

Value Stream Management Explained



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Agile
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A new era in Value Stream Management.



Connect someone
with a need



to a product or service provider
that can fulfill that need



and get that person's need fulfilled

Voila! There you have a **Value Stream!**

Value Stream

The **Value** part comes from the exchange of economic value for a product or service.



The **Stream** part comes from the continuous flow of requests and delivery.



Between request and delivery
is everything necessary to transform
customer requests into value delivered.

Examples: Manufacturing - Tesla.



75D	90D	P90D
75 kWh Battery All-Wheel Drive	90 kWh Battery All-Wheel Drive	90 kWh Performance All-Wheel Drive
237 miles range	257 miles range	250 miles range
6.0 seconds 0-60 mph	4.8 seconds 0-60 mph	3.8 seconds 0-60 mph
130 mph top speed	155 mph top speed	3.2 seconds with Ludicrous
	Smart Air Suspension included	155 mph top speed
		Smart Air Suspension and Active Spoiler included
June delivery	May delivery	May delivery

Lease Loan Cash

\$899 /mo.
Cost After Estimated Savings
[Customize](#)

\$997 /mo.
Estimated Lease Payment

10,000 | 12,000 | 15,000
Miles / year

\$692
Effective Down Payment
After \$6,000 Colorado Incentive

We guarantee you'll love Model X
36 month lease, \$6,692 due at signing
[Customize your lease payment](#)

NEXT

[Show selected options](#)

Print spec sheet



Retail example - Amazon.com

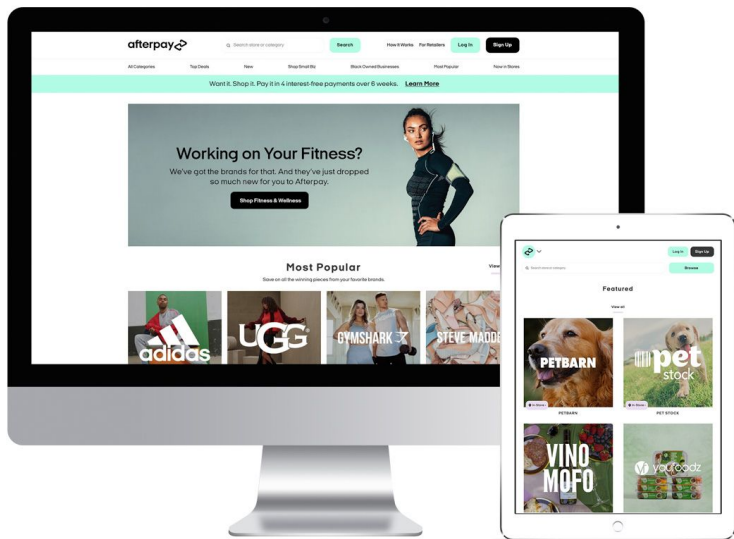
The screenshot shows the Amazon.com homepage. At the top, there is a search bar with the text "Search All s" and navigation links for "Sign In", "Try Prime", and "Wish List". Below the search bar, there are departmental links: "Departments", "Fire & Kindle", "Recommended for You", "Today's Deals", "Gift Cards", "Help", and "Sell". A prominent banner features a woman sitting on a couch reading a Kindle, with the text "JUMPSTART GOOD HABITS kindle \$79". Below this banner, it says "Included with Prime Membership at No Additional Cost".

Below the banner, there are several product categories:

- A row of movie covers: "CATCHING FIRE", "ANCHORMAN 2: THE LEGENDARY BROTHERHOOD", "THE LAST LEGION", "FRANKENSTEIN", "STAR TREK INTO DARKNESS", "THE COURSE OF JACK REACHER", and "THRILLING".
- A section for "Commute in Comfort" featuring various Garmin navigation devices.
- A product listing for an "LG Electronics G Watch R W110 Smart Watch" with a price of "\$309.00" and a rating of 4.5 stars (29 reviews).
- A "Return or Replace a Gift" section with a logo of three blue triangles.



Example: Technology - Building products.



Key elements of a Value Stream



1

A product or
service provider

2

A product or service catalogue

3

A customer

4

A customer order

5

A customer
service level
expectation

6

Exchange of
economic value

7

Process

8

Delivery of
customer order



Salty's Cafe

SERVICE PROVIDER



Salty's Cafe

Espresso	Flat White
Ristretto	Cappuccino
Macchiato	Latte
Long black	Mocha



DELIVERY



REQUEST

PRODUCTION PROCESS

ECONOMIC EXCHANGE

CUSTOMER/STAKEHOLDER

SERVICE LEVEL EXPECTATION





Attributes of a strong Value Stream



Attribute 01

A strong Value Stream
must have a clear understanding of
who its customers and stakeholders are.

