

2023 VALUE STREAM MANAGEMENT TRENDS

A Global Survey of Executives and IT Leaders

December
2022



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Introduction

The research investigated the adoption of value streams, whether value stream management (VSM) delivers key benefits sought, and quantifies actual benefits received from those with VSM initiatives and shipping products. The research also focused on the current business environment, key market trends, and captured key business concerns and strategic focuses for 2023.

This paper reviews a worldview perspective of VSM and its alignment with addressing 2023 business, organizational, and customer value challenges. The report covers current VSM adoption levels, which metrics are being used to measure and track customer value, and which key VSM solution attributes experienced practitioners need. This global research project surveyed executives and IT leaders as well as conducting in-depth executive interviews.

Executive Summary

The business trials of the last few years are not over, as many remain concerned about supply chains, gathering business data, and improving inefficient processes in 2023. Yet in a developing trend, the top strategic focus for 2023 is on the customer, specifically on increasing customer value, supplanting the traditional ‘increasing speed to market’ strategy. Executives and survey participants revealed that measuring customer value is not easy and requires numerous metrics. However, companies with VSM initiatives up and running possess comprehensive customer value models and are collecting and tracking more metrics to support that model.

Remote workers, cloud resources, and re-engineered supply chains have resulted in new or altered business processes. Unfortunately, these are returning organizations to the siloed operations many worked so hard to remove. Nearly 7 out of 10 companies reported disconnects between the business and software development. More than 7 out of 10 technology roles surveyed indicated they are frustrated by the business and constant changes to strategy.

Value Stream Management (VSM) is being adopted to deliver improved organizational alignment, increased transparency, and faster delivery which all tied for the top benefit. These expected benefits directly correlate with top concerns for 2023, and VSM by its nature is focused on customer value, which in theory makes VSM the right technology for companies to adopt. And adopt they have, with more than 8 out of 10 companies utilizing VSM today or planning to. The research finds that VSM adoption has moved from early adopters to the mainstream, and 60% of participants indicated that they will be using VSM to deliver products in 2023. VSM also appears directly tied with companies who are pursuing digital transformations (DT), as 95% of those with VSM initiatives also are implementing DT. Those with VSM also indicate an improved ability to measure and track customer value with more sophisticated models.

While VSM adoption is progressing, many are relying on disparate solutions, which is likely contributing to the lack of organization alignment and led 9 out of 10 participants to state they want a single VSM solution. That solution also needs to be adaptable, as VSM needs to fit each company’s unique products, organizational processes, and industry requirements. The most compelling finding is that 95% stated their VSM is delivering value today in the form of Increased transparency, business alignment, and accelerated solution velocity.

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Key Findings

In 2023 Companies are Concerned with Operational Efficiencies and Focused on Growing Customer Value

- For 2023, companies are worried about supply chain stability, collecting key business data, and inefficient processes
- Increasing customer value is the top strategic business focus for 2023
- Companies are leveraging numerous metrics to establish and measure customer value

Teams Remain Disconnected and Frustrated

- 68% of businesses continue to indicate a disconnect between software development and business strategy
- 72% of technology teams are frustrated by the business constantly changing priorities

VSM Delivers Value, Spurring Adoption by a Majority of Companies

- Top 3 VSM business benefits desired focus on alignment, transparency, and faster delivery of solutions to customers
- 86% have adopted VSM or plan to
- 60% will be shipping products using VSM by the end of 2023
- 90% want a single VSM solution that enables business and technology teams
- 95% state VSM delivers with increased transparency, alignment, and solution velocity

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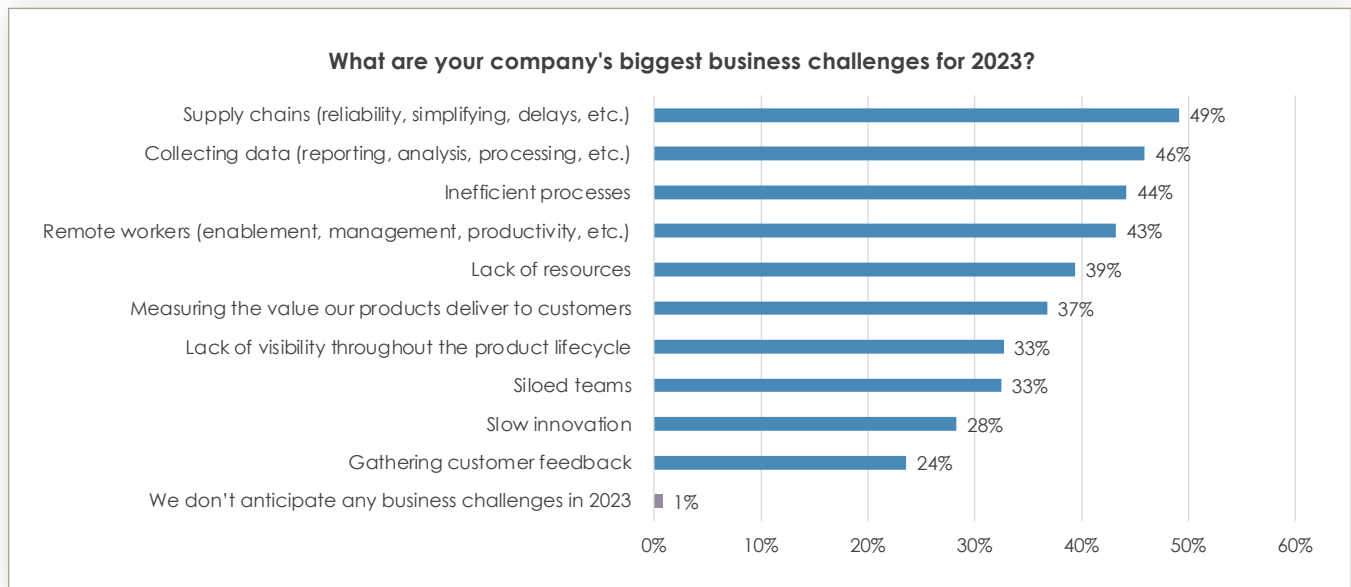


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Detailed Findings

Supply Chains, Business Data, and Inefficient Processes Lead Challenges

The last few years have posed numerous obstacles for companies. This research started by looking forward to understand what companies and their leaders anticipate will be key challenges for their business in 2023. Leading all challenges and a continuing trend at 49% is ensuring their company has reliable supply chains. While it would be easy to limit supply chains to manufacturing hard goods, those interviewed also spoke of digital supply chains, where their business relies on other digital services and/or applications from other companies. Collecting data (46%) and inefficient processes (44%) were the 2nd and 3rd top challenges for 2023 respectively. Incorporating and maximizing remote workers remains a key challenge at 43%. Executives explained that these last three challenges (collecting data, inefficient processes, and remote worker productivity) are related, as many companies have scrambled to keep businesses going over the last few years with remote workers, increased cloud adoption, and changing supply chains. What has resulted are new and altered processes which many reported are functional but need to be optimized.



