

2022 VALUE STREAM MANAGEMENT TRENDS

A Global Survey of Executives and IT Leaders

November
2021



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Introduction

This paper reviews key findings from a global primary research survey with business and IT leaders combined with in-depth executive interviews. The research focused on understanding the adoption of value streams and whether value stream management (VSM) augments digital transformation initiatives. The research specifically investigated companies' key strategic business initiatives as well as organizational and product challenges for 2022.

This paper reviews a worldview perspective of VSM maturity and whether it is capable of delivering key business benefits as well as helping address 2022 business and product challenges. The report covers current VSM adoption levels, benefits received, top challenges encountered, and what is preventing some companies from even starting the adoption of VSM.

Executive Summary

This research finds that companies are keenly focused on increasing efficiencies in 2022, followed by improving product quality, and delivering more customer value. More than 9 out of 10 companies state they have product development challenges, led by a lack of process visibility, and inefficiencies. Nearly every company (96%) has adopted digital transformation, and while already a key initiative, the pandemic has accelerated its importance as companies adapt to work-from-home employees and shifting supply channels. Participants state that increased workflow, visibility, and reduction of organizational silos would improve the effectiveness of their digital transformation initiative. This need for resolution of key business and product issues has led 42% of respondents to utilize value chains as part of their digital transformation.

Most participants (80%) share organizational silos remain an issue. In fact, 83% state silos were responsible for decreasing customer value. However, nearly 9 out of 10 companies with value streams indicate they are adopting a value stream methodology, enabling 85% of companies to have 6 or more value streams today. Nearly every participant (99%) states value stream management provides key benefits: faster delivery of products, improved transparency leading to data driven decisions, reduction of silos, and improved efficiencies.

A staggering 95% of IT professionals and business leaders state the adoption of value stream management has optimized their product lifecycle processes. Companies are increasingly focused on digital transformation, yet roadblocks remain, keeping teams in silos, lacking key data, driving inefficiencies, and reducing customer value. Value stream management appears to hold the keys for aligning the entire organization around customer value and driving efficiencies along that path. Companies will need, however, to seek out leadership and experience and choose a VSM solution that is usable and available to all teams supporting the value streams.

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Key Findings

- **Digital Transformation Initiatives Face Product, Workflow and Efficiency Challenges**
 - 92% cite product challenges with poor product lifecycle visibility and inefficiencies
 - Companies are looking for workflow improvements, data insights, and removing organizational silos
 - 96% have digital transformation initiative with 42% utilizing value streams
- **Silos Still Prevalent, Decreasing Customer Value and Reducing Product ROI**
 - 80% report organizational silos still exist
 - 83% correlate silos to reduced customer value
 - Organizational alignment increases product ROI
- **Value Stream Management Being Rapidly Adopted to Optimize Digital Transformation in 2022**
 - 88% are applying a value stream management methodology
 - 99% state numerous benefits from value stream management, such as improved efficiency, company alignment, faster solution delivery, customer focus and increased transparency
 - 95% indicate value stream management optimizes product lifecycles

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Detailed Findings

Increasing Efficiencies, Improving Product Quality, and Customer Value

In 2020 companies were simply forced to react to stay in business, which left many still adapting in 2021 to the lingering effects of incorporating work-from-home employees as the new normal. Looking forward to 2022 affords the ability for many to finally be proactive for their business. As such, the research sought to learn what each company's top business priorities are as they look to next year. Increased efficiency (70%) topped the list, as companies now look to optimize their new employee work locations, and adapt to supply changes and the transforming market conditions. Following closely was improving product quality (67%) and increasing customer value (63%). It could be argued that the next two objectives - grow profit margins (60%) and gain more customers (58%) - are a direct result of improving the first three.



"We are in a very competitive market and can't just pick one or two key items to focus on 2022. They are interdependent and related. We need to keep customers and win new ones, which means a better experience. That will lead to better profits."

