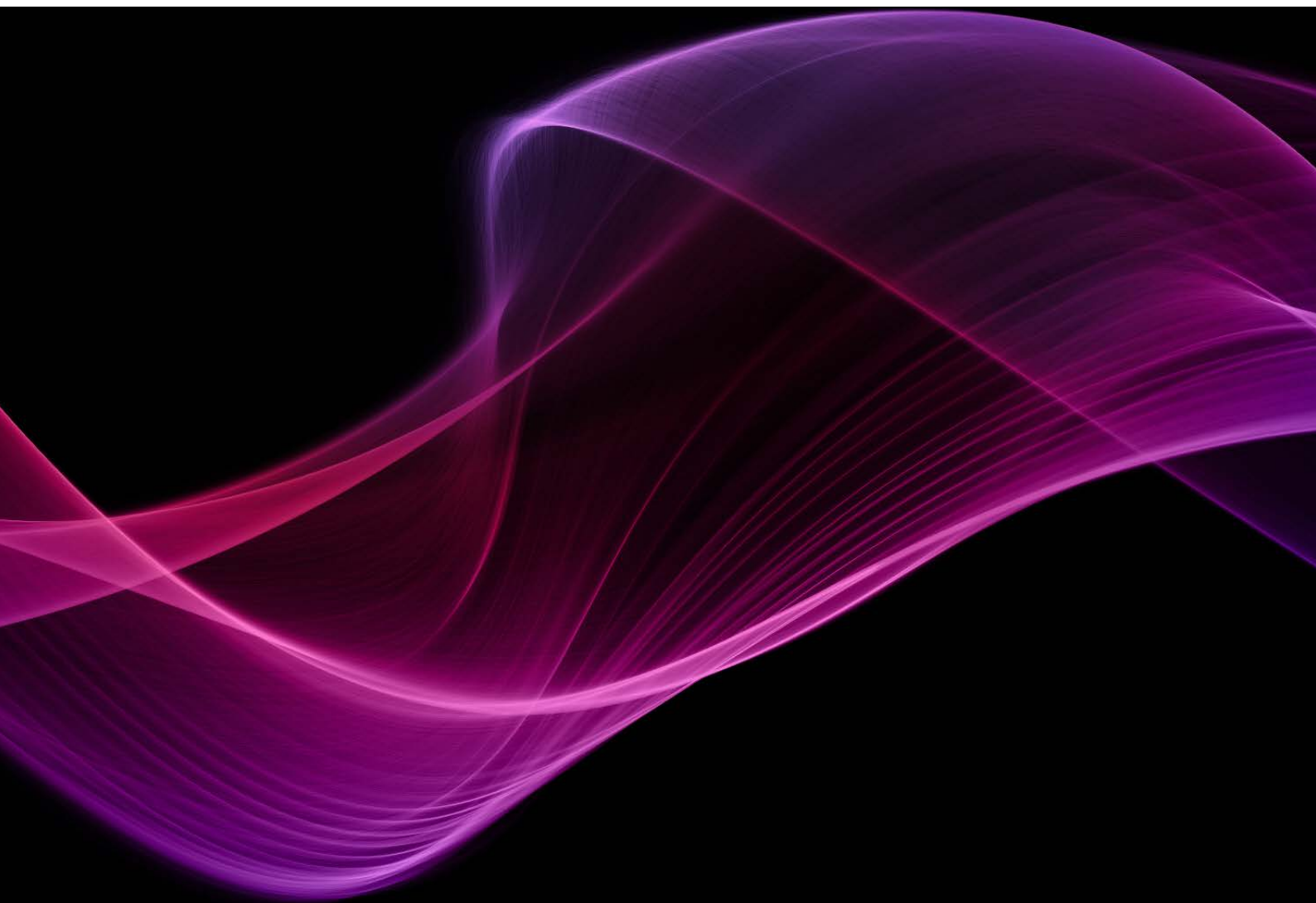# CAPCO | DIGITAL

HOW ORGANIZATIONS CAN ACCELERATE DIGITAL TRANSFORMATION THROUGH VALUE STREAMS

ABSTRACT

In this paper, we look at the emerging trend towards value stream-led operating models. We explore the key challenges to implementation and offer the key measures needed to make the abstract concepts of value streams a pragmatic reality for financial services organizations.