Our business and IT processes have radically changed over the last few years. They work but aren't very efficient. It is key that we go back and improve those processes, and we need increased visibility into what the current processes are and data to measure them, so we know they are getting better. – VP, Global Technology Company



Common perception is banks provide all the services internally, but as an industry we don't. If you think of the digital supply chain for a consumer loan, we leverage 3rd parties for credit scores, background checks, title companies, and federal programs like Freddie Mac and Fannie Mae. So efficient supply chains are key to our profits. – CIO, Financial Institution

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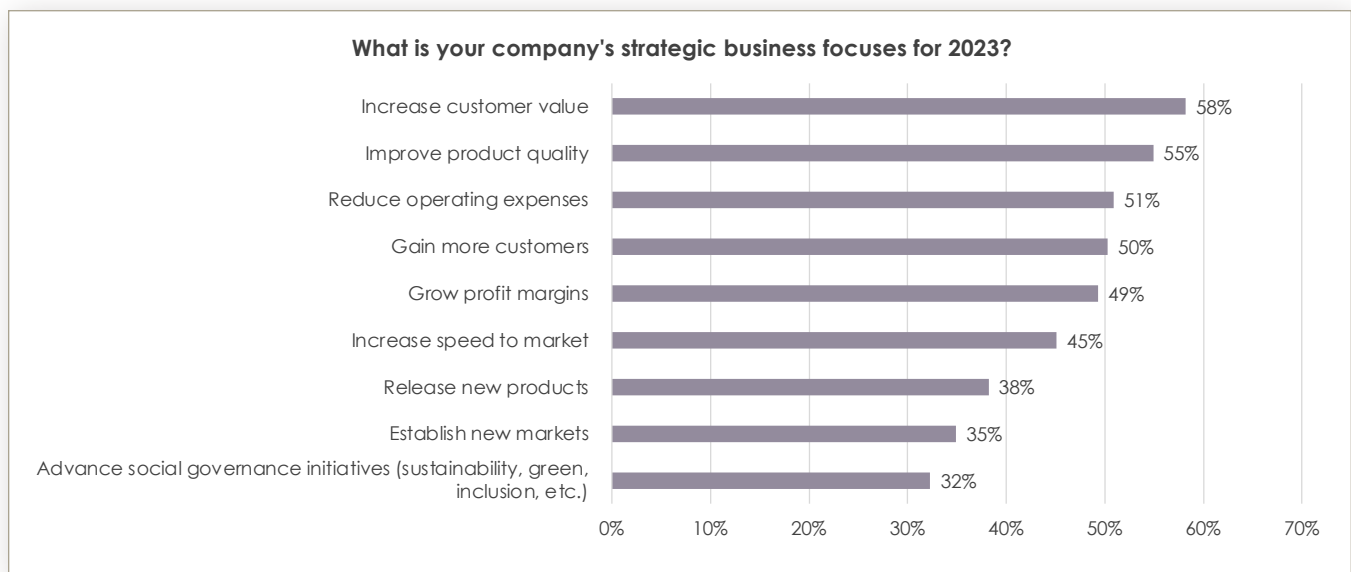
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Increasing Customer Value is the Top Strategic Business Focus for 2023

Considering the challenges above, participants were then asked specifically what their organization's top strategic goals will be in 2023. Increasing customer value took the top spot for 2023, which is up from the 3rd spot last year. Those interviewed shared that while their processes and supply chains have been disrupted over the last few years and they had to focus internally, they acknowledge that their customers have also suffered. Executives have shared poor customer experiences with products and services that have motivated those customers to consider competitors, and that overall brand loyalty has declined. Directly hand in hand with delivering value is improving product value (55%). In the third spot is the perennial business focus on reducing costs (51%), along with adding more customers (50%) and increasing profits (49%). However, at 45% is increase speed to market, something that for the last ten or more years has been a key priority for many companies ushering in Agile and DevOps initiatives. It now seems companies are shifting focus from rushing products to market that risk decreasing customer value with defects, bugs, or quality problems to a clear focus on maximizing customer delight with value and quality.



While we scrambled to stay in business and deliver products, the reality is, they were of lower quality and our customers noticed. In fact, it's all over social media now that consumers are unhappy, and they are electing to try different options (competitors).
– Sr. VP, Manufacturing Company