– CIO Financial Institution

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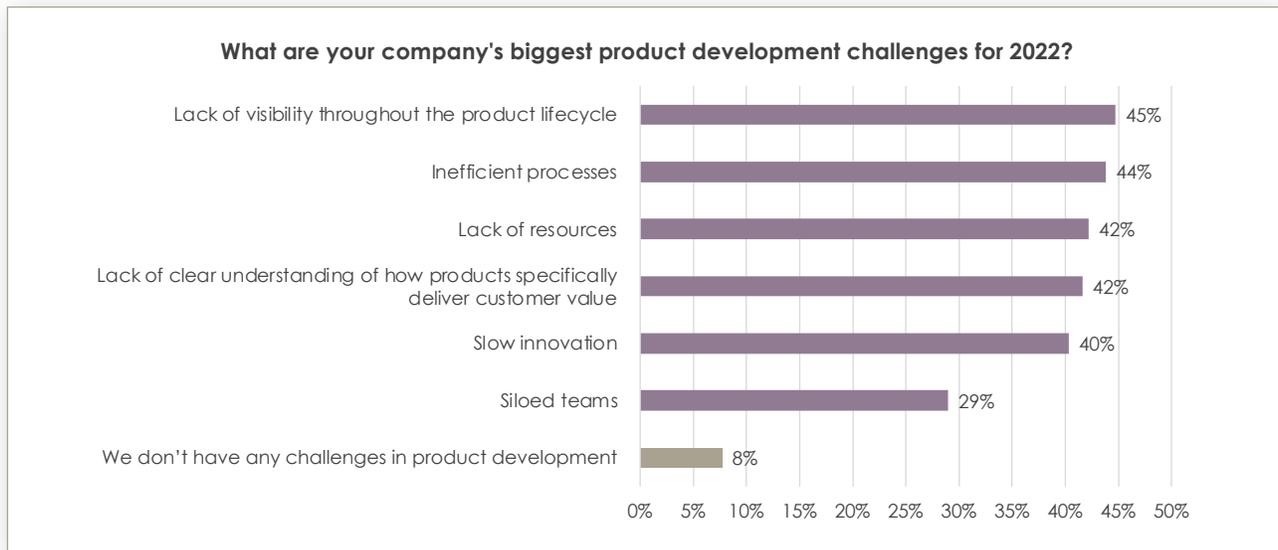
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Products are Challenged with Poor Lifecycle Visibility and Inefficiencies

Given the focus on efficiency, quality, and improved customer experience, we asked company leaders what are the biggest product development challenges in 2022. 92% of those surveyed indicated they have significant product obstacles, led by a lack of product lifecycle visibility (45%). That lack of visibility is likely a result of historical problems compounded by communication challenges from home employees. As in the previous section, inefficient processes continue to plague companies, and appear here as well at 44%. Tied in the third spot are resource shortages (42%) and the inability to directly map how products deliver customer value (42%). Lack of visibility, inefficiencies, and inability to predict customer value - make it nearly impossible to make data-driven decisions to optimize a company and its operations. These are significant challenges for 2022.



“Product challenges evolve as our processes change and are somewhat a function of more people working from home, which creates silos and inefficiencies.”

– CIO Manufacturing

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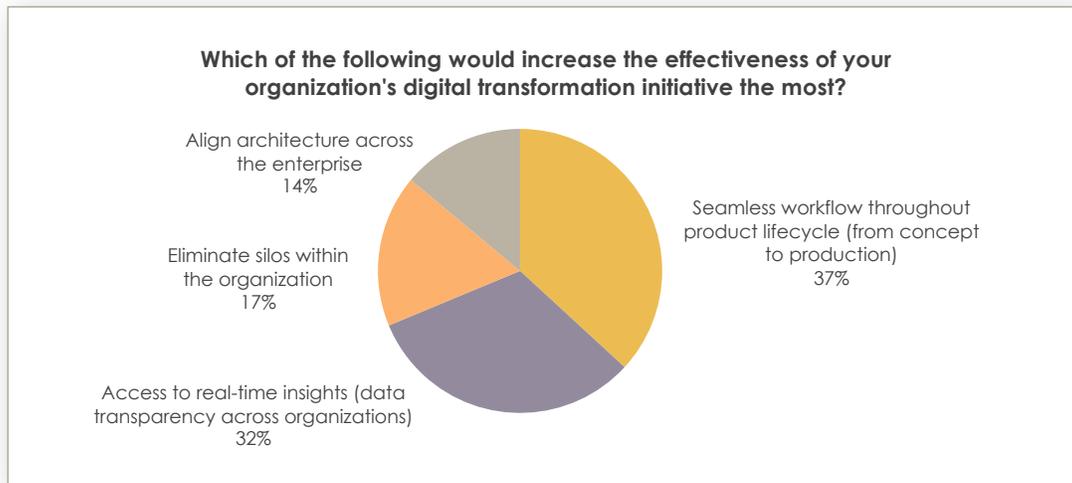
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Companies Looking for Workflow Improvements and Data Insights

