



Connected enterprise series

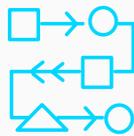
On the CEO's agenda: Organizing around value

Executive summary

Valiantys developed this white paper as part of our “Connect Your Enterprise Series.” It is intended to inspire you with fresh, practical ideas about agile and digital transformation, wherever you are in your journey.

Agility and its underlying values are often a key component and guiding concept of the transformation ecosystem. Agility at scale is the main focus, but we should not limit ourselves.

Here we will show leaders how to:



Connect the dots

between agility, other transformation frameworks, and new organizational concepts.



Use the value stream

as a major conceptual tool to organize around value, which should be on every CEO’s agenda.



Leverage a few SAFe® principles with universal reach

regardless of the business you’re in and your relationship with Agile.



Explore how value is interdependent with values

and how to connect your organization, customers, and people.



Adopting SAFe® principles is the first step to bringing value to your organization

First, a note about SAFe®. A tool is only as good as the underlying data and practices that it visualizes and supports ⁽¹⁾.

While there are plenty of great frameworks, Valiantys views SAFe® as an encyclopedic resource that helps provide a better understanding of lean, agile, and DevOps principles and practices.

SAFe® may be understood to optimize software development efficiency. It actually does that but goes way beyond. Some of the SAFe® principles are pure business wisdom, valuable for any business leader. For example:

Principle #1: Take an economic view

Companies need to be profitable to grow and succeed. Why is this important? Because a truly economic view is surprisingly uncommon, and more complex than just profitability. The goal of SAFe®'s House of Lean is *“shortest sustainable lead time, with best quality and value to people and society.”*

New business ideas are inherently risky and are never guaranteed to work, and all investments are trade-offs. Saying yes to an idea is saying no to another one. Rational economic analysis, with a testable hypothesis and “pivot or persevere” when meeting the expected demand is fundamental. The future is not written, so “sensing and probing” is the only way to mitigate risk.

Takeaway



Any investment you make should be justified by expected value creation for customers. And embed pivoting options, because we never know if and how the market will respond.

Principle #2: Apply systems thinking

Understanding that a company functions like a complex, multi-layered organism ensures not doing the common mistake – investing too much in a functional domain that will not produce the expected results because the issues are somewhere else. The organization as a “machine” made of separate “parts” supports the idea that if each department is run better, gains will add up. We know now that this generates silos ⁽²⁾ and does not produce the expected results: an optimal system is not the sum of its optimized subsystems. Optimizing a subsystem without considering the impact on the adjacent ones does not work. What happens in one part of the organization can have a huge unexpected negative impact somewhere else.

We tend to build mental models of things (and organizations alike) as machines, when they are systems. It’s a misleading legacy from the Industrial Age that can lead to significant mistakes in the business: the confusion between complication and complexity. Machines can be complicated (i.e., with thousands of parts, like in a car or plane) but each part has a precise function and cannot deviate from it. Optimizing subsystems increases overall performance.

On the other hand, a complex system has all its components interacting in a way that is not predictable. The human brain is a very complex system. Actually, “the most complicated object in the known universe” according to theoretical physicist Michio Kaku. It can auto-adapt, rewire itself in real-time, based on sensory inputs and feedback, and does not have a pyramidal “command and control” structure; given the amount of data that needs to be processed it just would not work.

Takeaway



Look at your organization as a complex system, not as a machine. Understand that a change in one area of your organization may have an unforeseen impact elsewhere. Avoid thinking in silos and remember that command and control limit speed and adaptability.

Thriving organizations rely on three foundational value streams

Understanding the principles of the SAFe® framework are the first step to business agility.

These lead you to value streams which are a pivotal concept in the SAFe® framework and a critical underpinning of Lean thinking. SAFe® considers three different value streams, complementing each other.

What exactly is value?



The word stems from Latin *valere* “be strong, be well; be of value, be worth,” with its origin in the Proto-Indo-European root **wal* – “to be strong” ⁽³⁾. That’s also the root of “Valiant” – which inspired us to name our company “Valiantys.”

At its core, value signifies strength. It compels and drives us. Value gives us purpose, and purpose is what drives knowledge workers today ⁽⁴⁾.

Hence, from an economic viewpoint, it is essential to focus on value – specifically how it flows in streams from concept to cash – and to organize our ways of working around it. Value is the strength that enables the fittest companies to survive and thrive in an increasingly complex world.