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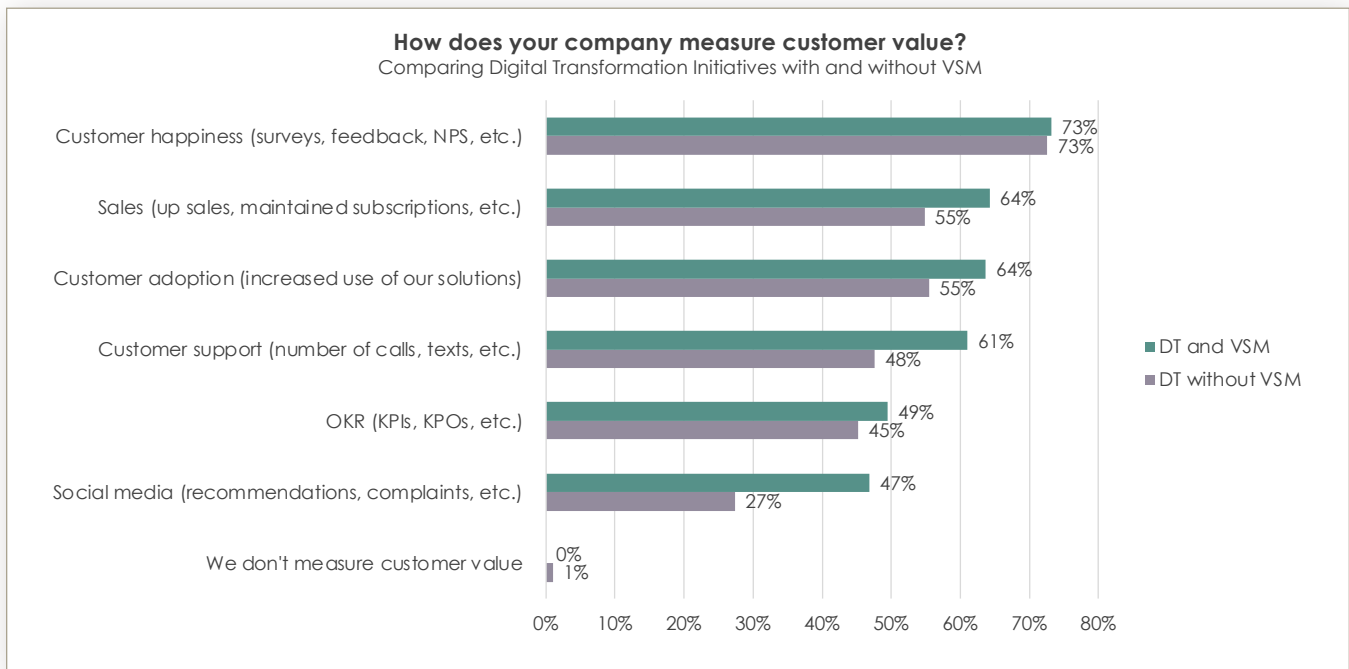
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Numerous Metrics Required to Measure and Track Customer Value

With the heavy focus on increased customer value, the research sought to capture how companies measure customer value today. The first key takeaway from the chart below is that companies are using numerous metrics to approximate customer value, similar to the way user experience is determined. The research data was analyzed, and a strong correlation was found by companies who have a Digital Transformation (DT) initiative along with Value Stream Management (VSM) compared to those who are not using VSM currently. The data clearly shows those with VSM are leveraging more indicators to establish customer value, representing more sophistication, but also have a greater focus on direct customer feedback such as support and social media. The research also found companies with a VSM practice have significantly better tools and processes to capture and track these customer value metrics than those without VSM.



It has become clear that measuring customer value is a cocktail of a number of different metrics. However, this is still new for us, we don't know what we don't know, but once we realize the need to measure and track something it starts a new challenge of how exactly to gather that info. – VP, Healthcare Provider



Our VSM initiative provides a lot more visibility across the value chain and more opportunity to capture information and inject customer value. The key for us right now is to determine how much to weigh each metric so we have a good feel of how customers perceive us and our products. – Executive Director, Financial Institution

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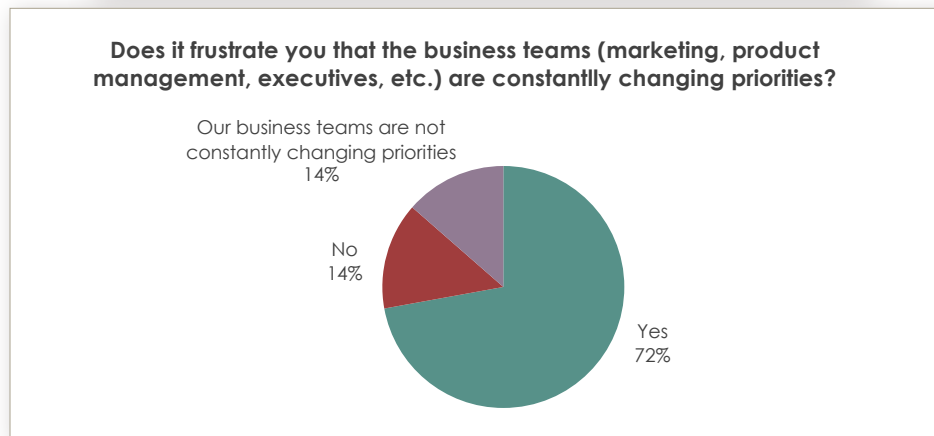
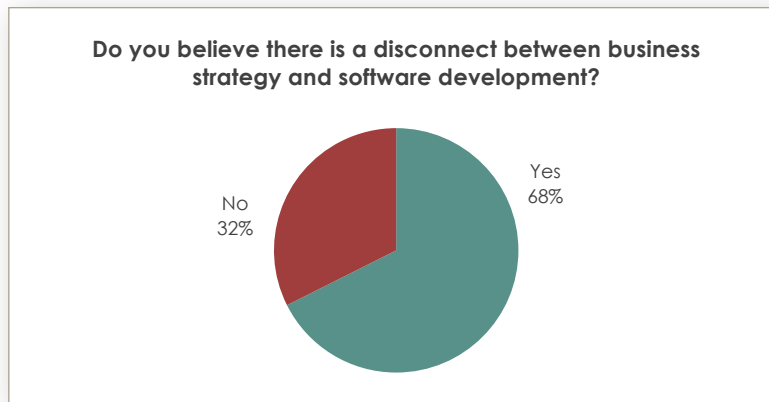
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Pervasive Disconnects and Siloed Operations Continue at Businesses

With participants providing key challenges and focuses for 2023 such as supply chain issues, inefficient processes, remote workers, and increasing focus on customer value, it was not surprising that 68% stated there is a disconnect between business strategy and development. And 72% of those in technical leadership roles indicated they are frustrated by the constantly changing priorities from business leaders. Interviews with executives provided key insights to these continuing issues, and cited they often stem from a constrained information flow, a lack of a single sources of truth, inconsistent priorities around customer value, and are plagued by lingering effects from revamped processes implemented during a crisis.