The executives that were interviewed confirmed that companies have increased their focus on digital transformation over the last two years. This is a growing reliance on automation to help alleviate worker and supply chain disruptions. When asked what would improve their digital transformation effectiveness, seamless workflow in the product lifecycle was the top answer (37%) which continues to reinforce the need for improved efficiencies and communication. Just behind was the need for real-time insights (31%), which also aligned with the need for improved visibility and key decision-making information. The third area driving digital transformation improvement is to eliminate silos across the organization (17%). Taking the last spot was the need for architectural alignment, likely a result of the accelerating shift to cloud-based applications.



"Lots of different players but not always focused on customer. We need KPIs, mapped to the benefits of end users and customers."

– CIO Financial Institution

"If we don't know where the bottleneck is, or why it is occurring, we can't remedy it."

– CIO Financial Institution

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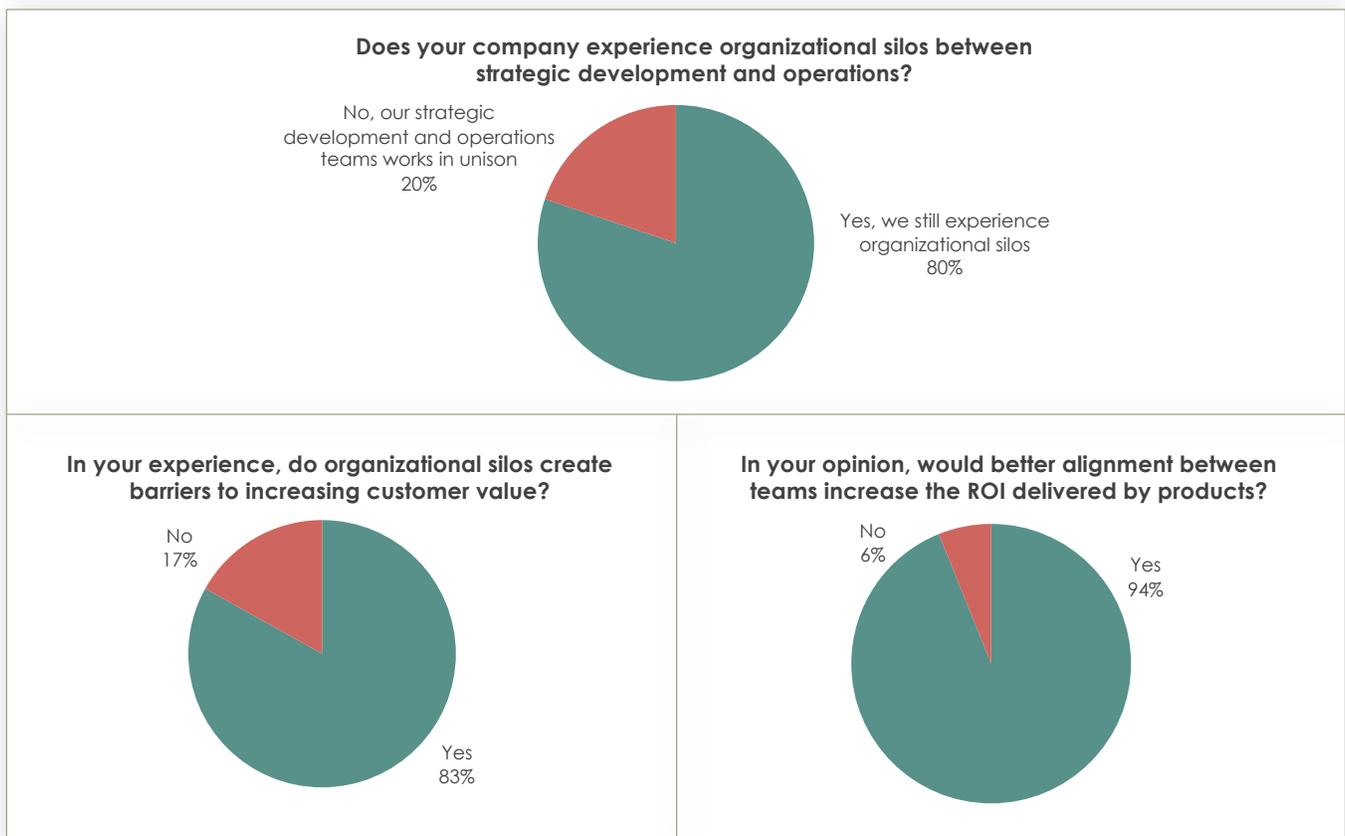
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Organizational Silos Undermine Companies and Customers

