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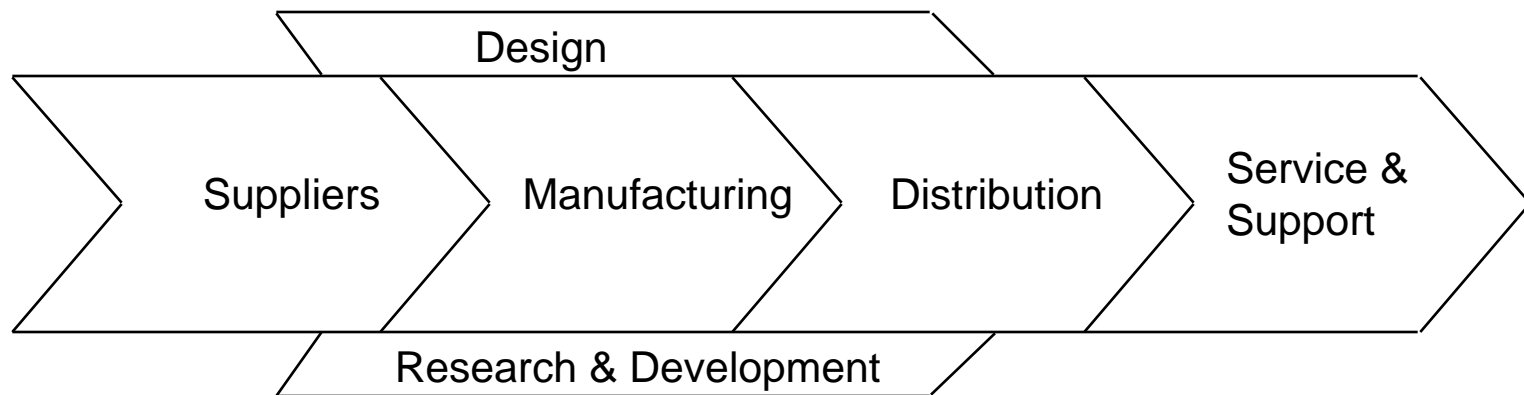
Value Stream Mapping:  
An External Perspective

Professor Rebecca Henderson, MIT

# Value Stream Mapping:

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*Where should we spend our time?*



# Three complementary perspectives

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- ◆ **Operational Excellence**

- (Moving to the frontier)

- ◆ **Customer value**

- (Understanding marginal returns)

- ◆ **Competitive advantage**

- (Capturing value created)

## Two key ideas:

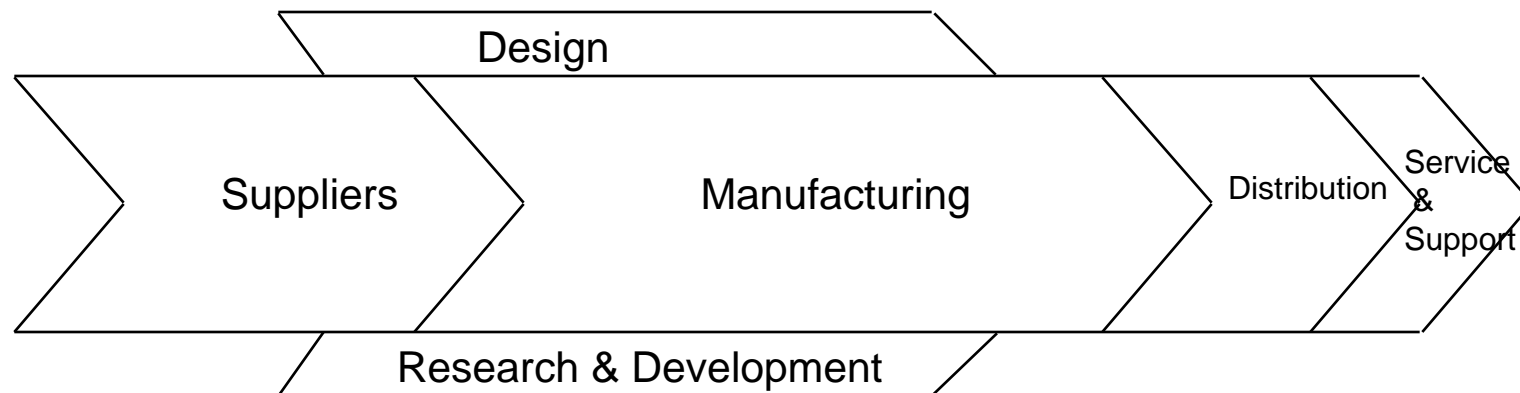
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- ◆ Customers do not value all improvements in the value chain equally.
- ◆ Value *created* is not necessarily equal to value *captured*

