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Value Stream Design, a necessity for an effective and adaptive organisation in the digital era

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Introduction

To adapt to today's dynamic business landscape, there is a significant curiosity among our clients in organising their deliveries around value streams. To do this successfully, we argue that you need to adopt a value stream management (VSM) approach. A VSM approach is crucial for optimising work-flow, reducing waste, and ultimately accelerating value delivery to customers[1]. Unfortunately, as highlighted by Deloitte in their 2024 Business Agility Survey, only about 25% of agile teams have adopted a value stream-centric organisational design, indicating a significant untapped potential for improvements and overall business performance.

We argue that part of the VSM approach includes the specific activity of designing the value streams – we refer to that activity as Value Stream Design. By thoroughly mapping how value flows from the initial customer demand to satisfaction, organisation's can strategically align their structures and processes to optimise for continuous product enhancement and innovation (Figure 1). Ultimately, shaping your delivery organisation around identified value streams will break down silos and empower teams to accelerate product delivery and consistently build products that customers truly value.

One common approach to kick-start this alignment is the Value Stream Identification (VSI) exercise, related to the Scaled Agile Framework, SAFe. This exercise helps organisation's define their operational and development value streams, clarifying the sequence of steps required to deliver products and solutions to customers. While we often reference VSI as a positive starting point for inspiration, it's not the only way to approach and design value streams. In our work with client's, we've observed a dual trend: growing interest in Value Stream Design from those new to the concept, alongside a noticeable frustration from those who have tried but haven't yet experienced the expected benefits and full potential.

In this article, we aim to address these concerns and offer a supportive perspective, for newly interested parties and already concerned parties, based on our experiences with Value Stream Management and Design. This article will be divided into two sections, with focus on the «how» and «what» perspectives.

Question 1: How can Value Stream Design accelerate business value?

Question 2: What are key areas to consider when designing Value Streams?

Notes to the reader

Notes to the reader in this article, we deliberately choose not to include how the team itself delivers as an aspect of whether an organisation can fulfil its objectives or not. While we recognise the team's importance, our focus is on the overall system of work and its structure. Once this is established, we can address the teams' operations.
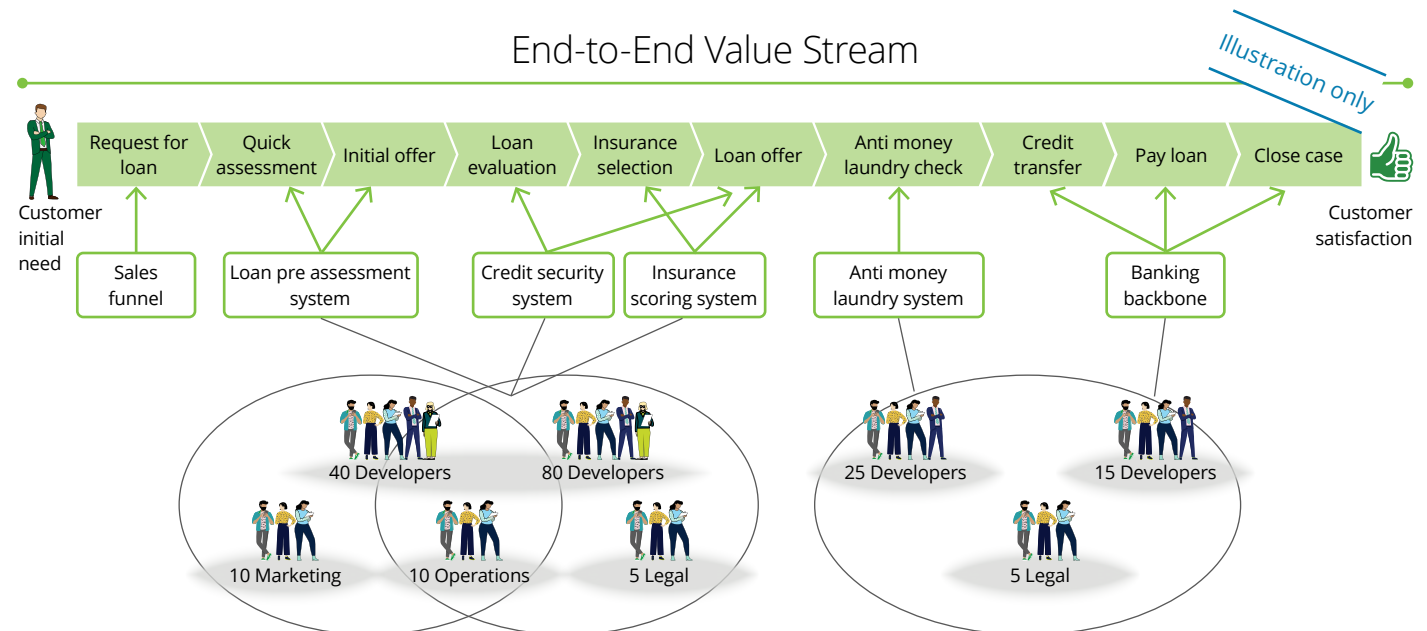

