

# Value Streams in Companies – A Picture Is Worth a Thousand Words

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Abstract:

Value stream analysis is a proven method to holistically examine a company for process optimization potentials. Value stream diagrams allow for processes to be seen and comprehended. Critical points are unveiled quickly and can be optimized in the overall context of process elements. Managers learn to see their company and business model with new eyes.

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# Value Streams in Companies – A Picture Is Worth a Thousand Words

Peter Stellbrink

## Trapped in the Daily Routine – Management Is Blinded

Being caught in the daily routine of operations and its bustle, most managers no longer have the time to reflect and see what is really going on within their companies. Thinking about an alternate path and strategic optimization for the company is completely neglected. Management finds itself in a constant firefighting mode.

The control over the boat “THE COMPANY” is lost and most often management is found in the control room only focusing on speeding up, braking, making slight changes to the route or maybe increasing reach by adjusting the fuel economy. The purpose of the intentions behind the planned actions are overtaken by the operational rush and aimless reactions.

Asian wise men demand for a good reason that each human should reflect 10 minutes a day about his actions, deeds, and existence. As a result a vision should be created that one strives for and one’s actions should always be to try and reach this vision. The only way to reach long-term goals is to have this picture and goal always on one’s mind.

## Learning to See

Which manager has this picture on his mind? Where is his company (his boat in the sea of an economy) positioned? What kind of boat is it? What purpose does it fulfill and for whom? Is the company a tanker – a fishing boat – a warship – a submarine? Each one of these “ships” fulfills different customer wants. The goal is to find out which ship the company should represent to serve the customer efficiently with its current crew and lean processes.

## Using the Method of Value Stream Analysis as a Way for Management To See Again

Using value stream analysis allows management and the team to arrive at a common viewpoint. Processes are depicted as a landscape from above and relations become clear and visible. Problems such as

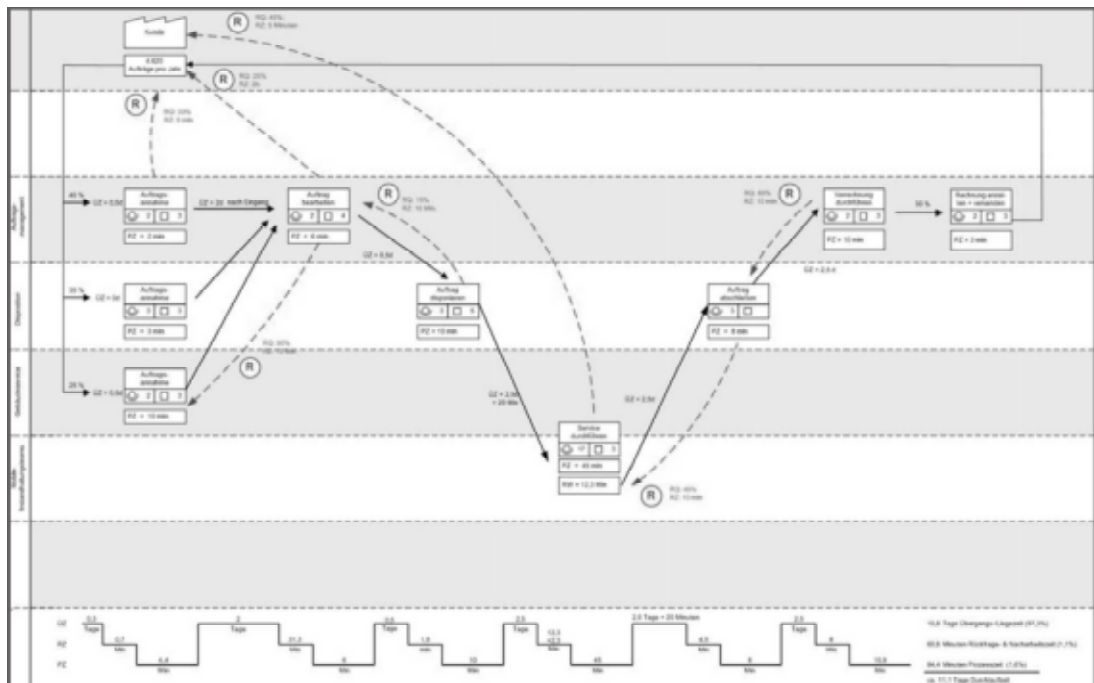


Figure 1: Value Streams Analysis (Basic Lean Administration)

long throughput times, long wait times, complex and difficult interfaces become obvious. Alternate routes and ways to shape the process are easily found. Call back rate indicate where quality problems exist and processes need to be redefined. Where applicable, an explicit clarification is necessary at an earlier point in the process to ensure a smooth flow of information. In fact, waste is being identified and can be eliminated, paving the way for a lean enterprise.