With the previous mention of silo removal and shift to work-from-home employees, the research sought to quantify the occurrence and effects of organizational silos. 80% of companies report they continue to experience organizational silos. And while it is expected to have an effect on efficiencies, the real impact is that 83% of companies reported it also results in diminishing customer value. Thus, organizational silos directly inhibit efficiencies and customer value, which were both critical objectives for companies in 2022. These findings led 94% of companies to state that better alignment between teams will increase the ROI of products and thus company profitability.



"It's simple. In silos people do what's best for their team, not always what is best for the company or the customer overall."

– CIO Financial Institution

"We need to keep business folks engaged. They can't drop off requirements in our lap and walk away."

– CIO Real Estate Investment and Management

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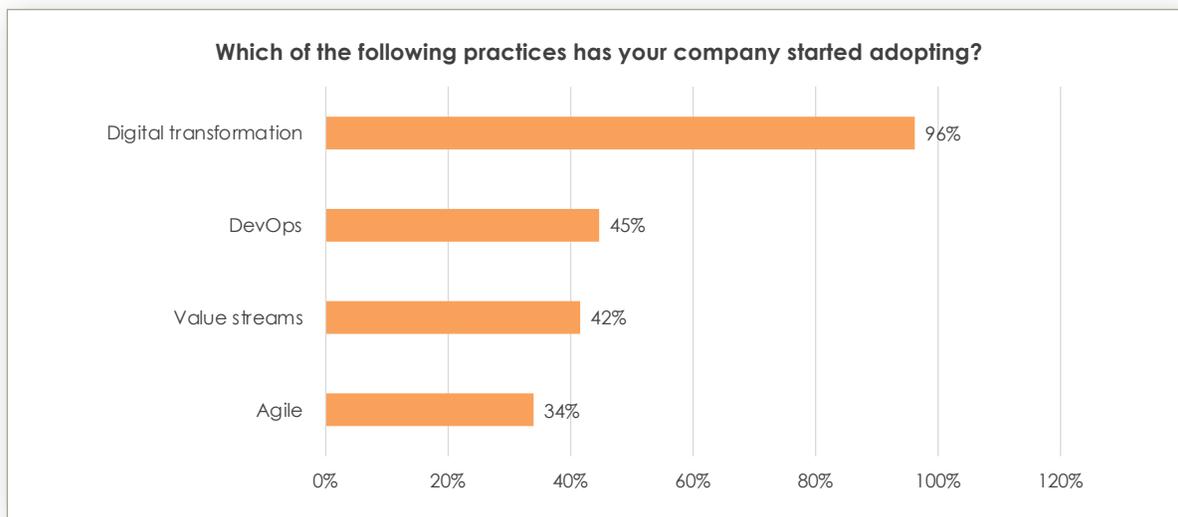
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Digital Transformation and Value Streams Growing for 2022

With so many reoccurring challenges of inefficiencies, a lack of visibility, and siloed organizations, we asked technology leaders what strategic practices their company is adopting to combat those trends. Perhaps three on this list are not surprising, having been around for some time: digital transformation (96%), DevOps (45%), and Agile development approach (34%). However, one initiative that is relatively new and is quickly being adopted is value streams (42%).