Yes, there are still a lot of disconnects between our business and technology teams. The business is looking at the market and customers through one colored lens and the technology through another. They have the same objective but just aren't on the same page. – CIO, Financial Institution



These disconnects are exactly why we are using value streams. To get everyone focused on how to deliver and measure customer value the same way at every step in the process. – VP, Global Technology Company

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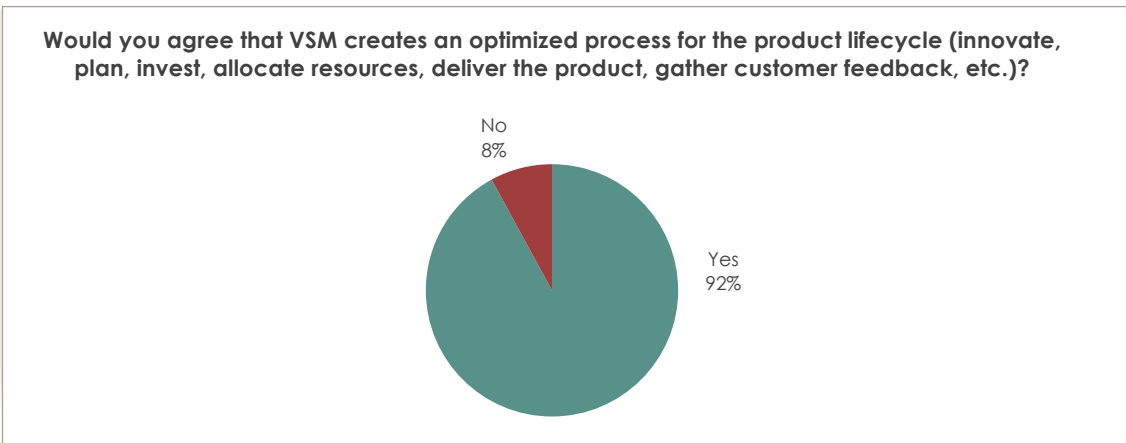
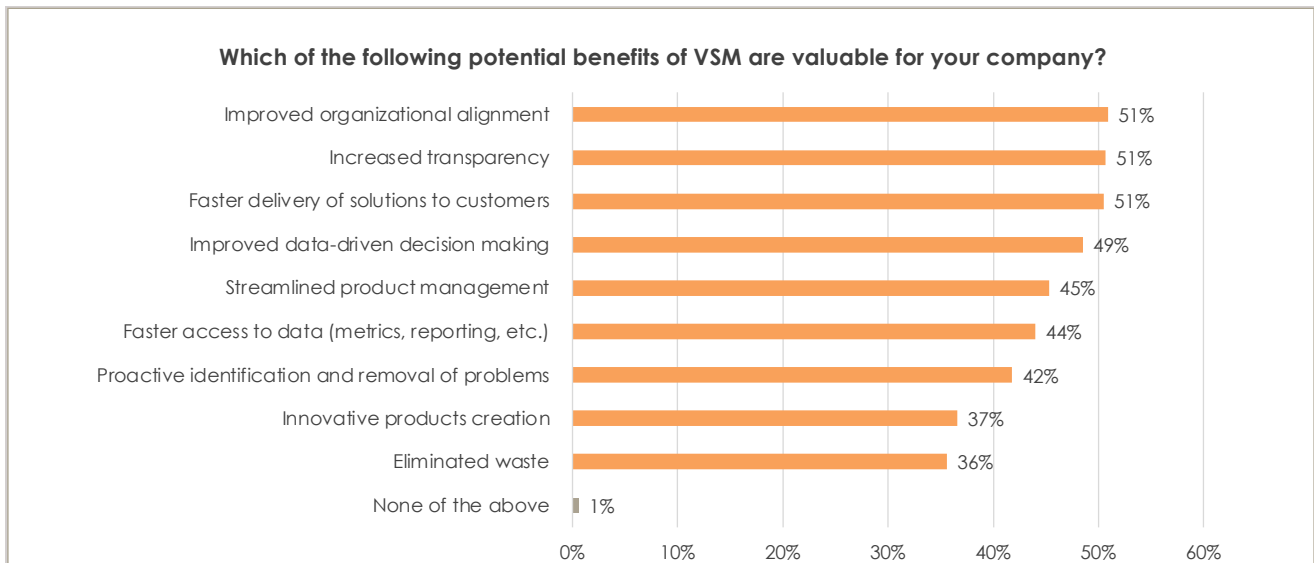
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The Many Benefits of Value Stream Management (VSM)

With specific mentions of value streams by participants, the research then focused on determining how companies would benefit from a VSM initiative. Uncommon in research, three benefits tied for the top spot at 51%: improved organizational alignment, increased transparency, and faster delivery of solutions. All of these directly align with anticipated business challenges and key business focuses for 2023 discussed early in the report. Also providing strong value is improving data-driven decision making (49%) at the fourth spot, which could now include specific data on how to improve customer value. Completing the top 5 benefits is a streamlined product management (45%) process, to help improve the inefficient processes and increase product quality to customers. 92% of participants specifically stated VSM helps optimize the product lifecycle.



VSM promises so many key benefits around focusing on the customer and how we deliver value. But it also provides more information and visibility that helps business make better decisions and keeps everyone aligned.

– Sr. Director of Technology, Retail and Ecommerce Company

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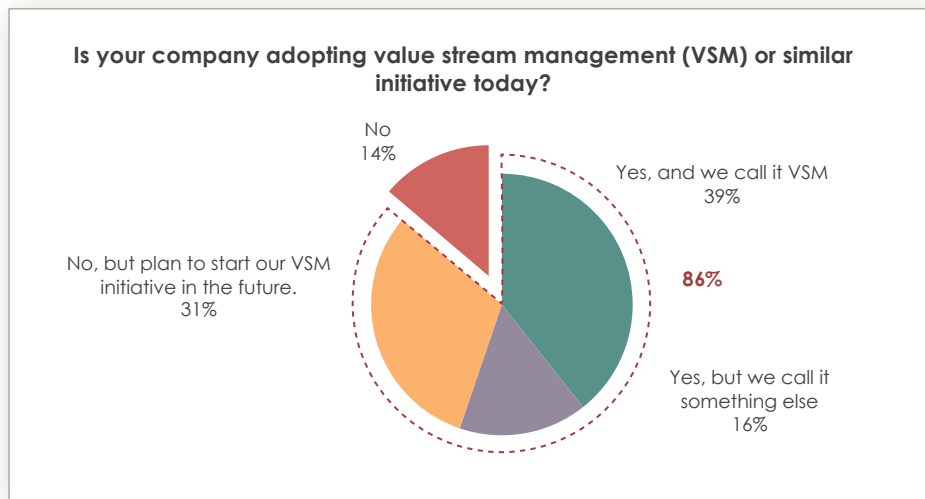
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VSM Being Rapidly Adopted

With many VSM benefits mapped directly to the need for critical business processes and teams to be better aligned, it is not surprising that 86% of companies have already adopted VSM or are planning to. Only 14% of companies strictly indicated they currently don't have plans to adopt VSM. Given the relatively new moniker of VSM, participants were provided a detailed description of the objectives and goals of VSM, and 14% shared they are actually pursuing VSM but have called it something different internally. As the concept of VSM adoption grows, it will likely consolidate into a single term that everyone identifies with, just as Digital Transformation did.