Who are your customers and stakeholders?



As a rule of thumb, the customer is the one who requests and receives the value produced.



Stakeholders are parties with interest in either the production process or the value produced. Anyone that can either affect or be affected by the Value Stream.



In a digital Value Stream, customers/stakeholders could be:

- ✓ The one who represents the market share
(e.g. customers of a SaaS platform)
- ✓ An executive of a functional area within your organisation
(e.g. the VP of Marketing)
- ✓ A Value Stream segment to which you provide shared services
(e.g. the platform Team providing services for several delivery teams)
- ✓ A governance body
(e.g. E-PMO, Steering Committee, Board, Government)



Attribute 02

A strong Value Stream has a clear understanding of customer purpose and service level expectations.



Depending on the conditions in which customers/stakeholders make a request, their purpose and service level expectations will most likely be different.

Example - VP of Growth of a SaaS platform



Demand type: New product features

Purpose: Improve the marketability of the product in the long run

Service level expectations:

- Commitment rate: 40-60%
- Time to commit: 1-3 months
- Lead time: 3-6 months

Demand type: A/B Testing

Purpose: Run experiments to increase acquisition, activation, retention, revenue and referral

Service level expectations:

- Commitment rate: 70-80%
- Time to commit: up to 14 days
- Lead time: up to 7 days

Common selection criteria might include

- ✓ Lead time and its predictability
- ✓ Productivity and its predictability
- ✓ Quality and its predictability
- ✓ Cost
- ✓ Commitment Rate
- ✓ Time to Commit

Important to remember:

- ✓ Same customer, different purposes, different SLEs.
- ✓ Multiple customers, multiple purposes, multiple SLE.



Attribute 03

Strong Value Streams communicate their products and services in a way that is understandable and desirable by their customers and stakeholders.



Delivery teams communicate in terms of User Stories, Tasks, and Bugs.

Value Streams communicate using a ubiquitous customer language. Something that customers would understand, care about, and request.

When ordering a coffee in Australia, you'd probably find:

- Espresso
- Ristretto
- Macchiato
- Long black
- Flat White
- Cappuccino
- Latte
- Mocha



An equivalent for a software engineering team would be:

- New features
- Enhancements & Optimisations
- Defects & Incidents
- Enablers & Tech Debt
- Risk & Compliance



Customers don't know and do not care how you translate their demands into your internal work item types (epics, stories, tasks, subtasks).
Keep that for your delivery teams.

At a Value Stream level, it's important to use customer language.



Attribute 04

Strong Value Stream understand their fitness level in relation to customer purpose and expectations.

Every service has an inherent



- ✓ **'Service Level Expectation'** (what the customer expects)
- ✓ **'Service Level'** (how well you're able to satisfy customer requests)



If you don't understand your **service level**,
you are flying blindly.

To which degree are you meeting your SLEs?



Summary Table  

Type of Demand	Service Level Expectation	Target Met
Feature	30 days or less	78%
Defects & Incidents	5 days or less	90%
Risk & Compliance	60 days or less	48%
Management Activities	30 day or less	70%
Enhancements & Optimisationa	14 days or less	86%