“Value streams are a natural progression from DevOps and Agile. With scrums we often lost user scenarios, customer stories, and detailed requirements documents. Value streams bring that back.”

– CIO Financial Institution

“For us a value stream is anything that leads directly to customer value. It can be a core set of features, a whole product, or a suite of solutions.”

– CIO Financial Institution

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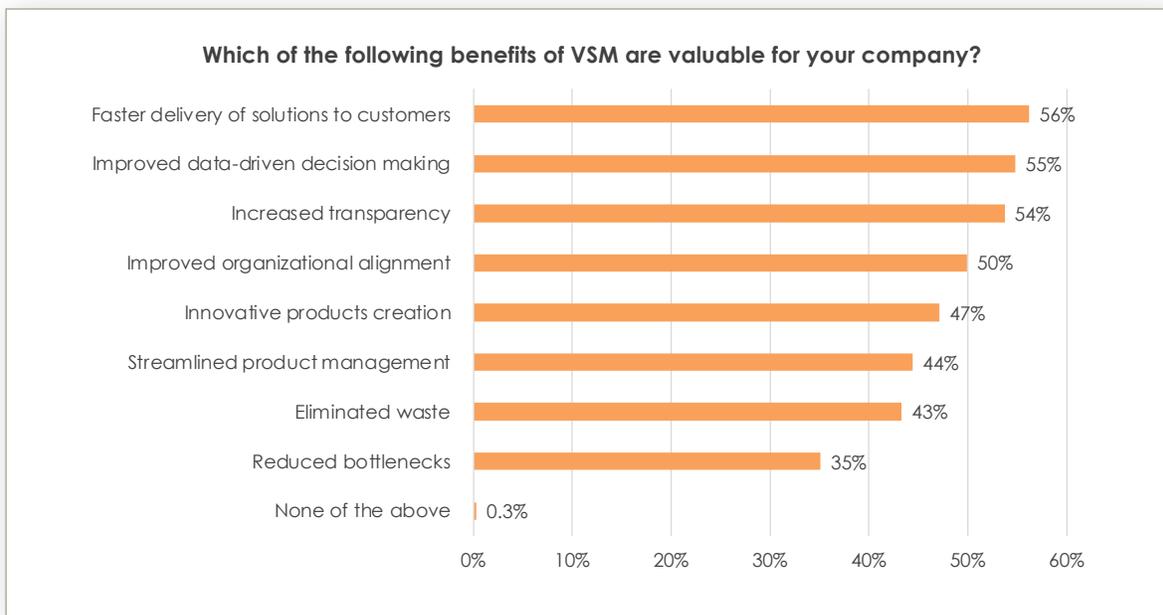
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The Many Benefits of Value Stream Management (VSM)

The research sought to understand which anticipated benefits were driving the adoption of value streams. Nearly every participant (99%) cited several key benefits value stream management (VSM) delivers. Topping the list is faster product release and delivery (56%), which maps back to the 2022 focus on efficiency and improved customer value. The next two benefits of improved data-driven decision making (55%) and increased transparency (54%) also map to the need for better product lifecycle visibility and customer focus. Just under those is improved organizational alignment (50%), directly targeting the silo-based issues discussed earlier.



“The value stream includes every team until it hits the customer. Don’t forget compliance and governance it has a real effect as well.”

– CIO Real Estate Investment and Management

“We are looking for a customer centric approach that removes the disconnect between business objective (long term) and short term focused tactics. We optimize the project or process not just complete it.”

– CIO Manufacturing

“Asking how beneficial it is to business perspective is exactly how value streams come in to play.”

