Enterprise Value Stream Mapping

Outline

➢ Purpose

➢ Fundamental Concepts of VSM at Enterprise Level

➢ Enterprise Value Management

➢ A Conceptual Framework
Purposes of EVSM (Multiple Stakeholders)

➢ Provide Basis for Defining Multiple Stakeholder Value Streams and Associated Flows

➢ Better Understand Enterprise Architecture and Interdependencies Among Enterprise Processes

➢ Define and Identify Sources of Waste at Enterprise Level

➢ Maximization of Value Creation for All Stakeholders

➢ Provide a Coherent Framework for Detailed Mapping (Decomposition) within Various Enterprise Processes

➢ Provide Methodology for Prioritizing, Sequencing and Coordinating Improvement Actions at Enterprise Level
Fundamental Concepts/Questions

➢ What/Who are the Enterprise Stakeholders and What Does “Value” Mean to Each?

➢ What “Flows”?

➢ What are the Generic Enterprise Processes?

➢ Is there a Single Enterprise Value Stream or Multiple Value Streams for the Several Stakeholders?

➢ At Enterprise Level, what is it that Stakeholders “Pull”?

➢ What are the Categories of “Waste” at the Enterprise Level?
Fundamental Concepts/Questions

*Enterprise Stakeholder Realization Processes*

“Product Realization” - the chain of all actions/processes necessary to transform customer needs into products and services supported throughout their life cycles

Analogous Realization Processes for other Stakeholders

“Employee Capability/Satisfaction Realization”

“Leadership Capability/Satisfaction Realization”

“Supplier Capability/Satisfaction Realization”

“Shareholder Satisfaction Realization”
Enterprise Value Stream Mapping

Fundamental Concepts/Questions

**Enterprise-Flow Considerations**

➢ Material things flow

➢ Information flows

➢ Capital flows (as information only within Enterprise)

➢ Labor does not flow -- it is added at process points

➢ Facilities do not flow -- they are utilized

➢ Supplies flow to point of application, then consumed

➢ Energy flows and is applied to transformation processes

➢ Knowledge “flows” between individuals -- it is acquired, applied and enhanced

➢ Value does not flow -- it emerges and increases incrementally

**Given the above, is it appropriate to represent the various Stakeholder Realization Processes as value streams?**
Enterprise Value Management

➢ Primary Goal: maximization of value over the long term

➢ Simultaneous maximization of value for
  ➢ End customers
  ➢ Employees
  ➢ Enterprise leadership
  ➢ Suppliers
  ➢ Shareholders

➢ Focus on value creation, in addition to waste elimination
Customer Value*

Specify value from the standpoint of the **End Customer**

Ask how your current products and services disappoint your customer’s value expectation:

- Price?
- Quality/performance?
- Delivery?
- Responsiveness to changing needs?
- ???

*Format adopted from presentation by James Womack, Lean Enterprise Institute*
Employee Value

Specify value from the standpoint of Employees

Ask how your current processes, policies and management practices disappoint your employees’ value expectation:

➢ Compensation; equitable sharing of cost savings?
➢ Job security?
➢ Professional and personal growth?
➢ Work environment?
➢ ???
Enterprise Leadership Value

Specify value from the standpoint of Enterprise Leaders

Ask how your current corporate environment and strategic direction disappoint your Leaders’ value expectation:

➢ Strategic vision and management environment?
➢ Compensation?
➢ Professional and personal growth?
➢ Corporate performance?
➢ ???
Supplier Value

Specify value from the standpoint of Suppliers

Ask how your current practices and processes disappoint your Suppliers’ value expectation:

➢ Early involvement in product design/development?
➢ Long term relationship?
➢ Equitable sharing of cost savings from improvements?
➢ Access to production schedules?
➢ ???
Shareholder Value

Specify value from the standpoint of Shareholders

Ask how your current strategic direction and performance disappoint your Shareholders’ value expectation:

- Share price, market share?
- X/E ratios?
- Ability to generate cash flows?
- Future preparedness: degree of “leaness”, agility, etc.
- ???
Multiple Stakeholder Perspective
A Conceptual Framework
Enterprise Value Stream Mapping