Here is how you can organize around value, and learn how the three types of value streams complement each other:

1. Operational Value Stream

The **Operational Value Stream (OVS)** is the foundation. It is the sequence of activities needed to deliver a product or service to a customer. It can be a professional service, provisioning a piece of software in SaaS mode, manufacturing a car, providing a loan, etc.

Understanding where and what your value streams are, should be the first thing to do when thinking agility at scale and lean. This will outline all the cross-functional teams that are involved in value creation, and, most likely, inefficiencies and waste in the process that can be fixed once they are identified.

2. Development Value Stream

Creating value in modern enterprises requires more than mundane tasks. All the activities rely on tools, most of them being software or controlled by software (e.g., car factory with robots). It means complementary value streams are necessary to build solutions, used by teams in the OVS. That's what SAFe® calls **Development Value Streams (DVS)**. If you purchase an off-the-shelf application or custom develop a tool, it may increase the value offered to customers or reduce operational waste.

3. Business Agility Value Stream

The holy grail of value streams, just introduced in SAFe® 5.0, is the **Business Agility Value Stream (BAVS)**, and it's quite different. It is focused on reducing time to market, from sensing an opportunity to delivering a product to the market. The idea is to apply agile concepts to developing new offerings. Why? In most organizations, launching a new product or service may require significant time and effort, therefore using a waterfall approach. This could have worked before the digital economy took over. Not anymore. Waterfall for new products or services takes too long – the fastest competitors will grab the market.

Apply agile logic (build a minimum viable product (MVP) and “pivot or persevere”) to new offerings in order to dramatically decrease time to market. With SAFe®, we see that the focus on delivering value goes way beyond efficiently developing software, right into the heart of the business.

Takeaway



Value streams are a crucial concept (or model) to see your organization with the proper lenses. They will help you create and build products that deliver real value for your customers at maximum speed and with minimum waste.

But can we uncover more, beyond value streams? What does “creating value for the customer” really entail?

Generate real and perceived value

For your customers

SAFe® is also about restoring customer-centricity. That's what the value streams tell us: focus on the customer and how you create value for them efficiently. Customers know what they want: the best help to "get the job done" ⁽⁵⁾.

But it's not just "the best product at the lowest price." Customers have feelings, a worldview, and their own values.

This leads us to a recent social current. Generation Z have a strong perception that a lot of things are going wrong in today's world. Climate change obviously, environmental destruction, the disappearance of biodiversity, the explosion of "diseases of civilization." Not to mention the current pandemic. They don't want to make it worse and would possibly contribute to fixing it. Political leaders are enforcing new policies with similar goals. This brings dramatic shifts and enforces companies to rethink their Environmental, Social and Governance (ESG) and product strategies. Today's customer is attuned to climate change, vegan food, vegan leather, recycling, carbon-neutral travel, net zero, electric cars, ethical investments, etc.

Some companies sense the shift and are able to pivot to better adapt to those new trends, others start with a mission to contribute to solving those key issues.

Here are a couple of examples:

- **Patagonia.** Customer values: recycling, limiting waste. They resell their own used products, teach clients how to fix them and hosts events for customers to get their gear fixed ⁽⁶⁾.
- **Vivo Barefoot.** Customer values: recycling, limiting waste, vegan. They expanded their "go barefoot" positioning to vegan leather ("wear your sustainability statement with our vegan range"), recycled soles, and also reselling recycled second-hand products ⁽⁷⁾.
- **Coca-cola.** Customer values: limiting waste ⁽⁸⁾, health. Reducing sugar in drinks and offering smaller portions packaging ⁽⁹⁾.
- **Tesla.** Customer values: sustainable energy, climate change. From their "2020 impact report": "in 2020, Tesla customers helped accelerate the world's transition to sustainable energy by avoiding 5.0 million metric tons of CO2e emissions." ⁽¹⁰⁾
- **Porsche.** Customer values: climate change. On top of having a range of hybrid and fully electric cars, Porsche is developing a zero-emission fuel for their old cars ⁽¹¹⁾.

Takeaway



The customers' values are a strong component of their social identity, and they will buy from brands that they feel are aligned with their values. Brands need to understand their targets' values and deliver the marketing message and the products that will resonate with them.

Generate real and perceived value

For your people

There is a Kanban saying “*the people do the work.*” However, organizations need to tackle two compounding issues:

Talent shortage. When your products include in-house software, your bottleneck is your ability to recruit the right talent to develop what you want to bring to the market. IDC forecasted a developers shortage of 1.4 million in 2021 that will increase to 4 million in 2025 ⁽¹²⁾.

