

Value

VALUE PROPOSITION

To convey value, one must create a compelling **Value Proposition**...an innovation, service, or feature intended to make a company or product attractive to customers. In other words, why would a prospect want to do business with you/invest in your brand? A value-proposition can apply to your entire organization or any part thereof.

VALUE-ADDING VS. NON-VALUE ADDING

Value Adding (VA)

The creation of value through waste-free operations and processes. Any operation or activity that changes, converts, or transforms material in to a product or service the customer is willing to pay for, for example: drilling, welding, stamping, painting, assembling, designing new products, processing customer orders, drawing blood, serving coffee in a coffee shop.

Non-Value Adding (NVA)

Any operation or activity that takes time and resources but does not add value to the product or service sold to the customer, for example: machine set up, scheduling, transportation, machine down time, inspection, billing, filing, copying, rework, all forms of waiting.

Non-Value Adding but Necessary

Those NVA activities that are required for delivery of products/services, for example meeting internal regulatory and/or legal requirements, archiving, or reporting, but for which the customer is not willing to pay.

DEFINITION OF VALUE

- Relative worth, merit, or importance
- Monetary or material worth, as in commerce or trade

A product or service that has been perceived or appraised to fulfill a need or desire—as defined by the customer—is said to have value. An activity has value if it is transformative, is done right the first time, and is something the customer is willing to pay for.

Components of value may include:

- Quality
- Timeliness
- Functionality
- Availability
- Capacity
- Price

Value

VALUE STREAMS

All the activities (both VA and NVA) required within an organization to design and provide a specific product or service from inception to launch, from order to delivery, and from raw materials into the hands of the customer.

Value Stream Mapping (VSM)

The identification of all the specific activities (material and information flow) occurring along the value stream for a particular product/service or product/service family, usually represented pictorially in a value stream map.

Value stream mapping itself is a critical step in evaluating the flow of a process as it acts as a diagnostic tool by identifying bottlenecks, constraints, inefficiencies, and wastes.

VALUE-ADDED RATIO

We look at the Value-Added Ratio (VAR) to determine what percentage of lead time is actually being spent doing VA activities? The VAR is determined by dividing total VA time of a process by the lead time of that process x 100.

To improve your VAR, look to your value stream map for improvement opportunities to uncover what needs to be accomplished to get from current to future state.

VALUE IN THE NEWS

According to the New York Times and a Timex Survey, the average American will spend approximately 5 years of their lives waiting...think: doctors' offices, banks, coffee shops, restaurants, oil changes, on hold for customer service, grocery stores, security lines, dogs to poop, babies to burp, water to boil, kids to brush their teeth, Jets to win (oops, did I say that?) ... you get the picture. Six months of that waiting alone is at traffic lights. Ouch...that's a ton of NVA time!

REFLECTION: TAKING IT BACK HOME

Are you surprised at how much of what you do is classified by your customer as NVA activities?

- How can you approach your daily activities—professional and personal—from the perspective of value-added vs. non-value added?
- What's ONE thing you can do differently EACH day, in both of these arenas, to impact your value-added activities?
- Consider...is it time to review/refresh your current value proposition?

VAL-UE...NOT TO BE CONFUSED WITH

Hal Knew...Hal knew he could get from his work area to shipping/receiving in a much less circuitous route, but then he wouldn't have the opportunity to pass by the break room and catch snippets of his favorite show, Judge Judy. Ah yes, yet another NVA activity revealed...

FAMOUS QUOTES USING VALUE

"You want your customers to value your service."
—Jeff Bezos

"Price is what you pay. Value is what you get."
—Warren Buffet

NOT-SO-FAMOUS QUOTE

"When I was four, my mother insisted I get out of the car and find my own way home. Although I got lost, I did find my way home. It taught me the value of independence at an early age." —Richard Branson

Lucky for you Richard! In today's world, it's likely someone would've misinterpreted your mom's well-intentioned lesson, videotaped it, and called DCS. Bang zoom, to the moon?