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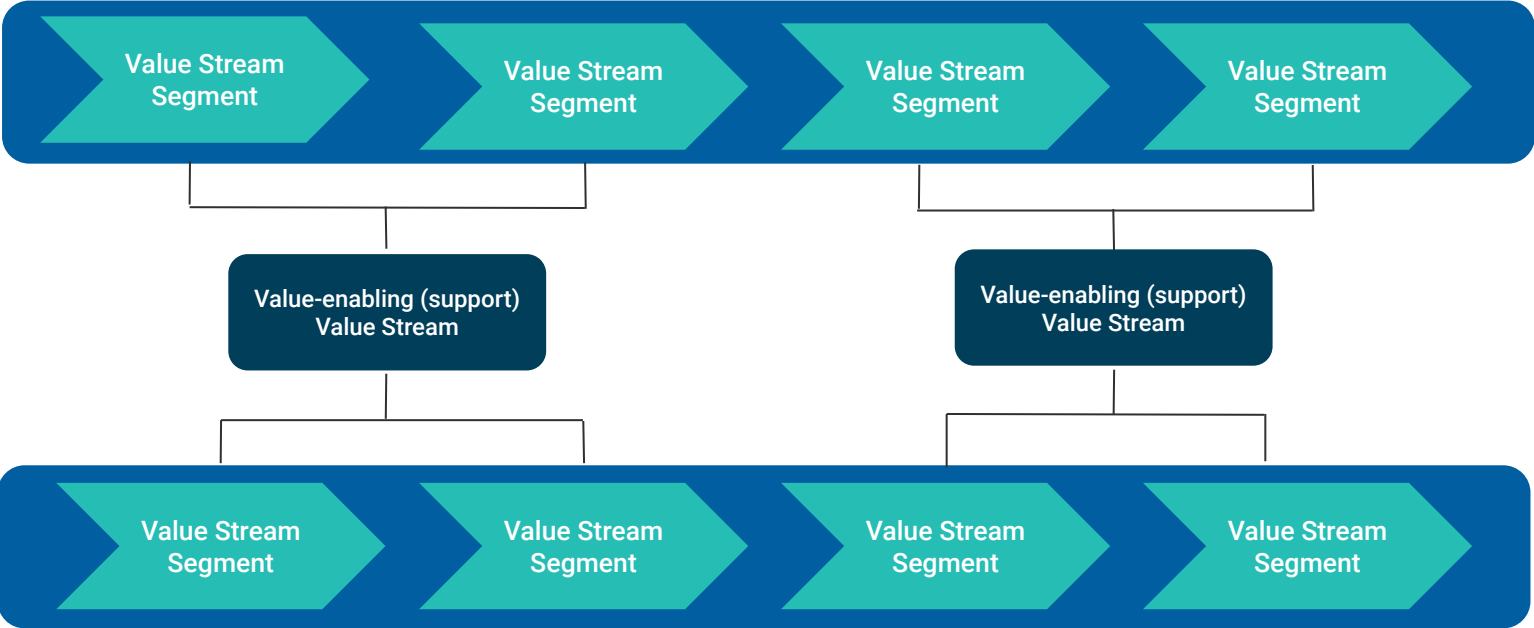
Attribute 05

Value Streams manifest themselves
in three different forms.



Different types of Value Stream

Full customer-facing, end-to-end Value Stream



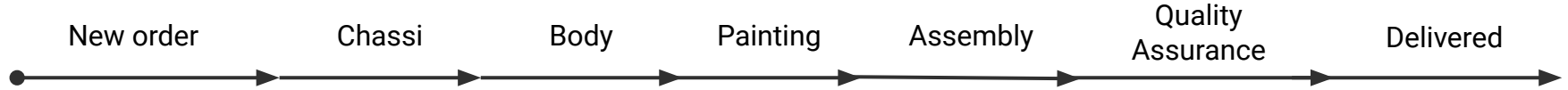
Full customer-facing, end-to-end Value Stream



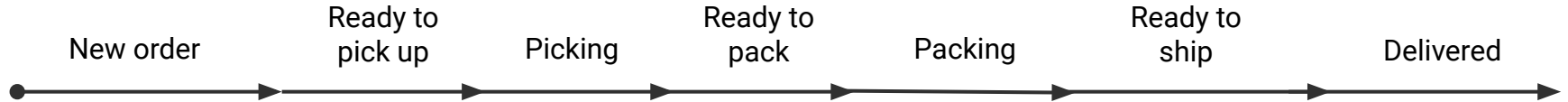
Attribute 06

Strong Value Stream have a defined process and a set of explicit policies to transform requests into a customer value.

Car Manufacturing Process



E-Commerce Process



Coffee Process



Software Delivery Process



Chatsheet: Defining explicit policies for Value Streams.

- Who can demand work to your Value Stream?
- What's required for the work to enter the Value Stream?
- What's required for the work to depart the Value Stream?
- Who can expedite a piece of work? In which conditions? How does expedited work move through the workflow?
- Do we need to allocate dedicated capacity for specific types and sources of demand?
- How do we control WIP?
- How do we manage blocked items?
- How do we pull work? Random order? Strict FIFO order?
- What should people do when not able to pull new work?
- How do teams behave when WIP Age hits 80% of the SLE?