Figure 1: Illustration of high-level artifact created from the Value Stream Design activity

[1] Throughout this article, we refer to 'customer' as any individual or entity that receives and consumes a provided product or service. The recipient can be an end-user or an internal user. Moreover, the only exchange we acknowledge as essential between the recipient and deliverer in our cases is feedback on what was delivered; thus, a monetary exchange is not necessary in our view of a customer.

How can Value Stream Design accelerate business value?

Value Stream Management

Value Stream Management means consistently aligning an organisation's entire set of activities and processes to maximise the delivery of value to the customer, tracing their complete journey from initial need to satisfaction. This approach involves identifying business value streams, which directly deliver products and services to the end-user, and the supporting development/IT value streams, which build the systems and capabilities for those products. Ultimately, Value Stream Management becomes the fundamental concept for how teams and functions organise themselves, ensuring seamless cross-functional collaboration. We bring this to life through Value Stream Design.

Value Stream Design requires clear objectives, continuous revision and adjustment

As mentioned earlier, there is an existing frustration and concern regarding the unmet expected outcomes from exercises going into designing value streams. We argue for four potential reasons limiting the outcome, the first being clarity of what we want to achieve, the second relates to the organisational scope of the exercise, the third is the implementation approach, and the fourth is connected to adjusting based on feedback, which we call closing the feedback loop.

1 Clarity of what to achieve

Challenge – Without clear objectives, Value Stream Design often misaligns with business direction and leads to sub-optimisation. This can result in ineffective optimisation efforts, or endless debates and conflicts because there are attempts to consider too many things at once.

Potential solution – To set the direction for a transformation with one or multiple strategic objectives, we believe the concept of Objectives and Key Results (OKRs) is helpful. OKRs are a valuable tool for defining clear, aligned, and measurable goals which drive organisational transformation. The defined strategic objectives in the form of OKRs will guide the optimisation efforts as value streams are identified. Guidance will be required, as there are often numerous options and trade-offs to consider in the decisions regarding Value Stream Design. Nonetheless, the most important characteristics of what the Value Stream need to be able to deliver on is identified.

2 Scope

Challenge – If the Value Stream Design approach is confined by existing organisational boundaries and executed in silos, its intended benefits will likely remain difficult to obtain. This fragmented approach captures only a partial view, not the complete end-to-end flow of value, significantly diminishing its transformative potential.

Potential solution – Unlocking full value stream potential requires leaders to courageously think beyond their silos and politics by embracing a holistic end-to-end value flow mindset.

3 Implementation approach

Challenge – A reluctance to use an incremental approach, referring to building and releasing things in small, usable pieces, one after another, learning and adjusting with each piece, towards implementation of value streams may lead to a lengthy process with several attempts to design the perfect solution. This causes delays in the transition or challenges to adjust as the changes are being implemented.