THE PATH TO VALUE.
MAKING VALUE STREAMS WORK IN PRACTICE

There is a lot of hype surrounding the so-called agile enterprise. While the effectiveness of specific models is debated, what is certain is that organizations are responding to this type of agile-led change: 63 percent of organizations have moved to scaled agile models, 21 percent are about to start the change, and only 1 percent have abandoned this approach entirely.[1]

Most moves to greater agility focus around one core concept – identifying the path to value, from strategic business direction through to customer outcomes. The base concept is that business process and functions align their operations to focus on the value-generating outcomes for the business, whether this be a product, service, or end-to-end lifecycle.

WHY DO WE DO IT?

At its core, a value stream facilitates the flow of work. It promises to isolate non-value adding steps in the production chain, thereby making for a leaner enterprise, where resources are not wasted on activities with little or no impact on the end goal.

If we follow systematic analysis of processes and activities to

understand waste, we see a closer alignment with customer feedback, clear and honest measurement throughout the path to value and an ability to clearly see when dependencies matter across the organization. Of course, the enterprise scale adjustment required to achieve this, gives rise to a new set of challenges, that we will explore in the next section.

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[1] 2019 CIO Agenda: Securing a New Foundation for Digital Business, Gartner, 2019.

THE CHALLENGES

On paper, value streams have a clear raison d'etre and structure, but the pivot from today's organizational norms is substantial. The market has tested many approaches to successful implementation, from "big bang" cut-overs to small "test and learn" pilots. From this, we have learned the common challenges that organizations face when implementing the value stream approach.

• Challenge 1: art or science?

Value stream mapping is a scientific activity but it comes laced with operational challenges. An excessive focus on waste, inevitably leads to a trade-off with the actual problem businesses are trying to solve. What is needed, is a combination of "doing" and "being"; a reimaging of the value stream, where the mindset shifts explicitly to the experience a customer has and how the business can better respond to changes in needs.

• Challenge 2: omitting unplanned work

Forecasts are educated assumptions; guesses at what the world will look like in the future. Unplanned work and work in progress, damage processes forecast integrity, causing costs and delay. Value stream design needs to account for unplanned work by recognizing fluctuations and changes in direction; this flexibility is key to success.

• Challenge 3: silos still proliferate

Removing silos is critical to successful value chains. Whether people sit in the same delivery pod or not, it is their perception of organizational reality that makes the difference. We need to be more mindful of individuals' changing appetite and manage their expectations and opinions. We need to look beyond a person as a capability label and really understand their motivation to support the business outcome, and how they are rewarded for doing so.

• Challenge 4: embracing the fabled "experimental mindset"

Embracing an experimental mindset means accepting that people are not perfect. Great discoveries and societal progressions have come from mistakes, and it is only through creating psychologically safe spaces for innovation that we are able to truly uncover the value to be gleaned from mistakes or failures. We need to understand why a failure happened, what we learn from it, and how we build the lessons into the future, which brings us to the fifth and final challenge.

• Challenge 5: root causes, not culprits

Root cause analysis looks for the root causes of problems in order to help us better manage their potential impacts in the future. Often, the real cause of a problem is not an individual or one team however, it is a systemic failure and collection of factors that led to an undesirable outcome. By lifting the constraints of the "blame-game", organizations become more effective in finding true root causes that can be solved as a cohesive group.