During value stream analysis workshops fantastic things start to happen. The involved departments and employees really **DO START TO SEE**, their eyes open and they realize why things in the past went wrong, were difficult and had defects all the time. With the help of seeing the larger picture in form of the value stream map on the wall and the process oriented view from the top, they are able to think about new solutions. The real world, which is usually abstract and hidden from view, now becomes visible. The realization of why certain improvements and attempts to make improvements failed in the past is now there. In order to really improve the whole picture needs to be clear and changes have to take place in many areas along the process chain. It can only work if a plan is established and changes within a project are implemented. Everyone should be involved.

### What Characterizes a Value Stream Analysis

1. Everyone that plays a role in the value stream has internalized the targets of the value stream workshop. The targets are to increase efficiency, improve quality, assure flexibility and reduce costs.
2. All workshop participants are familiar with the different types of waste. It is essential to eliminate those. Overproduction and non-value added production, large inventories, unnecessary transportation and idle times, technology and process deficits, unnecessary manual handling, too many call backs and loss of quality are just some examples.
3. Everyone involved in the workshop is familiar with the philosophy of the value stream. Everyone is focused on the customer and the ultimate goal is to fulfill his requirements with optimal use of resources. Everything in the value stream should flow continuously and flawlessly. All suppliers and other sourced processes are checked for perfect integration. Everything follows the pull principles and demand triggers the preceding processes of the system. A loop of continuous checks and improvement is designed into the process in order to ensure that the customer is and stays satisfied even

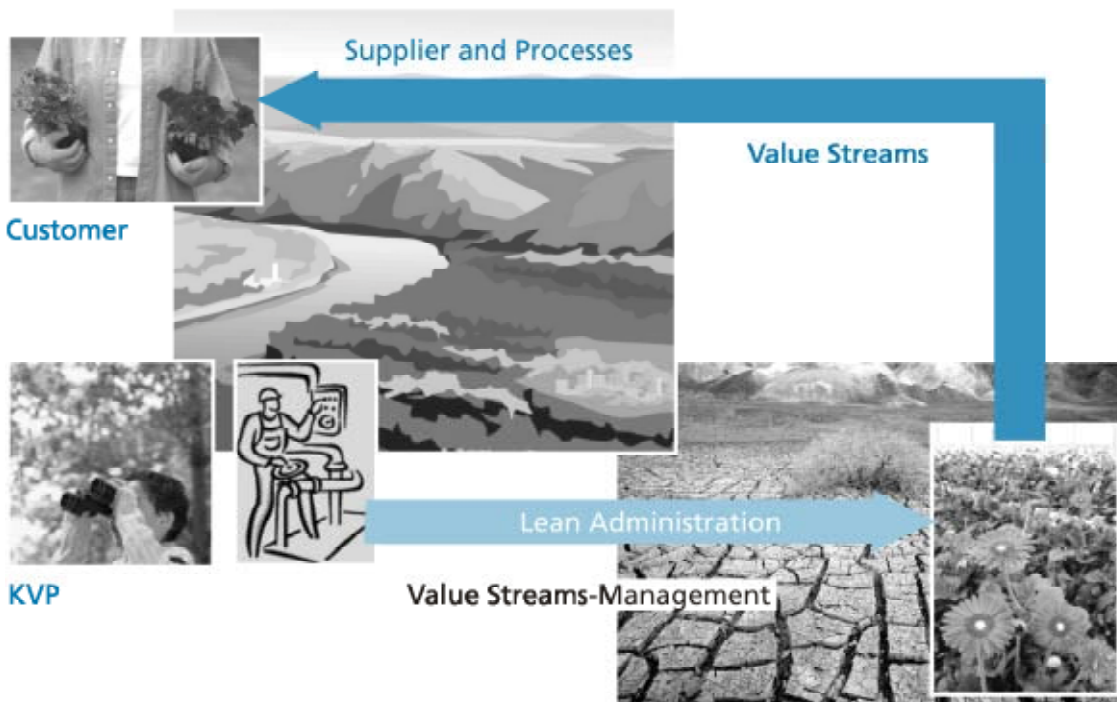


Figure 2: Value Streams Design

if the general framework of operation is changed. The principles of the value stream can be seen in Figure 1. They should be repeated before each workshop.

4. All activities are separated. Following this step they are analyzed and classified into main, secondary or organizational tasks.