Potential solution – There is an expectation that the Value Stream Design exercise is a one-time event, whereas we argue that the process can be revisited and continuously applied as an iterative cycle to achieve incrementalisation, nonetheless when prioritisation of business objectives shift.

4 Closing the feedback loop

Challenge – Once the strategic objectives, expressed as OKRs, are clear and you know what you want to achieve and how to approach it, you can execute and begin to explore and design your value streams. It then becomes crucial to reflect and adjust based on feedback as you progress. Adjustments based on feedback might be essential if the newly identified value streams do not fulfil the originally set out objectives, or if the objectives changed as reality took place.

Potential solution – To address this, we believe we need to close the feedback loop and approach Value Stream Design as an ongoing process driven by specific outcomes. This can foster wider engagement for optimising the value stream setup by being open to, potentially, quarterly adjustments, where outcomes are consistently reviewed, confirmed, or redefined.

How can Value Stream Design accelerate business value?

So, how can Value Stream Design accelerate business value? We argue that it must be an iterative and ongoing process with a continuously refined objective based on feedback from deliveries. The conceptual application of how this could work is demonstrated in five steps below (Figure 2). The figure illustrates an iterative loop, incorporating continuous feedback towards the strategic objectives to make necessary adjustments of the Value Stream Design. To exemplify, a fictive story of COMPANY Y will be used.

1) Identifying the Need for Change

COMPANY Y either recognises that their strategic objectives are not in place, or that existing objectives are not being achieved. This realisation prompts a re-assessment of their current operations and the need for change and transformation with clarity in strategic direction. It is completed by rephrasing or creating clear strategic objectives.

2) Initiating the Value Stream Design Exercise

COMPANY Y decides to initiate a Value Stream Design exercise. The clearly defined, or redefined, strategic objectives – in best cases expressed in OKR format – guide the exploration and design approach, highlighting important objectives and optimisation targets. As a result of the exercise's completion, existing value streams were re-evaluated, and more objective-driven ones were successfully identified.

3) Redefining the Delivery Organisation

Insights from the exercise together with the newly designed value streams, leads to the creation or revision of COMPANY Y's delivery organisation. If the delivery organisation did not exist, it is established; if it did exist, it is redefined and aligned with the identified value streams and objectives.

4) Executing and Monitoring

The updated delivery organisation begins to execute. Teams work towards delivering impactful results, directly influencing the initial or redefined strategic objectives. Continuous feedback from team deliveries is monitored to assess improvements in achieving the objectives. However, if the feedback indicates that the key results are still not being achieved or that they have changed for any legitimate reasons, further action is required.

