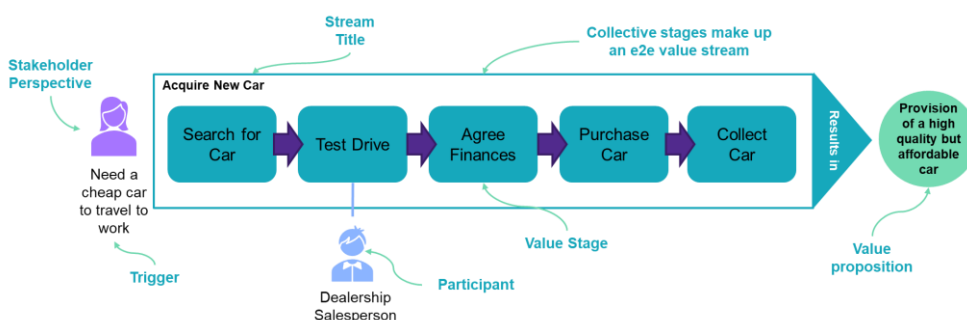


Figure C – Example value stream

¹Porter, Michael E. (1985). Competitive Advantage: Creating and Sustaining Superior Performance

The stakeholder may also interact with **participants** through the value stages, for example in speaking with a dealership salesperson to test drive and negotiate the sale. Finally, this end-to-end stream enables the realisation of a **value proposition** to the customer through provision of a high-quality vehicle at an affordable price. Once the outline has been agreed, the value stream can then be further decomposed to outline each stage's definition, entry and exit criteria, as well as the participants involved.

The below diagram outlines a set of guiding principles to use when undertaking an exercise to identify and map value streams which, if followed, will ensure best practice adoption across the organisation.

1. Ensure senior sponsorship and early executive buy-in exists to embed support and future utilisation of maps through use of collaborative workshops and interviews with internal and external stakeholders across the organisation to help identify, map and refine value streams.
2. Value streams are not the same as lean value stream maps, focus on incremental value delivery, not process optimisation.
3. Value proposition thinking can aid in value identification.
4. Use a verb-noun format to describe the title of the value stream.
5. Be concise and focus on the stakeholder view of value.
6. Value streams should realise a value outcome for the stakeholder.
7. Capture the end-to-end incremental view of each value stage, which will be a holistic view by cutting across multiple organisational capabilities, functions and teams to deliver an outcome.
8. Each stage within the value stream can be further decomposed to outline their respective descriptions, participants, entry/exit criteria and value outcomes individually.
9. Participants that interact with the stakeholder to enable realisation of value through each stage can be mapped.
10. Value streams enable identification and mapping of the capabilities and processes required across an organisation to deliver value OR find gaps in existing models. While analysing these artefacts can aid with identification, value stages should not be capabilities or underpinning processes that operationalise value.

Figure D – Value mapping guiding principles

UNLOCKING STRATEGY EXECUTION

When defining a business's strategy, there needs to be consideration both of the top-down strategy and bottom-up execution. Focusing on the top-down strategy, organisations need to clearly define and break-down their strategy into actionable objectives. Hoshin Kanri is an example of a structured methodology that ensures stakeholders are aligned and working towards the same strategic goals, enhancing the organisation's ability to execute its strategy effectively and achieve long-term success.

This technique is often illustrated using a Hoshin Kanri Matrix through which the business list and align their various-length objectives and goals. The matrix can be augmented to incorporate different views from Key Performance Indicators, improvement priorities, objectives, resources, or value stream maps, which have been illustrated below. Mapping the organisations outcomes, value streams, capabilities, and initiatives ensures top down alignment and validation of the strategic execution.

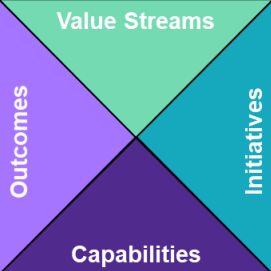
X	X		Acquire New Car	X	X	
X	X		Request Loan Finance	X		
		X	Service Vehicle	X	X	X
Customers are financially supported to purchase cars	Provide high quality vehicles at affordable prices	Develop relationships to maintain vehicles post sales		Customer Affordability	Material Sustainability	Vehicle Maintenance Loyalty
X	X		Loan Management	X		
X	X		Sales Management	X	X	X
		X	Service Management	X	X	X

Figure E – Hoshin Kanri X Matrix Example

Having defined and mapped the top-down strategy, the key challenge faced by many organisations is understanding what and where the changes need to be made across the business to enable successful delivery of the strategy i.e. the bottom-up validation.

A pragmatic approach to enable this view is to map value streams from the strategic outcomes to the changes required across the supporting operating model. The core building blocks of the organisation can be defined through the business capabilities, business processes and technology architecture required to operationalise value delivery, shown in the mapping below.

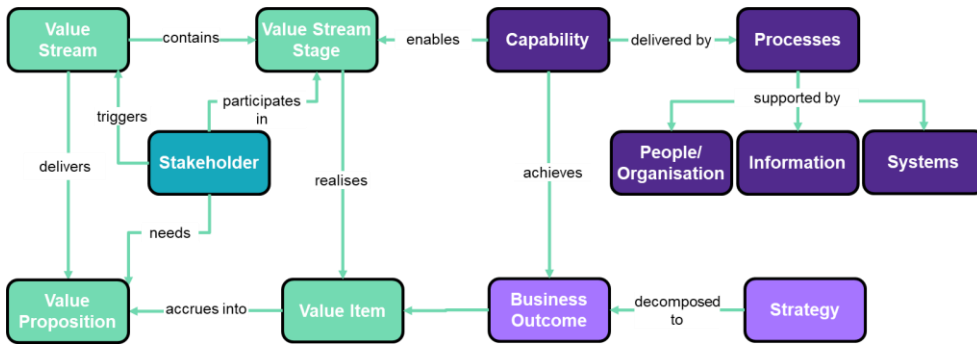


Figure F – Building block relationships

Mapping business capabilities will help define what an organisation needs to do to deliver an outcome, business processes define how the business delivers that outcome, while further linking the supporting information, systems and people changes required will ensure the underpinning teams and infrastructure are optimised to enable successful delivery of value.