Attribute 07

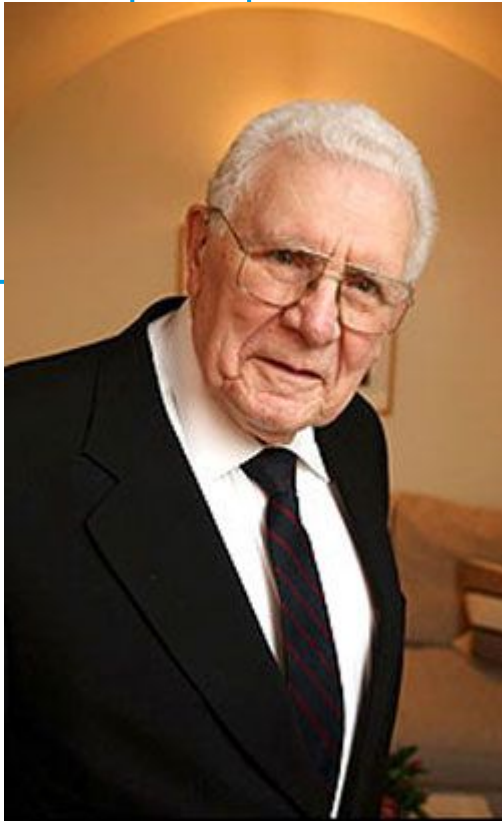
Strong Value Stream can distinguish between efficiency and effectiveness.

“ There is a difference between doing things right and doing the right thing.”



Peter Drucker

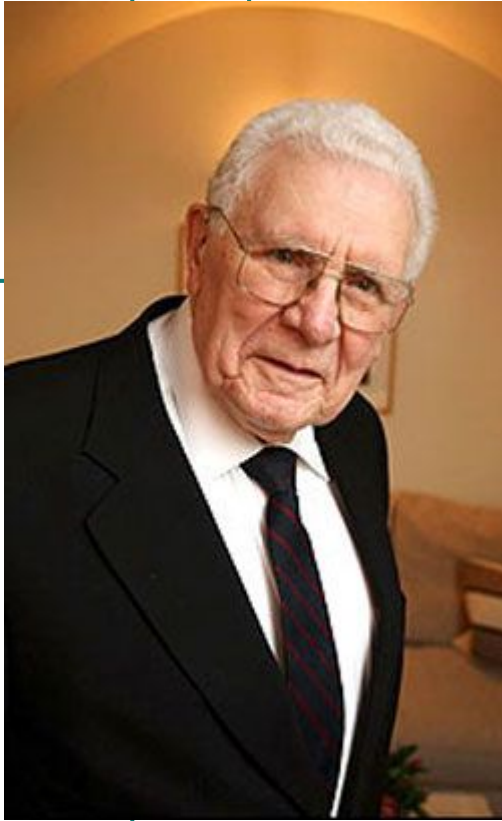




Russell Ackoff

“See, doing the right thing is wisdom, effectiveness. Doing things right is efficiency. The curious thing is that the righter you do the wrong thing, the wronger you become. If you’re doing the wrong thing and you make a mistake and correct it, you become wronger. So it’s better to do the right thing wrong than the wrong thing right.”





Russell Ackoff

“Efficiency is a measure of how well resources are used to achieve ends; it is value-free. Effectiveness is efficiency weighted by the values of the ends achieved; it is value-full.”



Attribute 08

Strong Value Stream captures and radiates clear signals that are interpreted by its teams and leaders.



Signals can manifest themselves in many different ways:

- ✓ Customer and stakeholder feedback or complaints
- ✓ KPIs below the acceptable customer threshold.
- ✓ Healthy indicators outside of their healthy ranges.
- ✓ Improvement drivers below the target.
- ✓ Tensions sensed by teams within the Value Stream, representing gaps between reality and potential.
- ✓ The different customer-centric and flow-based metrics radiated by VSM platforms.



The traditional process for obtaining reliable information is typically manual and passive. It's also human-orchestrated, meaning the quality of information will be as good as the people executing it, making it fragile and highly political. Another challenge when gathering governance information is translating local and contextual data from teams into global and meaningful insights that leaders can make sense of.



Attribute 09

Strong Value Stream have a series of well-defined reflection mechanisms.



Reflection mechanisms are events or ceremonies that happen regularly to create alignment, rhythm and to process the feedback, signals and tensions coming from inside and outside of a Value Stream

Value Streams Reflection Mechanisms

- ✓ Strategy Review
- ✓ Replenishment Meeting
- ✓ Daily Meeting
- ✓ Service Delivery Review
- ✓ Operations Review
- ✓ Risk Review



Attribute 10

Strong Value Stream have leaders focused on its sustainability and survivability.



Value Stream leaders are committed to pursuing the sought-after “sustainable pace”, relieving people and teams from abusive environments, allowing them to do good work.



Recapping...



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Thank you!

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