

LEA e-Letter - 13 September 2006
Value Stream Management
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Dear Lean Community Member

Returning from the summer break is the right time to take a fresh look at your lean initiatives. Are they being led by the right people and are they realising the true potential of lean in your organisation, and up and down your value streams? There is still a lot of confusion about what value stream management really involves.

Most organisations have recognised that implementing lean on the shop floor or in a department like finance is the responsibility of the line management in that department. They need support from a lean promotion office, but must do the hard work themselves for it to stick, because it involves changing the thinking about how employees work together as much as moving things around.

But end-to-end value streams almost always cross several departments and several organisations on their way to the end customer. Yet it is still rare to find a value stream manager responsible for creating a value stream that flows out of a set of separately managed activities, or someone responsible for sustaining and improving the flow thereafter. Yet we know that if no one is responsible nothing actually happens.

The one place you may actually find such a person is leading a project to design a next generation product. In Toyota this is the job of the Chief Engineer. They are responsible for the success of their product family through several product generations and report through the Office of Chief Engineers to the top of the company. Interestingly they have few staff reporting directly to them. Most of the staff report to their function or department heads. So the Chief Engineer must articulate a case for the resources necessary to get the next product designed from all these department heads, including marketing, purchasing and production etc.

But, however radical the design leap being attempted, the task is essentially one of managing a new variant through an existing development system. Where you see a more radical leap is when Toyota is designing a completely new product line – like the original Lexus, the first hybrid Prius or the low cost vehicle for developing countries. Here you see a much bigger activity designing the new vehicle and the entire production system to build it (for several product generations over a couple of decades). This redesign activity reaches back up each supply chain to raw materials, through as many as 26 different operations. It amazes me that many organisations still do not accept the need to take responsibility for designing their supply base in this way.

When it comes to trying to create a value stream that flows through several different departments for the first time then we need a value stream project leader to lead the charge. Like the Chief Engineer they do not need a big staff reporting to them. They have to make the case for the involvement and resources from all the departments involved and they have to report to and get the backing of top management to make the necessary radical changes.

The next question is who leads and improves this value stream once it has been created? What knits together a sequence of activities across a value stream? Not the physical flow – this is an outcome of a previous process – but the information flow coming back from the customer to the pacemaker process. So the answer is

that the management of existing value streams is actually the responsibility of a lean planning and scheduling function, like the Production Control and Logistics Department at Toyota. Not surprisingly PC&L is at the heart of making the Toyota Production System work, yet less attention has been paid to how it actually operates than to physical operations.

Value stream management of an existing value stream starts with levelling the flow of orders coming from the customer – acting as a harbour wall to dampen rather than amplify order signals being passed upstream. Then it involves deciding where the pacemaker should be for both the products made to replenishment pull and for the build-to-order products made to sequential pull. Then it is about releasing small quantities of orders frequently to establish a common rhythm across the value stream so products flow quickly and activities come to match the rate and pattern of demand as closely as possible.

Wherever we turn the weak link in our lean activities is the way variability in the information flow is amplified and passed upstream. As long as this is not addressed it will be difficult to create the stability necessary to enable products or patients to flow. Maybe it is time to take a fresh look at the leadership of your value stream redesign activities and at how your planning and scheduling department will manage your value streams on an ongoing basis.

Yours sincerely
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