# Operational Excellence:

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*Where should we spend our time?*



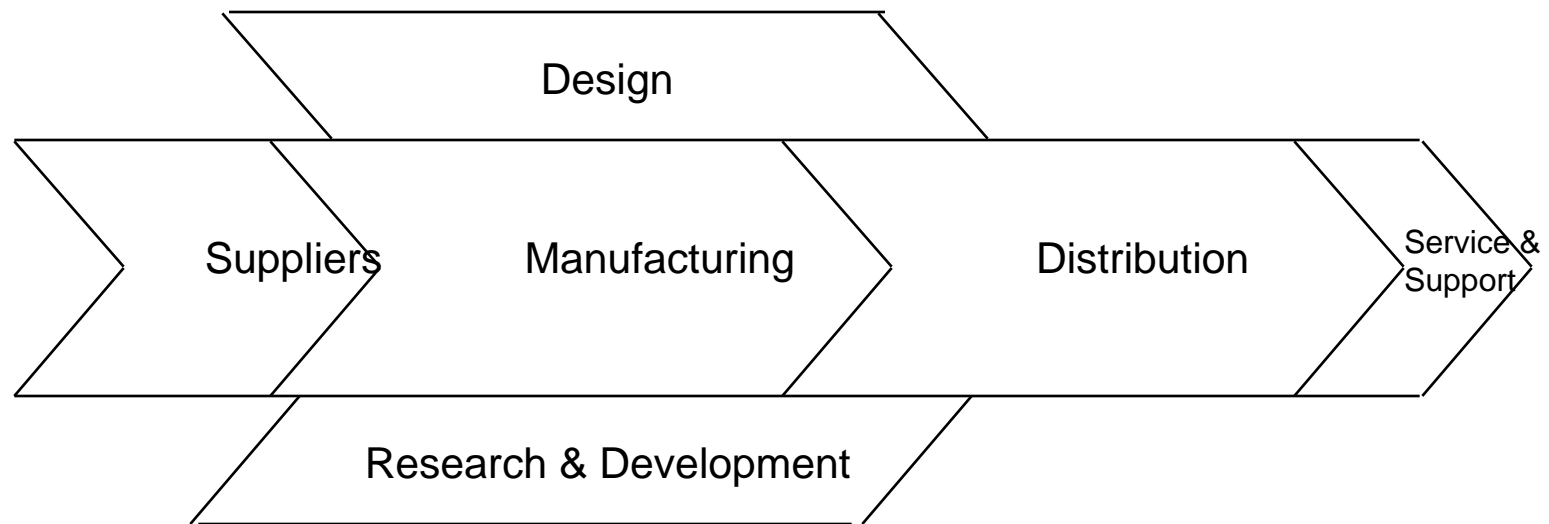
Key Question:

*Where are the opportunities for improvement?*

# Customer value:

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*Where should we spend our time?*