Continuing with the earlier car acquisition value stream example, the below map has been further decomposed to outline how the supporting capabilities, processes and underpinning systems align to each stage of the value stream.

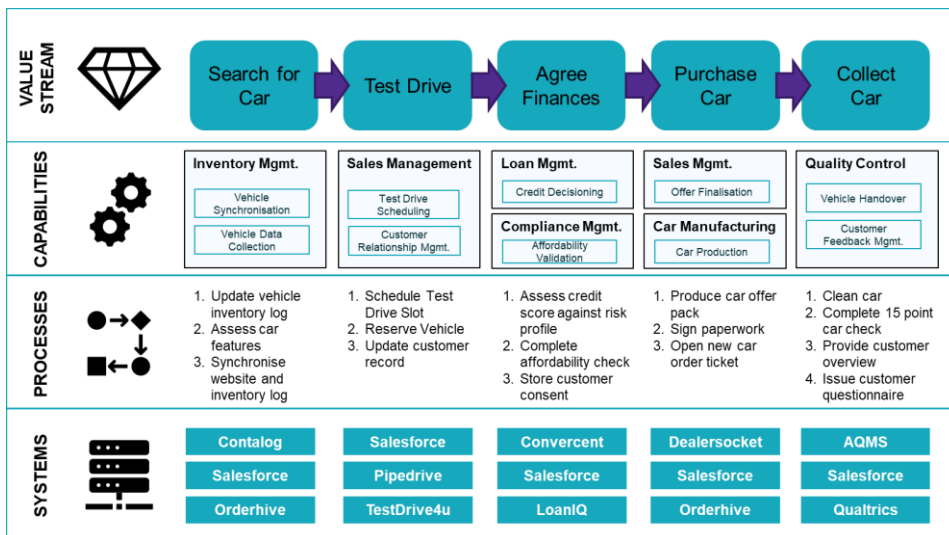


Figure G – Example mapping value streams to enabling building blocks

The illustration is a simplified example and in reality, there would be several more capabilities, processes and systems mapped. Its purpose is to demonstrate that by collaborating across teams responsible for strategy definition and execution, it is possible to pinpoint the capabilities, processes and systems required to effectively execute each stage of the value stream. This bottom-up analysis can supplement the top-down strategy and aid consideration of how to shape change initiatives to successfully deliver value.

KEY NEXT STEPS

By following these steps, organisations can benefit from Glue Reply's

industry expertise to effectively introduce value streams, demonstrate their value, drive integration, and ensure they become an integral part of the strategic planning and execution process. This approach fosters a culture of continuous improvement and helps to bridge the gap between strategy definition and realisation.

- 1. Conduct a Pilot Demonstration** - Initiate a pilot demonstration of the value stream mapping approach with a specific project or initiative. Showcase the process, benefits, and outcomes to a selected group of stakeholders which will help to build understanding, trust, and enthusiasm for the approach.
- 2. Define Clear Outcomes and Scope** - Clearly define the outcomes and scope of implementing value streams within the organisation. This focused approach helps manage complexity and ensures a smoother rollout.
- 3. Form Cross-Functional Teams** - Assemble cross-functional teams consisting of members from various departments involved in the value stream. This promotes collaboration and a holistic understanding of the end-to-end processes. Cross-functional teams also enhance the quality of insights and recommendations.
- 4. Train and Enable Teams** - Provide training and resources to the teams on value stream mapping techniques, tools, and methodologies. Equipped with the necessary knowledge, teams can effectively map, analyse, and optimise value streams.
- 5. Establish Repeatable Processes** - Develop standardised templates, guidelines, and documentation for value stream mapping. These resources ensure consistency across different projects and initiatives. Regularly update and refine these resources based on lessons learned and feedback.
- 6. Integrate with Existing Methodologies** - Integrate value stream mapping into the existing organisational methodologies, such as Lean, Agile, Six Sigma, or any other process improvement frameworks. This alignment ensures that value streams become a foundational element of how the organisation defines, executes, and realises its strategies.
- 7. Align with Strategic Goals** - Link value stream mapping directly to the organisation's strategic objectives and ensure they are reviewed through the planning cycle. Each value stream should contribute to the achievement of broader strategic goals. This alignment ensures that value streams play a meaningful role in strategy definition and realisation.
- 8. Continuously Monitor and Improve** - Implement a feedback loop that allows for continuous improvement of the value stream mapping process. Regularly review the outcomes, identify bottlenecks or opportunities, and make necessary adjustments to enhance effectiveness.
- 9. Leadership Support and Visibility** - Obtain support and sponsorship from leadership to ensure buy-in and commitment. Leadership visibility and endorsement of value stream initiatives encourage participation and create a culture of process improvement.
- 10. Share Success Stories** - Share success stories and positive outcomes resulting from value stream mapping initiatives across the organisation. Communicating these successes encourages wider adoption and motivates teams to engage in the approach.



GLUE REPLY

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For more information please contact us via glue@reply.com or call us on +44 (0) 20 7730 6000.