### How important is the value stream analysis for a holistic optimization of a company towards a lean enterprise?

**Analysis Phase:** The business model is checked and described. The current organization as well as its order types are listed and classified. The ABC analysis is used to classify turnover and volume, while the XYZ analysis is used to classify the frequency and regularity of the order. The workshop primarily focuses on the order types that fall into the category of AX to quickly achieve the most effective improvements. Data does not need to be analyzed down to the last digit; a rough estimate is often good enough. For the value stream of administrative processes it makes a lot of sense to double check with different sources in order to confirm the characteristics of a specific order type. For the production mostly hard facts and figures are available.

The value stream is outlined with the help of process cards and posted on brown paper on the wall. The cards contain information about lead time, any sub-process involved and staff required. For areas where problems do not become transparent right away with the help of the process map, an in-depth analysis is needed. A lot of quick wins can be achieved during the first workshop. They should be tackled immediately with the intention of motivating the team and to show progress. An action plan is developed to track the implementation of projects.

**Modularization Phase:** This phase is used to check if modules can be build within the process landscape. They need to be distinct and repeatedly usable. Once defined the modules are further specified and checked for optimizations. The final stage of the modularization phase is a standardization of all information and the description of module interfaces. Information is collected where it is easily and without additional efforts available and is transported through the value stream in an efficient manner.

**Integration Phase:** In this phase the modules will be fitted into the process landscape and checked for their overall functionality.

**Implementation Phase:** During the implementation phase capacities are adapted and operative processes implemented. This may result in a changing of the organizational structure. Ideally, process cost management is introduced in parallel with a continuous improvement process, which serves as additional safeguard.

### The Value Stream Workshop and Its Contents

The most relevant client data is captured and made available. The workshop moderator and coach define in advance the depth and detail of the data. The affected sites are defined and listed. The functions initiating the process are identified and the individual process steps are displayed on the brown paper in form of “swimming lanes” (Figure 2). The interfaces of the information flow are defined and their functionality is described. One important and primary component of the workshop is the inclusion of processing times, idle and down times and times for call backs and complaints in the process map. The insight gained in the workshop need to be implemented immediately to reach quick wins. These quick wins will serve as motivation to the team to work on the improvement of the value streams in the long-term.

### Common Problems when Implementing the Results in Practice

1. **The Method is too Theoretical.** The method is applied in a manner that is too theoretical. The focus lies on the procedural approach and the complete picture of the value stream map is forgotten. Certain creativity and a pragmatic approach are necessary to ensure that the effort is not a dry and frustrating experience for all participants.
2. **Not Enough Time Is Devoted and Not Everyone Is Involved.** The daily business does not stop and important staff is unavailable to participate. However, their know-how about the processes is indispensable. The frequency of the sequence of workshops is underestimated and important persons are often inhibited from participating because of travel and other projects. Workshops without

the most important contacts are worthless and will not provide any solutions. The investment and commitment of time is the most important that the company has to make in order for the workshops to be fruitful.

**3. Short Cuts Are Taken and the Focus Is on Partial Elements.** Unfortunately due to the amount of time required people tend to take short cuts and focus only on parts of the aspects rather than the overall picture. Obvious problems are tackled and the hidden and sometimes more serious problems are not found or ignored. This does NOT comply with the style and characteristics of a value stream analysis and the major potentials that are usually uncovered with the help of the value stream analysis remain untouched.

**4. No Professional Moderation and Coaching.** In order to be successful it is imperative that an experienced workshop and value stream expert moderates the workshop. This guarantees that the participants' time is used wisely and that mistakes that could otherwise cause the failure of the whole venture are prevented and unlikely from happening. Most value stream experts have the qualification and experience they can draw from to steer the group through difficult parts of the workshop. The Lean Enterprise Institute qualifies and trains experts. A company internal coach should at minimum have this qualification and participated in the training. Yet, the biggest value of an external moderator lies in his experience of knowing processes at other companies and being able to bring good and new examples of other organizations into a discussion. This knowledge is invaluable.

## Conclusion

Value stream analysis is a very valuable and important tool when doing a holistic company optimization. It is important to stick to the principles and the rules as outlined. The new process map and picture are carried forward into the organization by all participants, but they need complete upper management support. Many companies have defined value stream analysis as THE TOOL to use when looking at improving and optimizing processes. The method is used regularly and the efforts of a company-wide continuous improvement process are strengthened.

Schuh & Company relies on this method in many projects and coaches companies in their re-orientation towards process excellence. Change projects spread the new culture throughout the whole organization. Through close collaboration with the research network in Aachen and the Lean Management Institute, a high degree of conceptual knowledge is available. The application of this knowledge in daily practice through our client work makes Schuh & Company an expert for designing and coaching process optimization workshops.

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