We started this initiative (VSM) but we call it "Customer Value Stream." After we adopted it, people in the industry started calling it 'Value Streams,' but we just like the focus on the customer and there is no real point in changing the name internally.

– CIO, Financial Institution

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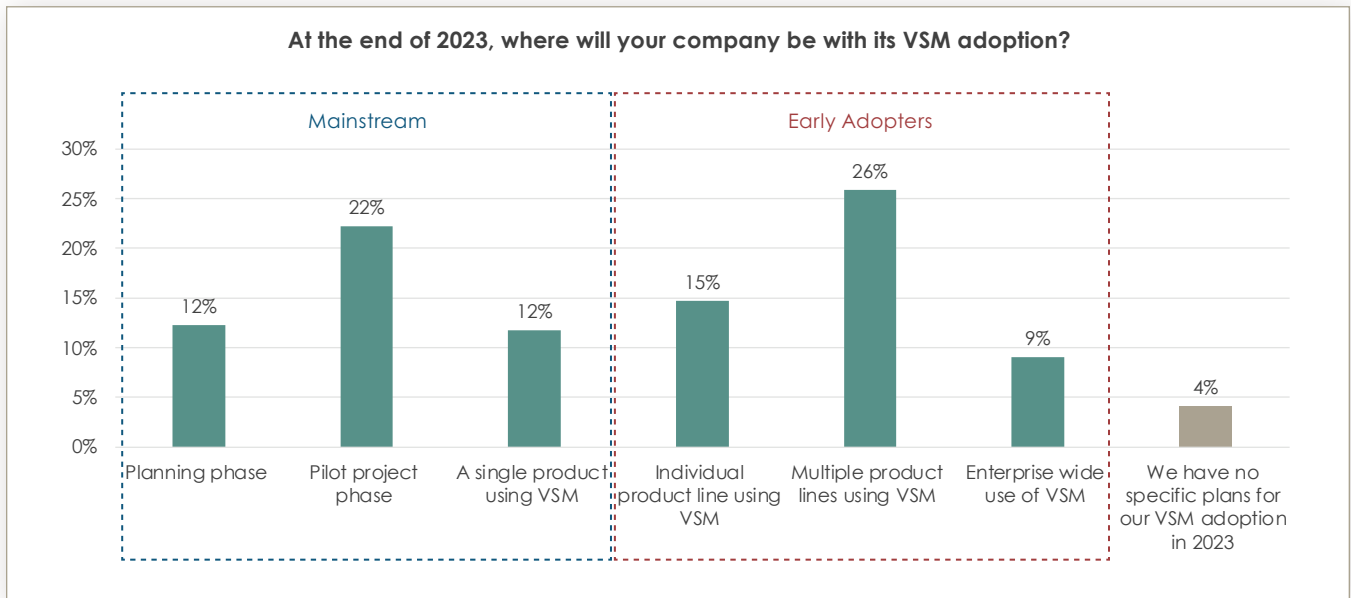
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VSM Enters Mainstream Adoption

For companies that indicated they utilize VSM now, or plan to have VSM, we asked where they expect be with their VSM initiative at the end of next year. While 36% will just be starting (two purple bars), 60% (green bars) will have at least one project shipping via a VSM process. However, with this being the 2nd running of this research question, the review of previous data reveals a typical technology adoption cycle. Early adopters as indicated in the chart below started 3 – 4 years ago, while mainstream adoption has just begun over the last 2 years. A majority of lag-guards who have not yet planned to adopt VSM (16% from the previous chart) will typically begin their VSM plans two years from now.



We've been at it (VSM) for a while, about 3 years. It took about a year to get the first project out the door, and then another 6 months to tweak it and get the right tools. Now we apply VSM to a new product in just 3 to 6 months. We have a template of what we want, best practices and tools, and teams understand it, so it is easier now.

– VP, Global Technology Company

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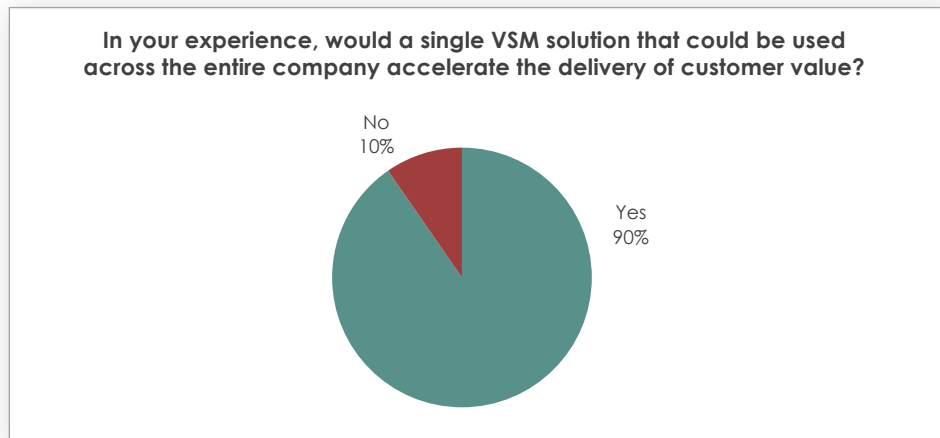
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Most Companies Want a Single VSM Solution

90% of technology and business professionals stated that using a single VSM solution across the company would accelerate the delivery of customer value. Executive interviews provided some compelling context, as most companies don't have a single system for their VSM initiative. Often there is one for the business and one for developers, sometimes with even more systems for Ops teams, compliance teams, and customer support. Without data captured into a single repository, often no one is looking at all the data. In general, the VSM concept is to get every team along the value stream focused on increasing customer value but having multiple VSM solutions can generate differing perspectives of what should be focused on to increase customer value.