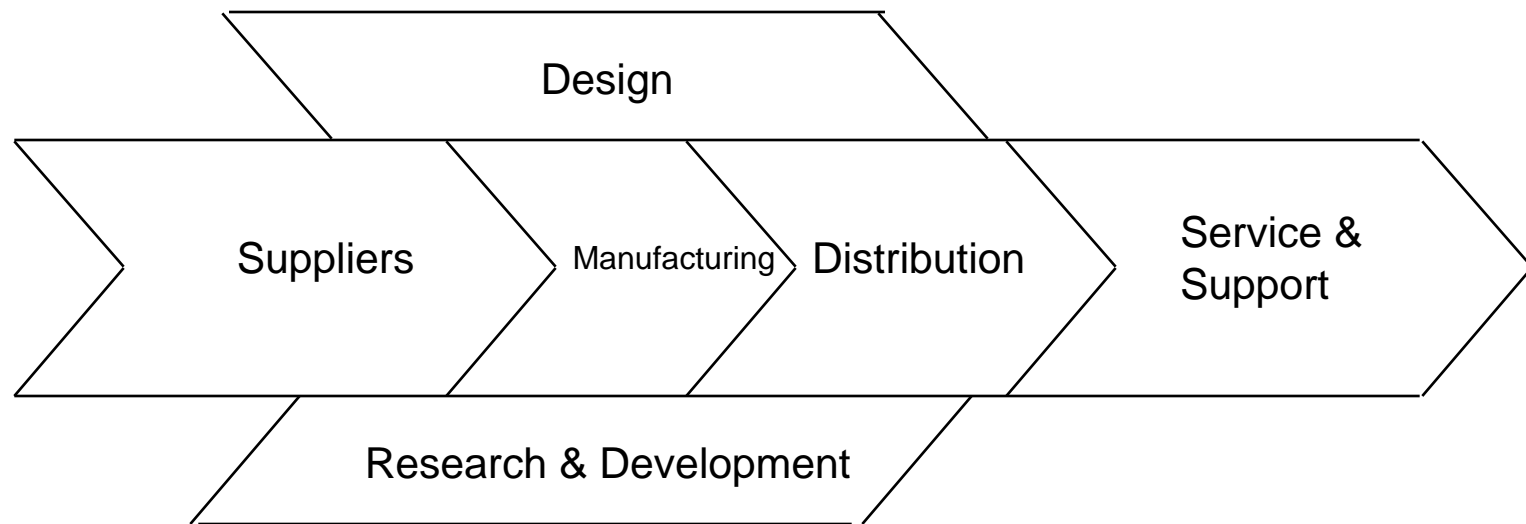
## Key Question:

*Which improvements would create the most value for customers?*

# Competitive Advantage:

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*Where should we spend our time?*