– CIO Financial Institution

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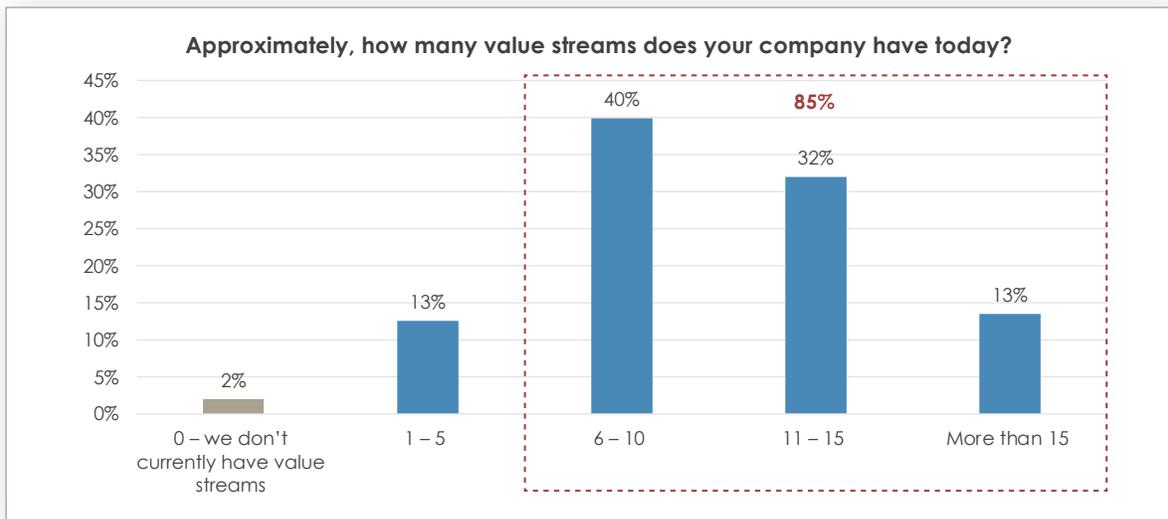
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Continued Growth Predicted for Value Stream Adoption in 2022

The strong value VSM can deliver alongside a company's 2022 objectives while addressing some of the top product development challenges is promising. The research inquired how many streams companies have in use today to provide a sense of adoption. 85% of companies indicated they have 6 or more value streams today, indicating strong momentum for VSM.



"In 2022, we plan on increasing of use and adoption of value streams."

