

Value Stream Definition

One of the keys to a successful lean improvement is getting your Value Streams right. That is not to say you cannot change your defined Value Streams once you set them (indeed many organisations do change their Value Streams over time), but rather aligning your costs to Value Streams will only help drive improvement if that alignment is meaningful.

Of course, there is no formula to get the “right” level for your Value Streams and, often, it will come down to experience and gut feel.

For example, in a manufacturing company that produces about 14 products through six process lines, operational staff were keen to have six Value Streams, but it was clear that products could move between the lines depending on availability.. Another faction favoured one single Value Stream for the whole plant. This was the easiest approach but provided no granularity to reflect differences between products and their costs, and would, therefore, be of no use for operational improvement. We analysed product flow and the customer application of the products and realised that there were broadly two flows: higher volume older technology products, and high value lower volume leading edge products. Following the process flow it became clear that the “legacy” products always went down three of the process lines, while the “new technology” products always went down the other three lines. Thus two Value Streams were born, and two sets of lean performance measures were created.

In another situation, a company started with three Value Streams, based largely on product size (with one Value Stream requiring heat treatment). Within 9 months their improved understanding of lean lead them to five Value Streams based on customer application (with one specialist make to order Value Stream). This works well and provided additional focus on customer needs as well as better management and improvement activity.

Company Profile

We are process improvement specialists with over 20 year’s experience, providing training and consultancy in lean service, process analysis and improvement, and lean finance.

Contacts

Address Suite 1, 25 Westerton Road
Cumbernauld
Glasgow
G68 0FF

Phone 07977 574 802

Email info@ideas2action.co.uk

Web www.ideas2action.co.uk

LinkedIn uk.linkedin.com/in/leanaccounting

Many books provide guidance on defining Value Streams – based on physical flow – by mapping the steps and activities that each product/ service goes through and grouping those with very similar flow. This approach provides a useful starting point. However, the first principle of lean is to define value in the eyes of the customer, and it is important to incorporate this into the Value Stream definition. Thus, as well as developing a product/ activity matrix, you should also prepare a product/ customer (or customer application) matrix. Combining this customer focus with the physical flow can often help guide your decision on Value Streams.

Sometimes, products with similar process flow may go to widely different customers whose perceptions of “value” are also different. This may suggest different Value Streams. Similarly (though more rarely), products with different process flows may be near substitutes for one another with similar customer value characteristics. This might suggest they be included in one Value Stream.

There is no “right” answer to what Value Streams are right for you. It depends on many factors including your maturity with lean, and your connection with the customer or end-user. Preparing a product/ activity matrix together with a product/ customer (application) matrix will give you a good starting point to explore the options.

But always give yourself the flexibility to change Value Streams in future as your understanding grows.

Contact us for more information.

Ideas into Action

Understanding, Involving, Improving