5) Iterative Improvement Cycle

If the strategic objectives remain unmet or changed, COMPANY Y has two options. The first option is to re-start the loop by revisiting the initial first step. This triggers a need to re-assess and potentially re-define objectives, followed by another round of re-designing the existing value streams and thus also the delivery structure. The iterative cycle continues, ensuring continuous improvement and alignment with strategic objectives. Their second option is to review the current prioritisation of outcomes being executed by the teams. It may be that the delivery structure is well designed, but the focus on what is being delivered needs to be revised.
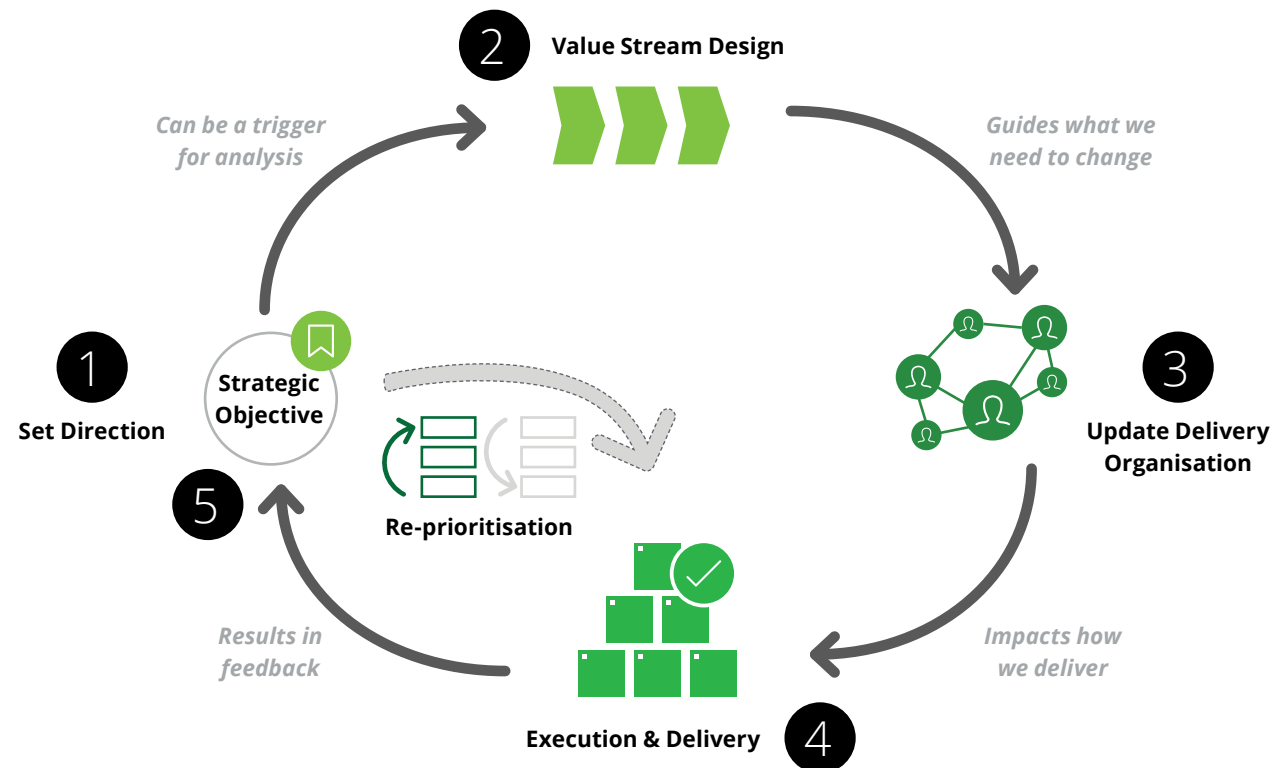

Figure 2: Value Stream Design, used iteratively based on continuous feedback and new insights.

What are key areas to consider when designing Value Streams?

Top-down

Introducing new concepts and new ways of working which affect a big part of the organisation always requires a top-down approach. When making strategic changes, you'll need to make sure changes are approved, potential funding is secured and that you have the required support from leadership to follow through on implementing a value delivery model. This is of great importance when implementing and conducting a Value Stream Design exercise.

Buy-in from leadership

As an idea is brought up to and approved by a certain leader or leadership team, their buy in and support is vital throughout the whole change process to see the changes through. When designing Value Stream across your organisation, or parts of it, it can be a long process which can result in significant changes to your delivery organisation. If the support from leadership is lost during this period, due to changes in personnel or other changing circumstances and priorities, it can be difficult to implement the needed changes which the Value Stream design has resulted in.

Think Big, Start Small – get a working product in place and iterate

As an enterprise begins to revise their delivery organisation, they can decide not to do everything at once – for example, by taking one business unit and/or one portfolio at a time. Similarly, as the different Business Value Streams, development/IT value streams, and thereafter the team structures are understood, it is possible to implement different parts separately, perhaps in a consecutive form. This mindset is important as we want to have a working product in place as soon as possible to gain practical insights and learnings for upcoming implementations, as well as having time to make adjustments if needed, always with an enterprise lens to avoid sub-optimisation.