- CIO Real Estate Investment and Management

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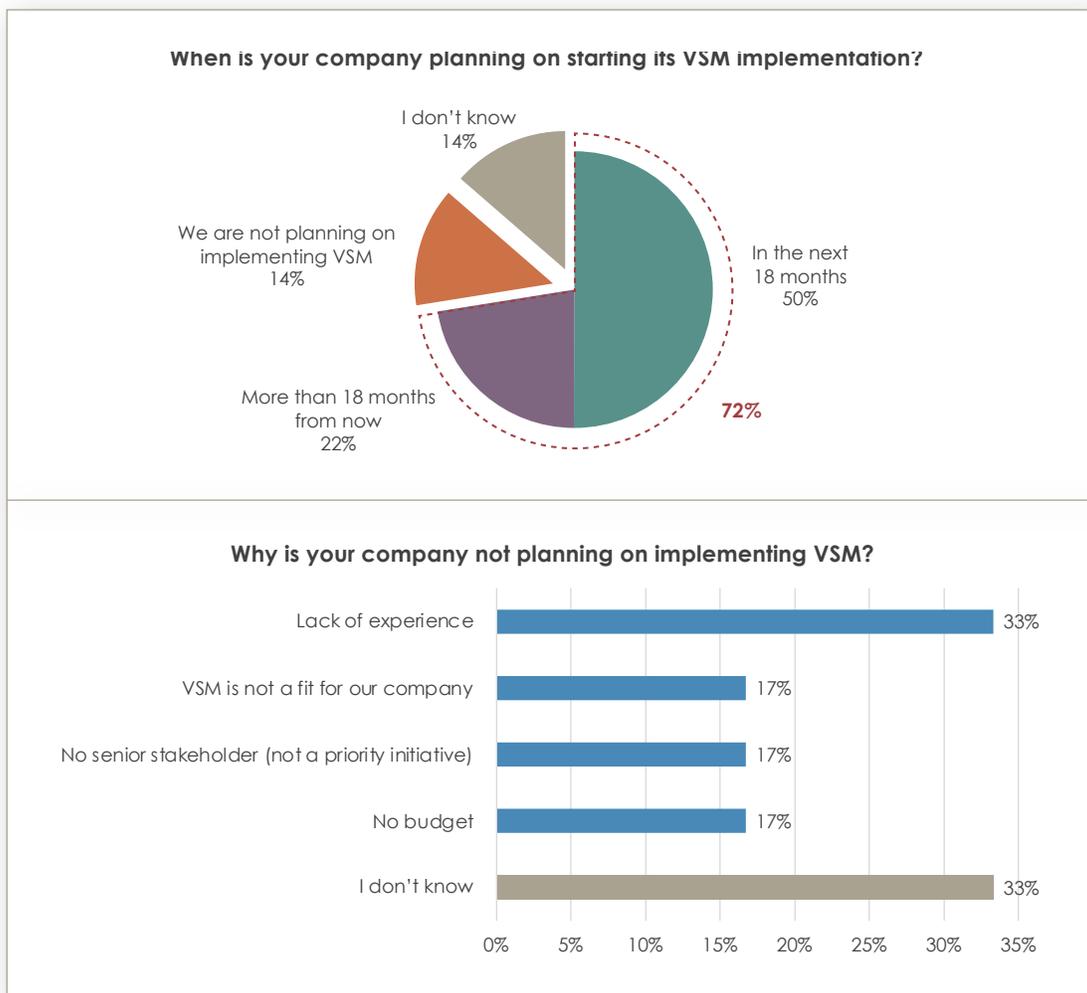


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Companies Not Currently Using Value Stream Management Intend To

However, not all companies indicated they have started a VSM initiative. The research asked when they would be adopting VSM, if at all. 72% of companies not doing VSM today are planning to do so, and 50% will likely start their VSM projects in 2022. A mere 14% indicated their company is not currently planning a VSM initiative. This is strong momentum for VSM.

In an attempt to understand what roadblocks stand in the way, this report reveals that a lack of VSM experience (33%) is the main impediment.



"We are doing our research now and plan to have first value streams in 2022 as well as select a VSM solution."

– CIO Manufacturing

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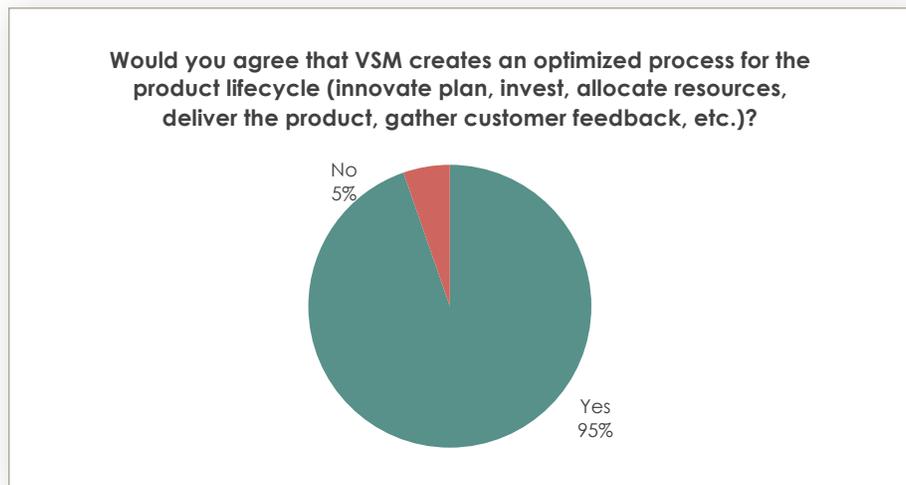
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Value Stream Management Optimizes the Product Lifecycle

Often new initiatives can be adopted for a single process or specific group benefits, but VSM conceptually is a cross-organizational approach, much like DevOps was for development and operations but on a larger scale. We asked technology leaders if they really believed that VSM could deliver on the hype. A staggering 95% agreed that VSM creates an optimized product lifecycle process.