We started with Jira on the development side, but the business hates that tool and won't use it. – Sr. VP, Manufacturing Company



We have 3 systems today collecting VSM information. The technology and development teams use one, marketing and products team use another, and customer support has a 3rd. Each team pulls key data and shares it, but it is not efficient, and we miss critical items because one team doesn't think it is valuable. A single solution to house all the data would be a boon to each team as well as the executives.

– Executive Director, Financial Institution

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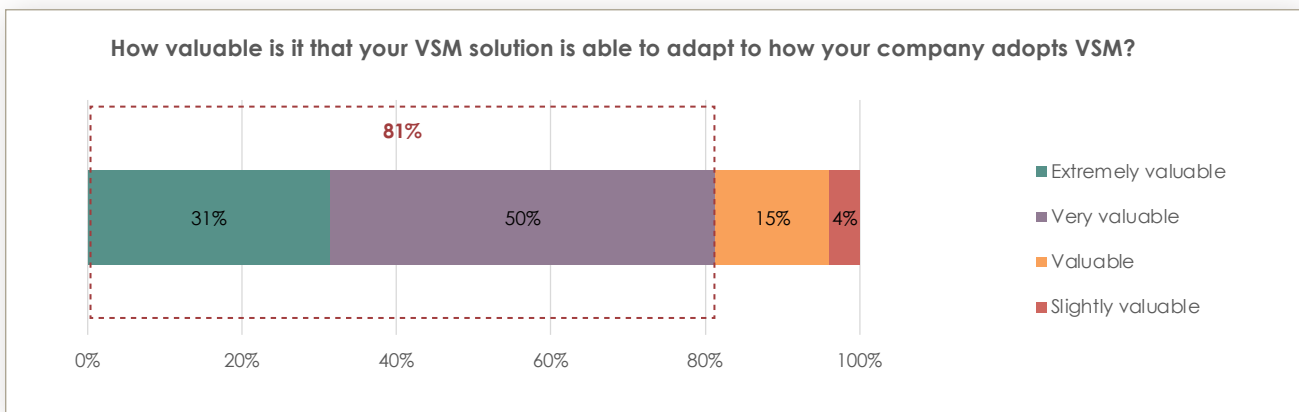
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VSM Solution Adaptability is Tremendously Valuable

Every participant indicated that a solution that adapts to their VSM philosophy is important, as opposed to a solution that forces the company to adapt to a rigidly defined process. Discussions during the executive interviews indicated the VSM adoption is like Agile and DevOps in that one size does NOT fit all. VSM needs to adapt to their company, their products, and their industry. It is such a key point that 81% indicated it is very or extremely valuable that the VSM solution is flexible and adaptable.



We know our VSM process is different than others. We measure more and different aspects of customer value than others I know of, and our process has to include legal and compliance. – VP, Healthcare Provider

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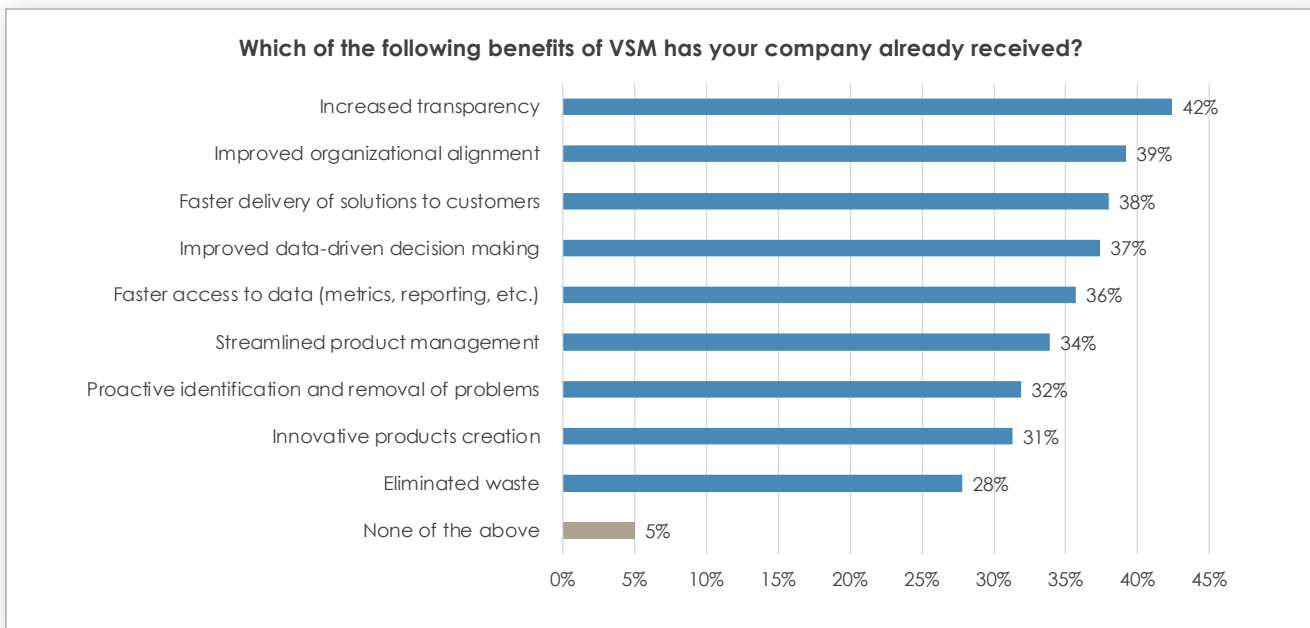
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Value Stream Management Delivers Real World Benefits

In research, the question of which benefits have actually been received is often the most telling. Companies often adopt technology or a new initiative driven by the promises of receiving specific benefits, but many technologies or solutions fail to live up to the hype. For VSM, the top 5 benefits companies have received are increased transparency (42%), improved organizational alignment (39%), faster solutions to customers 38%), data-driven decision making (37%), and improved access to data (36%).