Avoid silos

In large enterprises, there are always silos due to team and department structures, and people tend to work a bit differently within the different silos. When introducing Value Stream Design, it's easy to fall in the silos-trap and only focus on your own team or department when starting the work, but this could limit the overall outcome and expected benefits from the exercise. The results from Value Stream Design will most likely span over several teams or departments, and it's therefore important to work together across the silos to achieve the best possible result for your organisation. Working in silos can lead to heavier workload, missed learning opportunities and a longer implementation period.

Clear 'Why'

When starting the Value Stream Management approach and beginning to design value streams, it's important to have a clear 'why' and identified benefits. Questions like «Why do we want to make these changes?» and «What outcomes are we hoping to achieve?» should have clear and known answers before starting a Value Stream Design exercise. Additionally, it will help in making sure other important aspects such as change management and buy-in from leadership are clear throughout the entire process.

However, the «why» doesn't have to be consistent. It can change as we uncover new insights, which is why we advise to see Value Stream Design as an iterative and ongoing process – it will most likely change over time.

Outcome focused

When we talk about the why, we want to focus on the results we want to achieve – the outcomes – and not just on the things we produce – the outputs. It's about the impact and value created, not just the sheer volume of work done. The Objective and Key Results framework has proven beneficial in this aspect.

Benefits for who?

Having a clear why helps clarify who will benefit from the implemented changes and what specific results are hoped for. This is also beneficial for addressing the common 'What's in it for me?' question from impacted individuals within the organisation.

Encourage

Avoid

Consider

Clear Value Stream Design Orientation

A Value Stream Design orientation explains which aspect you will base your value streams on. There are three main orientations which can serve as the primary orientation: customer, product, or system. Choosing a primary orientation should be based on what the organisation's focus is and what it aims to achieve.

Customer
Our customers and their journey should be our foundation and guideline for our Value Stream Design approach. To create greater value for the customer (internal or external), we should internally align and focus the value creation based on the customer journey to create as much value as possible for our customers.

Product
Many organisation's have teams and development areas based on their products, which is why product-orientation is one of the most common and an easy way to go when designing your value streams as it might not lead to a lot of changes in your value streams. However, it will help you understand if and where there are synergies that can be leveraged when considering your value streams.

IT-System
Orienting value streams based on IT-systems can be relevant when an organisation wants to scale its infrastructure and platform services as a shared service across the organisation or by being a software company.

Roles will be impacted

Introducing value streams into your organisation and making the needed organisational changes in your delivery teams, will probably lead to changes in team lead roles.

The team lead/manager
The traditional team lead or manager often experiences a shift, becoming less involved in the team's deliveries and increasingly focused on individual team member development and strategic recruitment. This ensures that sustainable and competitive competencies are available.

Change management will be needed
The Value Stream Design process can be quite long and span over several areas of the organisation. This requires dedicated and planned communication efforts as well as change management to make sure everyone affected by these potential changes are aware of them and have time to adjust to them. If change management is not properly introduced in time, it can cause misunderstandings and delays in the work and upcoming changes.

HR Involvement
Transitioning to a value stream organisational approach inherently introduces shifts in job architecture, delivery roles, and incentives, alongside the need to integrate feedback into broader learning processes and update personnel and competence development systems. Therefore, HR's early and continuous involvement is critical to successfully navigate these changes and ensure alignment with the new outcome-driven direction.

Competence to drive Value Stream Design as means of continuous improvement

Working with value streams highlights the increasing importance of their continuous revision and improvement as our outcomes evolve and reality shifts. Therefore, building mechanisms to develop and staff competence at the right time and at the right value stream to continuously drive Value Stream Design activities is crucial.