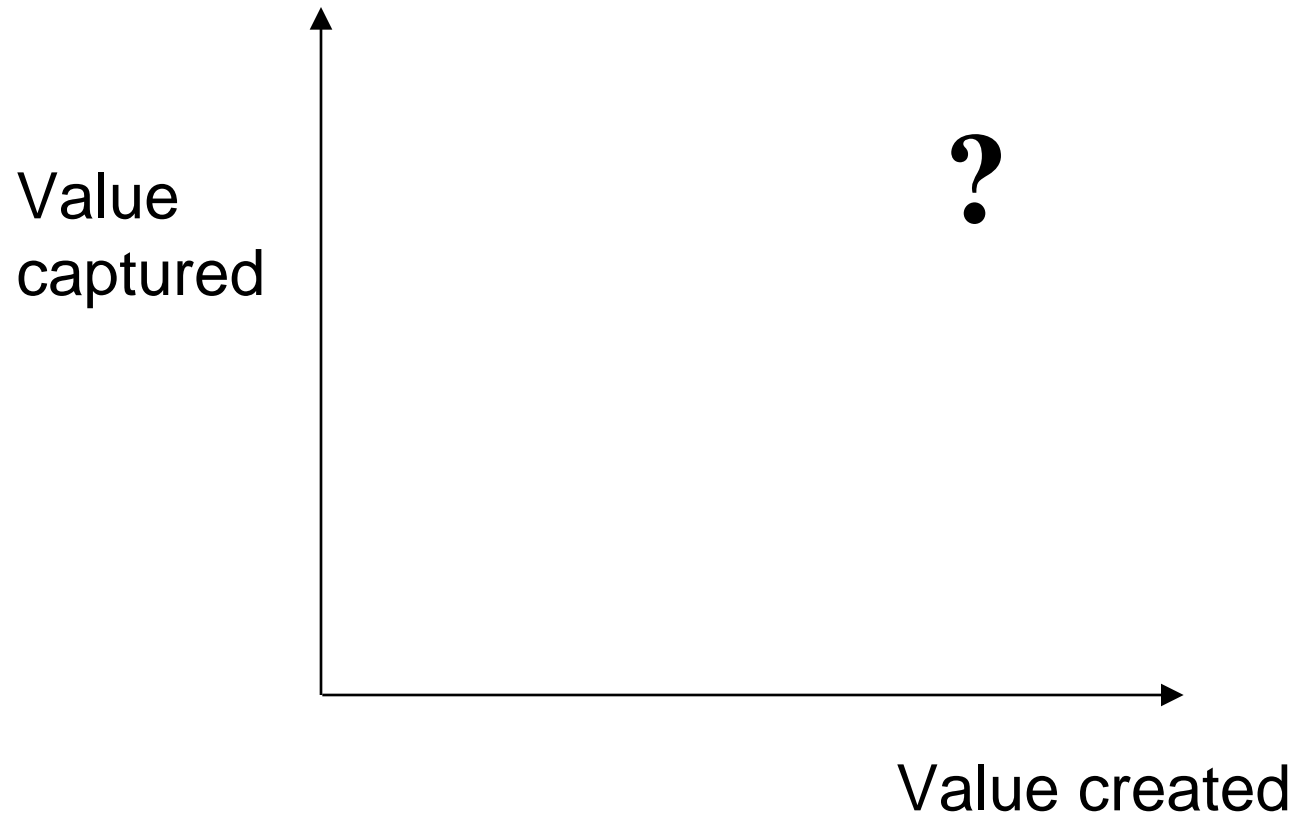


Key Question:

*Which improvements can be defended from competition?*

Unfortunately *value created* is not necessarily  
*value captured*

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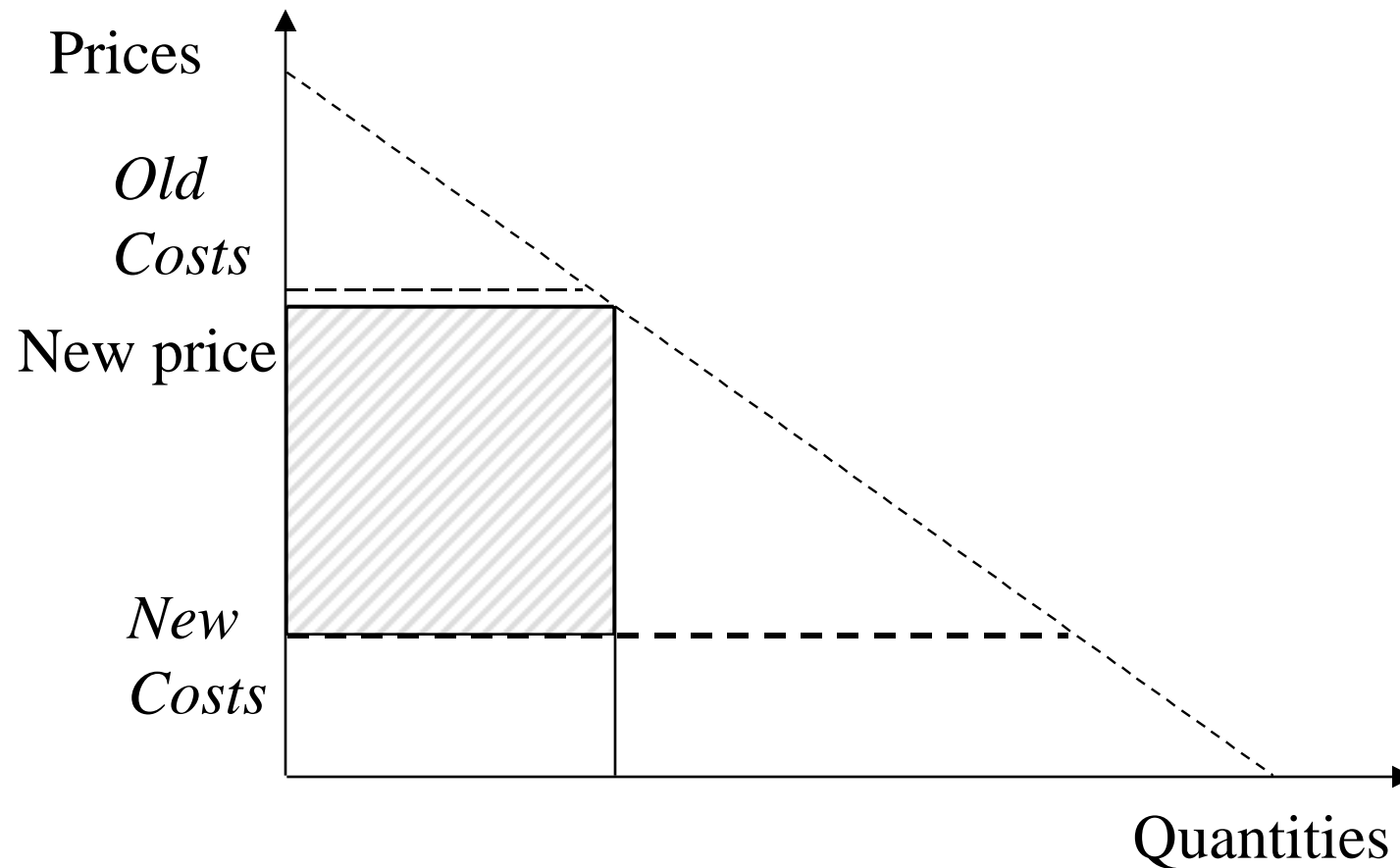


What determines the innovator's share?