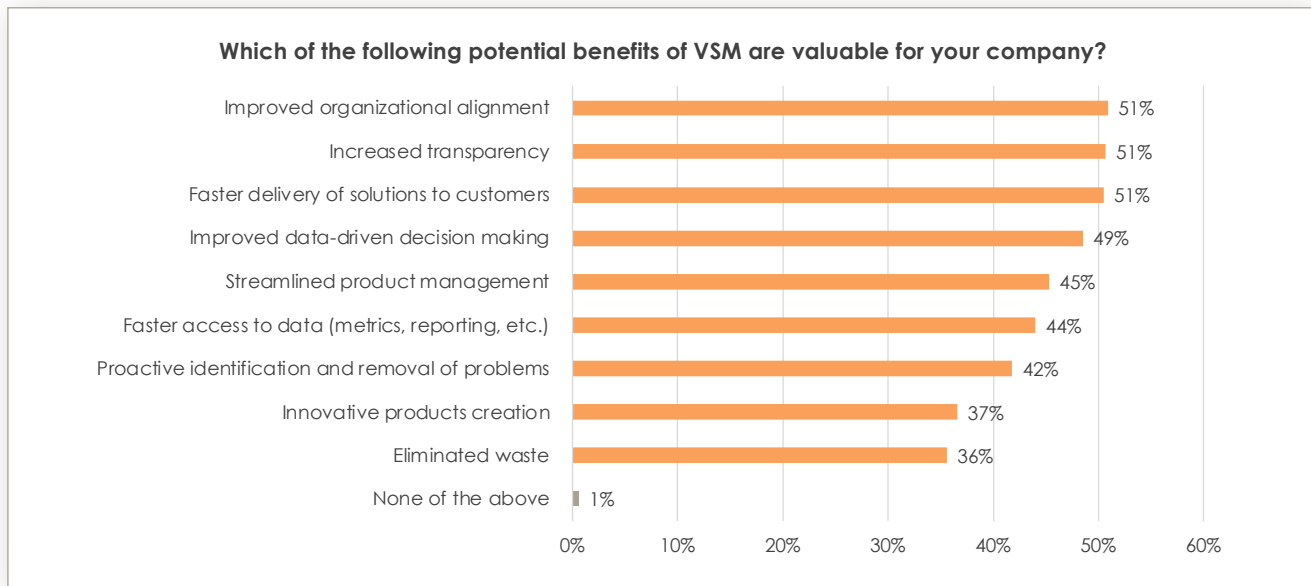
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Earlier in this report (chart repeated below for convenience), participants told us what their companies wanted from VSM: improved organizational alignment, increased transparency, faster delivery of solutions, data-driven decision making, and a streamlined product management process. It's almost a perfect match, with the streamlined product management process taking the 6th spot in the benefits received. Thus 95% stated they are actively receiving benefits from VSM. 5% indicated they have not received any benefits which is correlated to those companies still planning and rolling out their VSM initiative.



We are very pleased with our VSM. As usual it is harder than you expect, because you are changing processes and what people are focused on and implementing tools. However, the changes and improvements VSM delivered have exceeded expectations. It has opened our eyes, we are doubling down on it (VSM), and it is a requirement of our new product approval process.

– Sr. Director of Technology, Retail and Ecommerce Company



DT (digital transformation) created some of the processes but they aren't always optimal for a number of reasons (people, partners, compliance, etc.) but VSM helps improve that centered on the product and customer priorities.

– VP, Global Technology Company

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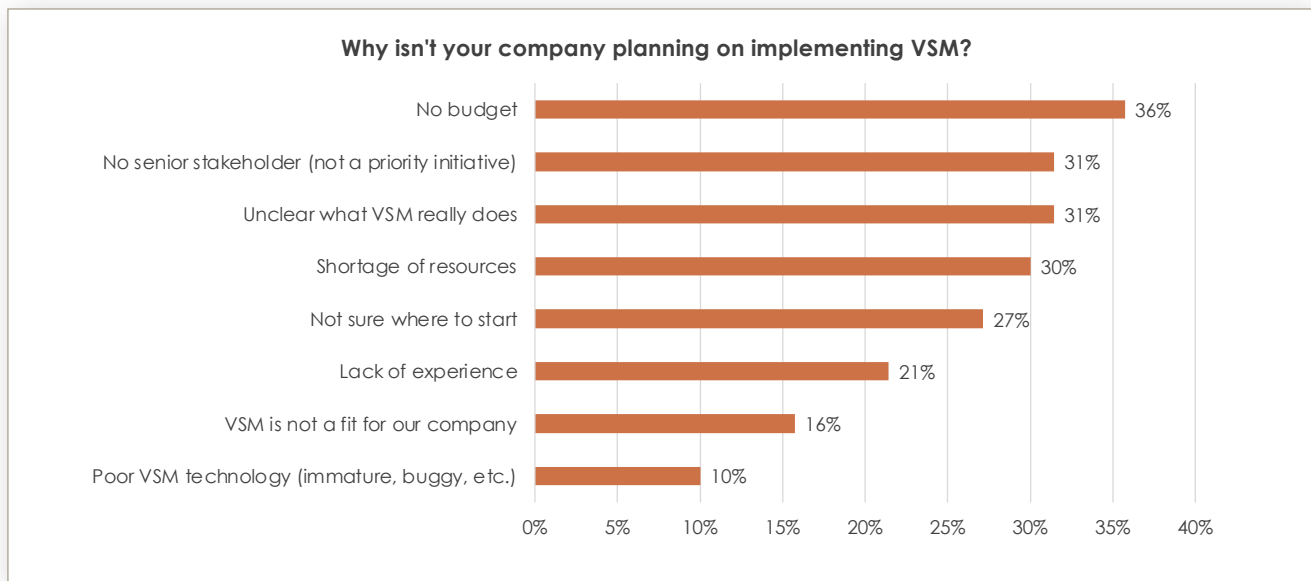
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VSM a Fit for Nearly All Companies

Only 14% of those surveyed have no current plans to adopt VSM and we asked why. The typical lack of budget (36%) took the top spot. But lack of funds is often the result of a lack of a stakeholder and education, in this case both in the second spot at 31%. What is likely the best reasonable answer to this question is a lack of fit with a company (likely due to the nature of their business), which is near the bottom at 16%. Thus, 16% of the 14%, or approximately 2% of companies not planning on VSM, have a very good reason for not adopting VSM, while the rest appear to be hurdles that can be overcome with knowledge and focus.