Training and education
Investing in training and education on Value Stream Design concepts, techniques, and continuous improvement is crucial for building foundational competence across an organisation. This enables integration into the overall continuous improvement framework, ensuring that it's not a one-time event.

Encourage   Avoid   Consider

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The Nordic and Swedish business agility offering is connected to a world-wide network of experts

3,800+
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$1.0 Billion
Projects delivered annually using the lean, Agile & DevOps delivery model

10,000+
Directly trained and coached client professionals across the world

46
Global delivery centres of which 22 are fully compliant with intel security in US, CA, UK and India

6+
Global Agile Centres of Excellence (CoEs)[1]

26,000
Global delivery professionals

37+
Countries where we have led Agile engagements

100+
Over 100 clients have used us for lean-Agile & DevOps transformation & delivery efforts

Lean Startup Co.   **SCALED AGILE**   **ATLASSIAN**

Deloitte has a partnership relationship with Lean Startup Co, Scaled Agile and Atlassian.

The offering in Sweden focuses on six sub-services, which we offer to our clients together with our expertise and accelerators to enable business agility

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PROJECT TO PRODUCT TRANSFORMATION

LEAN PORTFOLIO MANAGEMENT

DELOITTE BUSINESS AGILITY

AGILE TOOLING

AGILE PEOPLE AND AGILE FOR HR

DEVOPS

Number of SAFe Certified: ~100   **Number of Practitioners:** ~40
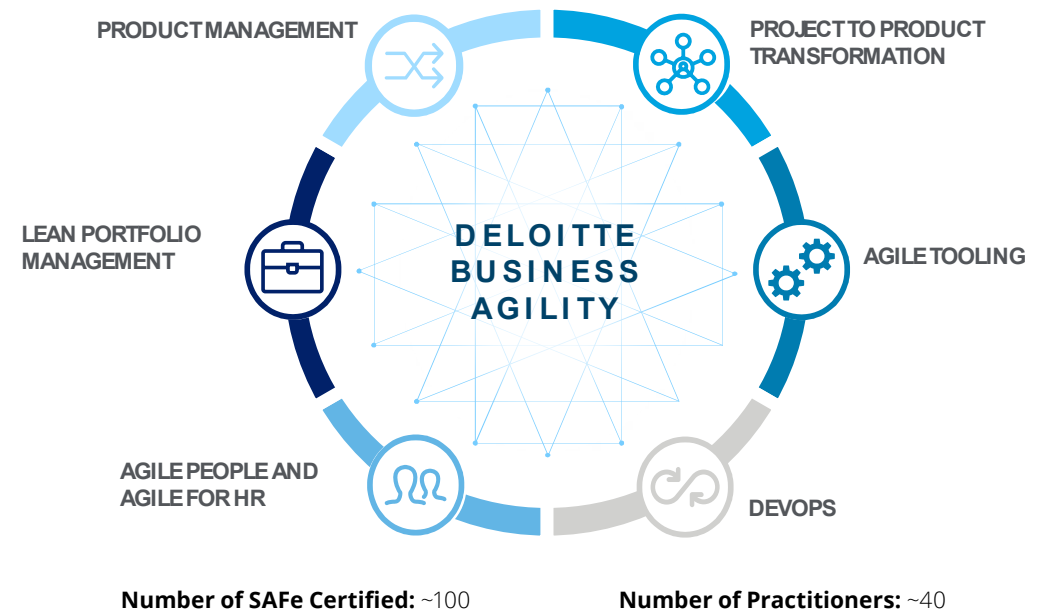
[1] Our centres of excellence are located in Amsterdam, Toronto, San Fransisco, London, Sydney, Bangalore

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- We challenge organisations to reach beyond the mechanics of agile to focus on outcomes enabled by agility – to deliver better value, sooner, safer and happier.

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Value Stream Mapping	Organisation Design & Change
Agile Delivery	Teams and way of working
Training and Certification	Technology Enablement
Agile Coaching	Leaders & Talent
Agile Testing	

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