Employee motivation. We’ve heard a lot about the “Great Resignation,” which actually was not as bad as it was headlined ⁽¹³⁾ and mostly touched people in accommodation and food services. Still, motivation and engagement have been sliding down for many years now. The numbers are staggering ⁽¹⁴⁾ and cost US businesses, for example, \$450-500 billion a year.

- 85% of employees around the world don’t feel engaged in the workplace
- 47% of American workers say their job is just something they do for a living
- 37% of employees say recognition is the most important factor in their work engagement

Here are ways SAFe® principles can be applied to recruit key talent and keep people happy at work:

Principle #8: Unlock the intrinsic motivation of knowledge workers

In most modern companies today, the value created by employees requires their brains much more than their muscles. How to get the best of one’s brains? Not through force, fear, or financial incentives. It’s all about motivation and sense of purpose. This was proven a while ago by Daniel Pink’s studies summarized in his book *Drive* ⁽⁴⁾. The three drivers for motivation are autonomy, mastery, and purpose.

Current management thinking bears a heavy legacy from the Industrial Age, the Ford T, and Taylor’s “Scientific Management.” What’s asked from workers today has dramatically changed, and we also know now that some assumptions about what makes people productive at work are totally wrong.

Takeaway



At a time when lack of engagement is at an all-time high and skilled resources are and will be scarce for a couple more years, SAFe® reminds us of the strategic importance of motivation at work.

Principle #9: Decentralize decision-making

Decisions should be taken as close as possible to the people impacted by that decision. Because it should be assumed that they know what they need to do, and because it motivates them. The cost of decision-making increases exponentially when it moves to higher levels of the organization and ultimately reduces the c-level “decision bandwidth” for real strategic decisions.

It is harder to implement than it seems. In many organizations, decision-making processes are a big part of corporate governance, and therefore tend to increase in complexity with the size of the organization.

Lots of meetings to explain and justify a proposed decision, multiple stakeholders intervening, plenty of time spent – have you ever thought that the cost of deciding was sometimes way higher than the amount of money that was at stake? Pyramidal organizations and command and control are too slow in today’s business environment. And c-levels have to prioritize their strategic imperatives rather than be consumed by back-to-back meetings to approve decisions (and are getting burned out and overworked in the process).

SAFe® mindfully talks about “people”, not “employees.” As per the first value of the Agile Manifesto: *people are talented individuals with whom we interact and collaborate, and whom we value far greater than any process or tool.*

Understanding that people are not just resources, used and discarded, like cogs in a machine, goes a long way. People aspire to personal and professional success. And they have personal values, just like your customers.

Takeaway



Companies who decentralize decision-making gain operational speed, save lots of energy, free up time for their c-levels, and reinforce workers’ motivation.



People can tackle more complex problems and deliver more when they know it’s put to good use (they deliver value) and it’s aligned with their values and their sense of goodness (they are feeling coherent and valuable to their own ecosystem).

From theory to practice

Value flows through the organization and connects everything that matters in the complex system called a company. It is key on many CEO's agendas.

In a nutshell:

Value flows more efficiently when the values of the different stakeholders (your customers and people) are well understood and cared for.

What's the most efficient path to deliver value?

To your customers:

- Organize around value, identifying value streams and optimizing them, and using business agility value streams for new offerings
- Understand the customer's values and align with them to maximize the perceived value of your products and services

To your people:

- Apply agile principles that will tap into their intrinsic motivation and make them feel rewarded and valued
- Understand the employee's values to help alignment, motivation, and retention.

If you want to go further in applying some of the principles shared, here are a few questions to get you started:



- Do you know your value streams?
- How agile is your new product development process?
- How does your brand align with your customer's values?
- How do you know your people's values?
- How do you monitor your people's motivation?
- How do you make them feel valued and rely on their intrinsic motivation?

Valiantys can help you uncover your value streams to better connect your organization, customers, and people.

[Find out how.](#)

References

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Useful SAFe® resources:

- 10 Lean-Agile principles <https://www.scaledagileframework.com/SAFe®-lean-agile-principles/>
- 3 value streams
<https://www.scaledagileframework.com/business-agility-value-stream/>
<https://www.scaledagileframework.com/operational-value-streams/>
<https://www.scaledagileframework.com/development-value-streams/>
- For more on SAFe® and people, see the article <https://www.scaledagileframework.com/agile-hr/>.

Contacts



US & CA

Matt Orend
Head of Sales
matt.orend@valiantys.com



Northern Europe, UK & BX

Luc Boucher
Head of Sales
luc.boucher@valiantys.com



FR & CH

Erwan Leverrier
Head of Sales
erwan.leverrier@valiantys.com



About Valiantys

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