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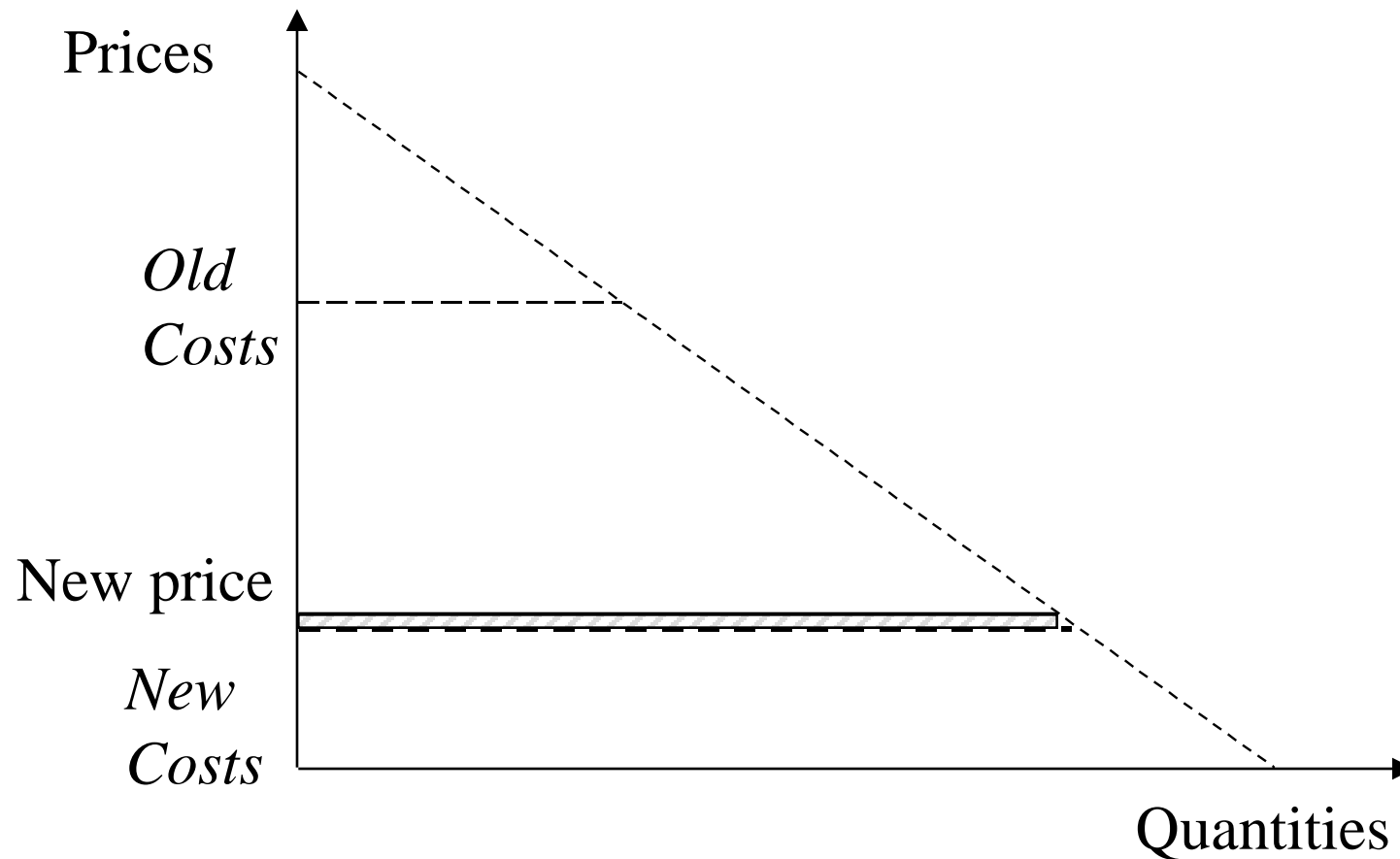
If the innovator is alone in the market, value captured can be close to value created...

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But in the limit, competition drives all prices to costs => no value is captured at all!