“Value streams provide measurable metrics for customer satisfaction. There is no way to optimize processes without a customer point of view.”

– CIO Financial Institution

“Flows (value streams) are mapped to other organizations, compliance, business, Dev, Ops, management, and support. The support team is critical to value streams by mapping customer feedback back into the lifecycle process.”

– CIO Financial Institution

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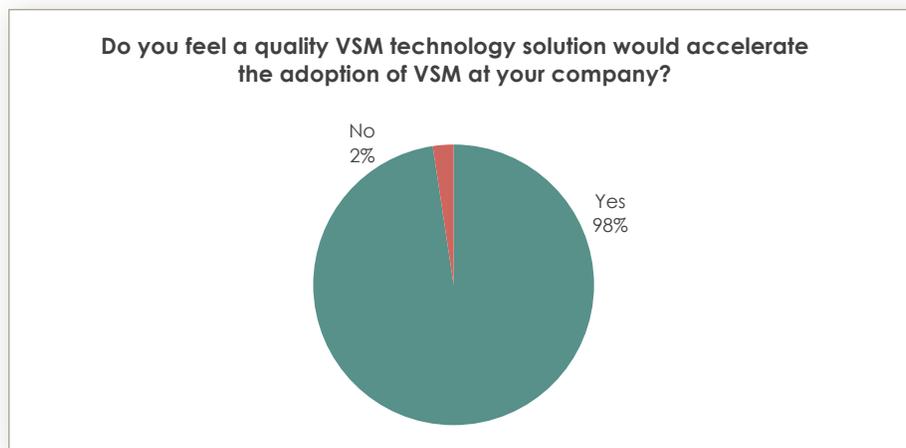
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Quality Tools Accelerate Value Stream Management Adoption

The success of a technology initiative is often about managing people, processes, and technology. In that regard, VSM is similar but needs to create alignment and communication across the product lifecycle and throughout the organization. A software solution will be critical to manage the data, align the information along the process, and keep numerous technical and non-technical teams informed and aligned. This is substantiated by the 98% who said a quality VSM solution would improve and accelerate the use and adoption of value streams.



“Tools that are intuitive and easy to use and able to share information with other departments is key.”

– CIO Real Estate Investment and Management



Conclusion

Companies have likely evolved and adapted more in the last two years than in many years prior. However, looking forward is now about optimizing for this new business environment. This research finds that the top product lifecycle challenges companies face are directly mapped to their 2022 strategic initiatives, indicating excellent corporate alignment and focus.

Companies have clearly stated the need to increase efficiencies, grow product quality, and improve customer value. This requires the removal of silos and increased communication and alignment in an era where even fewer people are in the same room together. Leaders need increased visibility to make better data-driven decisions about products and ensure that they have the data and clarity to show they are in fact delivering superior value to the customer.

Value streams and their management look ideally suited to support these objectives as VSM focuses on delivering faster solutions to customers, increasing transparency, and organizational alignment, along with improved efficiencies. VSM was also credited with accelerating broader digital transformation initiatives already underway by removing key roadblocks.

However, the report finds that VSM is not just a new buzz word or acronym in the industry. Adoption is clearly happening and momentum is growing as more than 8 out of 10 companies expect to adopt VSM for their teams. Two items were discussed which set companies up for success and remove the top challenge for VSM: find and grow experience in value stream management, and choose a quality VSM solution.

Survey Methodology

Executives as well as IT and business leaders at enterprise companies representing all industries were invited to participate in a survey on their company's digital transformation initiative covering objectives, challenges, and solutions. Four executives from the survey were invited to participate in in-depth interviews to discuss their survey answers providing deeper insights into the findings.

A total of **519 qualified participants** completed the survey. All participants had direct responsibilities for digital transformation at their company. Participants were from five continents representing a global viewpoint. The survey was administered electronically, and participants were offered a token compensation for their participation.

Participant quotes were lightly edited for grammar, readability, and context.

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