Look, VSM can be daunting, it is actually a bigger initiative than Digital Transformation, as it includes significantly more teams and departments. But isn't keeping your customers happy worth it? – CIO, Financial Institution

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Conclusion

As companies contemplate 2023, they worry about ensuring supply chain reliability and availability, collecting key data for decision making, and they are concerned about inefficient processes. Addressing those three challenges allows companies to flourish with visibility and business continuity. The unrelenting focus on speed to market has been downgraded significantly and the new top focus for business in 2023 is customer value. This report finds that supply chains, data, and processes must be aligned to deliver superior value to customers, or risk losing them to competitors.

This report finds VSM is now in mainstream adoption resulting in a large majority of companies utilizing VSM, and most companies are already shipping products that utilize VSM. VSM helps to address team alignment issues and inefficient processes, providing more visibility and data for better decision making.

VSM is delivering value, and specifically in the areas companies are seeking benefits. In short, VSM is walking the talk. Interviews with executives revealed that companies are learning more about their customers, the value they deliver, and what makes their customers happy. VSM provides metrics, visibility, and insights to better define and track customer value while improving team alignment and process optimization. VSM's inherent benefits directly enable digital transformation but rightly turn the focus on the customer and not just digitizing business processes.

But many companies have many rewards still to reap, not just from adopting VSM across all their product lines, but from having a single solution to capture all the data across the value chain and the ability to share it with everyone in the company. That tool needs to be adaptable and flexible to work with a company to fit their business and requirements as well as grow with their VSM maturity.

The biggest barriers to companies adopting VSM, besides the time and effort of implementation, is a stakeholder and education about VSM and the value it delivers to companies. Perhaps more importantly, VSM enables companies to better understand their customers and the value they perceive they are receiving. In executive discussions, a key aspect of VSM maturity became evident: newer adopters of VSM were tracking metrics about sales, solution use, maintenance contracts, which are things the company cares about, but more mature organizations tracked customer happiness indicators such as support calls, social media, OKR, and KPIs to understand customer happiness and how the customer perceives the value delivered to them. We all know happy customers build strong brands and buy more.

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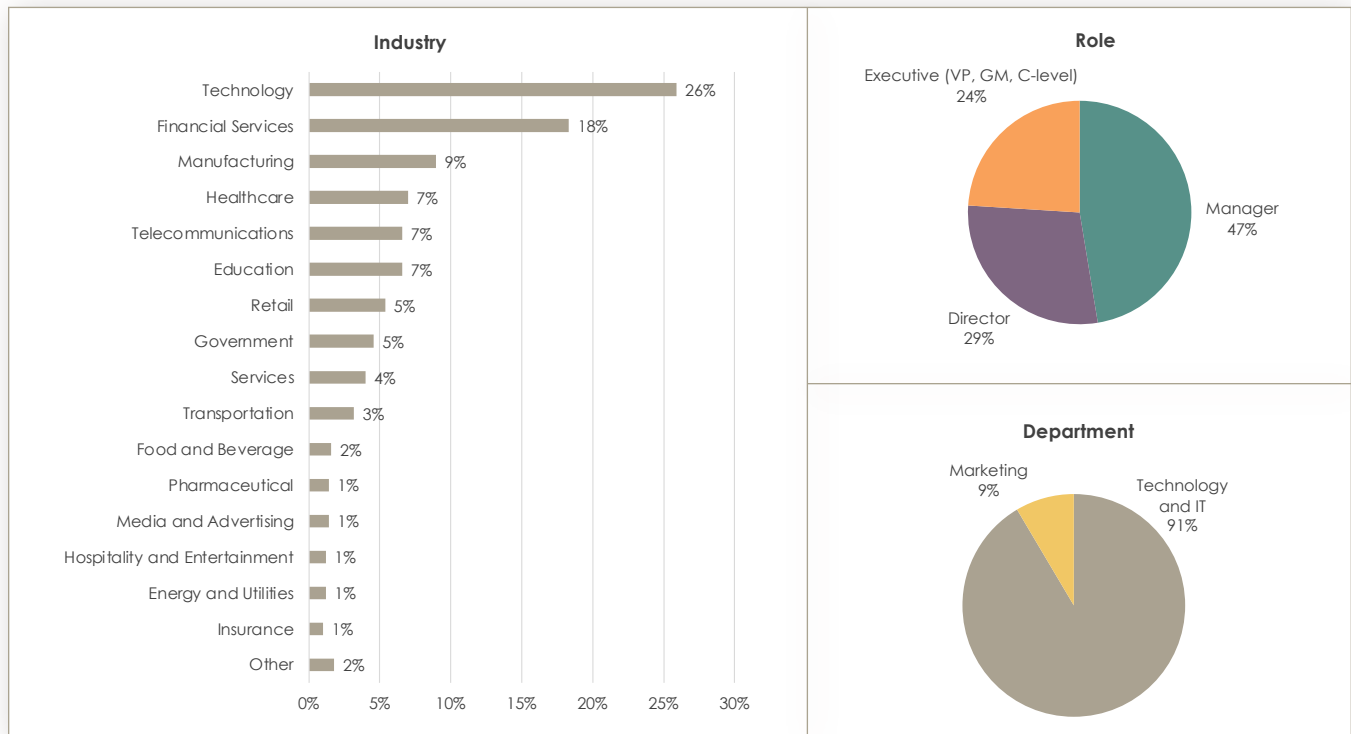
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Survey Methodology

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. Seven executives from the survey were invited to participate in in-depth interviews to discuss their survey answers and provide deeper insights into the findings.

A total of **505 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.



About Dimensional Research

Dimensional Research provides practical marketing research to help technology companies make their customers more successful. Our researchers are experts in the people, processes, and technology of corporate IT and understand how IT organizations operate. We partner with our clients to deliver actionable information that reduces risks, increases customer satisfaction, and grows the business.

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