Multiple Stakeholder Perspective

Customer Value Stream

Employee Value Stream

Leadership Value Stream

Supplier Value Stream

Shareholder Value Stream

Enterprise Vitality

Customer Satisfaction

Employee Satisfaction & Capability

Leadership Capability; Stakeholder Satisfaction

Supplier Satisfaction & Capability

Shareholder Satisfaction
Customer Value Stream

- Identify Markets; Determine Customer Needs/Values
- Define/Design Products and Services
- Develop/Produce Products and Services
- Manage Supply Chain
- Provide Services and Support

Primary Metrics

- Time/Schedule
- Cost/Life Cycle Value
- Quality/Performance

Customer Satisfaction and Loyalty
Employee Value Stream Mapping

Employee Value Stream

Determine Skills Req., Recruit, Select & Place Workforce

Provide Training & Cross Training; Cont. Edu., Personal Growth

Provide Communication, Solicit Feedback

Incentivize, Empower Workforce

Apply Skills and Knowledge

Employee Capability, Contribution, Satisfaction & Loyalty

Primary Metrics

➢ Compensation
➢ Benefits
➢ Personal Growth
➢ Job Satisfaction
➢ Job Performance
Enterprise Value Stream Mapping

Leadership Value Stream

Define Enterprise Mission, Target Markets; Define Business Model; Develop Strategic, Financial & Capital Plans

Develop/ Acquire Knowledge & Technical Assets

Acquire, Allocate and Manage Capital Assets

Manage, Lead Enterprise

Enhance Stakeholder Value

Primary Metrics

➢ Career Advancement
➢ Compensation
➢ Job Satisfaction
➢ Goal Attainment

Executive Capability, Contribution, Satisfaction & Loyalty; Stakeholder Satisfaction & Loyalty
Enterprise Value Stream Mapping

Supplier Value Stream

Strategic Selection of Supplier Base; On-going Assessment

Involve Suppliers in Pursuit of Business Opportunities

Involve Suppliers Early in Design & Development

Provide Access to Production Schedules; Require Delivery of Defect-free Products to Point of Use As Needed

Involve Suppliers in On-Going Product & Process Improvement Initiatives; Share Benefits Equitably

Supplier Satisfaction, Capability & Loyalty; Long Term Relationship & Stability

Primary Metrics

➢ Adequate Margin
➢ Equitable Sharing of Cost Reductions
➢ Long Term Relationships
Shareholder Value Stream

Define Enterprise Scope; Review/Approve Long Range Business Plans
Initiate Review & Approve Mergers, Acquisitions, Partnerships, Divestitures
Raise Capital; Issue Stocks & Bonds; Declare Dividends
Set Executive Performance Goals, Incentives & Compensation
Conduct Executive Performance Reviews
Enhance Shareholder Value

Primary Metrics

- Share Price
- Market Penetration, Growth, Expansion
- Ability to Generate Cash Flow
- ROI / ROA
- Risk Reduction

Shareholder Satisfaction & Loyalty
Questions About This Framework

➢ Are the “processes” portrayed in the several value streams amenable to measurement and waste identification/elimination?

➢ Will decomposition be required?

➢ Do these value streams involve “flow” of any kind?

➢ Is there a “takt time” equivalent?

➢ How do we handle interdependencies?

➢ How can we show that this is not a zero-sum game?
# Enterprise Value Stream Mapping

## Stakeholder Satisfaction Interdependencies

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<th>Customer Satisfaction</th>
<th>Employee Satisfaction</th>
<th>Leadership Satisfaction</th>
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**Legend:**

- +++ Extremely strong positive correlation
- ++ Strong positive correlation
- + Positive correlation
- 0 Negligible or zero correlation
- - Negative correlation
- - - Strong negative correlation
- - - - Extremely strong negative correlation
Enterprise Level Waste

Delays - In making decisions; in admin. & mgmt. Processes

Rework - Errors; incorrect, inappropriate decisions

Ineffectual Effort - Poor performance by work force, by management, by overall enterprise

Overproduction - Excessive dissemination of data, reports; over managing; exuberant pursuit of illogical initiatives; marketing campaigns

Structural Inefficiencies - Organization structure; supplier relations; partner relations; customer relations

Opportunity Costs - Customer disconnects; untapped talent in workforce; failure to view & manage knowledge as a corporate asset
Enterprise Monuments

➢ Centralized command and control
➢ Centralized, tightly coupled information systems
➢ Middle management
➢ Bloated headquarters facilities and staff
➢ Corporate staff functions
➢ Functional organizational units