THE STEPS TO MOBILIZATION

As part of our work within value streams, we have brought together human-centered design, lean product development, and emerging technologies. Our solution to the right value stream has a simple formula:

CUSTOMER CENTRICITY + ENGINEERING EXCELLENCE + NEW WAYS OF WORKING = A NEW VALUE STREAM BLUEPRINT.

There are four stages of value streams implementation: definition of value stream transformation journey; rapid mobilization; continuous coaching; and scaling delivery

- **Stage 1: Definition of the value stream transformation journey.**

  It can be incredibly difficult to create a vision that truly galvanizes people at all levels of an organization, particularly when that vision is not supported by a network of effective coaching and feedback loops. Within value streams, business and customer outcomes are delivered through dynamic backlog management that pushes work from key product, service, and feature decisions through to the work completed in delivery pods. Decision making is, therefore, kept as close to the customer as possible by leveraging continually iterating customer feedback loops.

- **Stage 2: Rapid mobilization.**

  Mobilization is a critical step in today's fast paced, digital environment. Through the value stream vision, we create decentralized decision making and empower the people closest to the customer to drive the definition of success and the path to reaching it. In alignment with the core agile principles, we deliver this change iteratively, and in response to business need. By leveraging this approach, we are able to create value quickly and simultaneously instill feedback loops that continually align with market shifts.

- **Stage 3: Continuous coaching.**

  Coaching is a tool for empowering and driving positive behaviors that promote transparent and authentic communication and an uninterrupted flow of value across the organizational network. Through creating psychologically safe environments for open dialogue, people feel more able to open up and be vulnerable. The exposing of previously hidden concerns leads to a more deeply integrated and effective team, better able to express their opinions without fear of misunderstanding or reprisal, and, therefore, they are significantly more likely to create impactful ideas and successful outcomes.

- **Stage 4: Scaling delivery.**

  We have a tried-and-tested method for scaling delivery that tackles both delivery and capability uplift across business executives, leadership, and delivery pods. We scale what works, quickly, allowing organizations to become self-sufficient and autonomous in their journey and our unique style of coaching that focuses on the individual and how their role is performed in the wider organization. By training members of the executive and leadership team, responsible for impacting and delivering outcomes, we are able to create a deeply resonant and authentic vision of the change that will empower the whole organization.

GETTING IT RIGHT: KEY LESSONS LEARNED

Taking a principle-based view of value stream implementation, we can apply grounded theory when planning and executing the change. To do this, we follow the following principles:

1. Use design thinking to reimagine the future.

Empathizing with the problem and the people involved gives a perspective that few other approaches can provide.

2. Agility is principle, not rules, based.

Let principles guide the value stream to its design and fruition, but do not overly constrain by banning documentation, removing processes, and only honoring one outcome.

3. Think big, start small.

Value streams are not an exclusive technology story, or a single product, they are end-to-end process across the entire enterprise.

4. Include all relevant capabilities and functions.

Do not let organizationally dictated silos diminish potential.

5. Build belief, not just consent.

Build genuine belief in the change ahead and empathize, coach, and understand the people affected by the change.

6. Align funding to value streams.

This ensures that there is flexibility and financial backing to make the change a reality.

CONCLUSION

Value streams offer a wealth of potential to financial services organizations. As the market has seen with the fables and realities of agile transformation, this journey is challenging, takes time, and often results in fewer benefits than expected. Success can be found through boldness and willingness to take on the challenges directly, with a sense of pragmatism, optimism, and solid grounding in the delivery outcomes being achieved.

Value streams do not happen overnight, but if financial services firms surround themselves with knowledgeable people who understand the finer nuances of business agility, who can relate to the problems "on the ground", and who offer true insight into what is working and what should be dispensed with, the journey to value streams can result in success, and is a change that sticks.

AUTHORS

Robert Ord, Managing Principal
robert.ord@capco.com

Raymond Tagoe, Senior Consultant
raymond.tagoe@capco.com

CONTACT

Alla Gancz, Partner & Head of Capco Digital UK
alla.gancz@capco.com

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