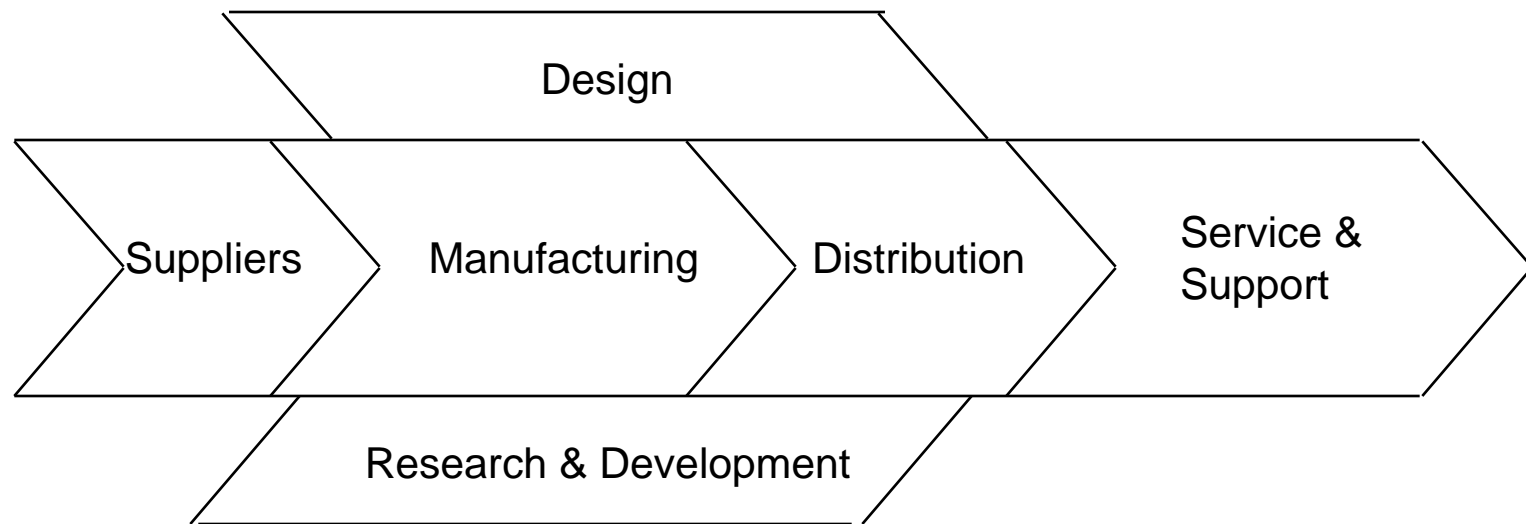
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# Competitive Advantage:

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*Where should we spend our time?*



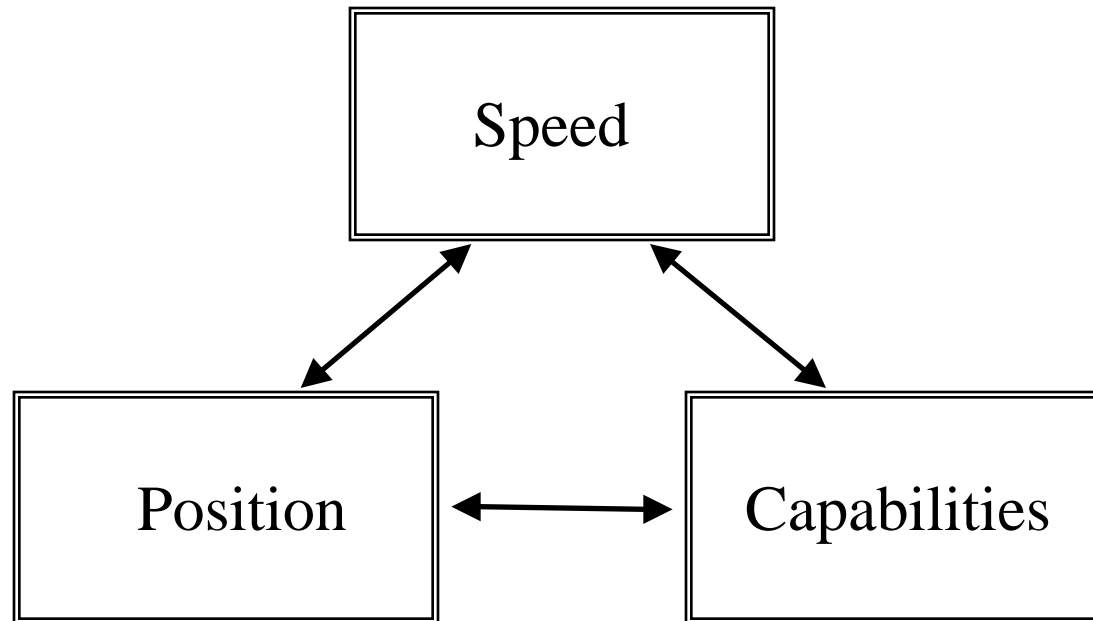
Key Question:

*What can we do that no one else can do?*

*How can we create differentiate ourselves from competition?*

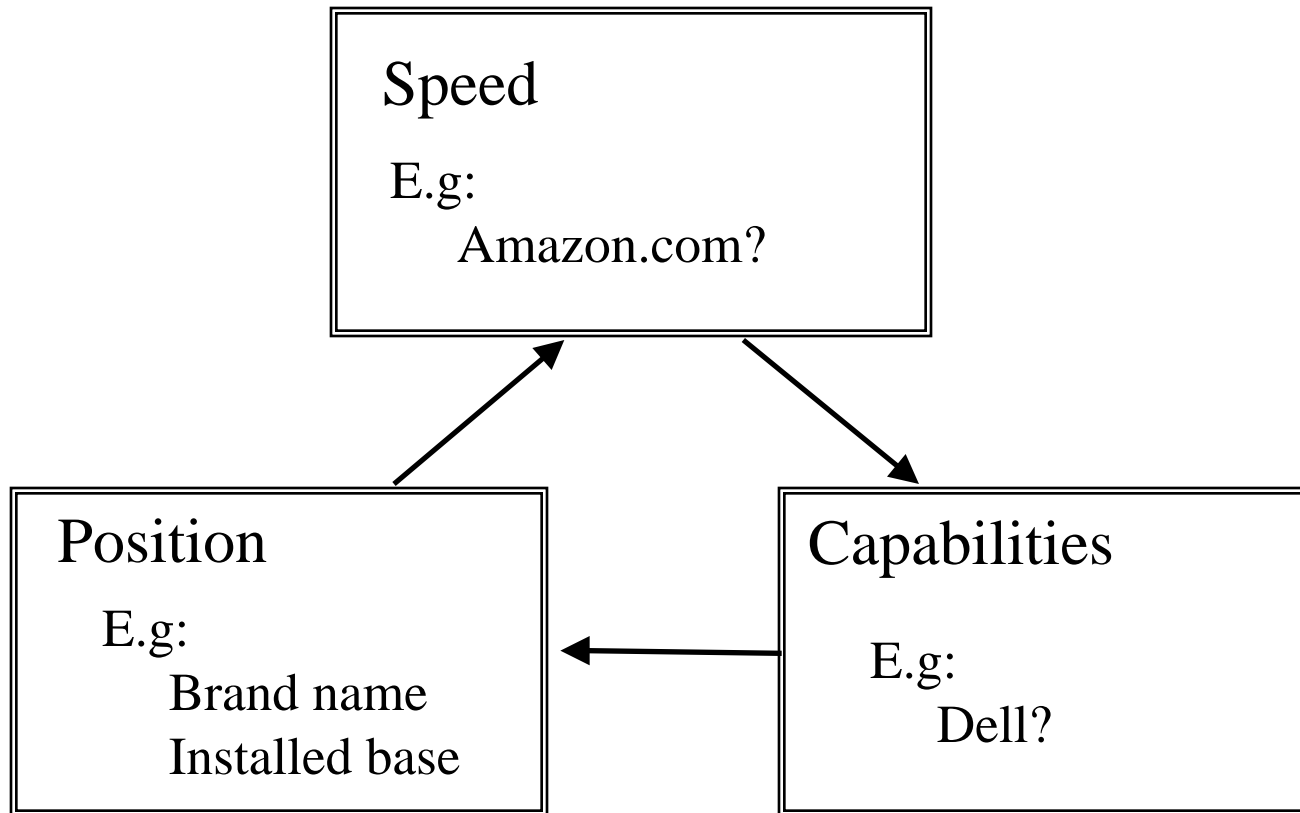
# Sources of Differentiation:

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# Sources of Differentiation:

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# Three complementary lenses through which to map the value stream:

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- ◆ **Operational Excellence**

- (Where can we improve cost, quality, speed?)

- ◆ **Customer value**

- (What can we improve that customers will value?)

- ◆ **Competitive advantage**

- (What can we do that can be defended or that cannot be imitated?)