



**Enterprise Analysis and Architecting Methods
Workout:**

**Presented to Lean Flight Initiative 4
Four Seasons Hotel, Atlanta, Georgia, US**

C. Robert Kenley, Ph.D.
Massachusetts Institute of Technology

May 11, 2011


Summertime Enterprise Thinking



June 9-10, 2011

**Epoch-Based Thinking:
Anticipating System
and Enterprise
Strategies for
Dynamic Futures**


Donna Rhodes, Ph.D.
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June 6-8, 2011

**Value-Driven
Tradespace
Exploration for
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**Architecting
the Future
Enterprise**

Prof. Debbie Nightingale
Donna Rhodes, Ph.D.




June 20-21, 2011

**Principles of
Enterprise
Transformation**

Prof. Debbie Nightingale
Jayakanth Srinivasan, Ph.D.

New Course



July 18-20 or July 18-22, 2011

**LAI Lean Academies:
Enterprise, Healthcare, and
Product Development**

<i>Enterprise Track</i>	<i>Healthcare Track</i>	<i>PD Track</i>
<i>July 18-20</i>	<i>July 18-20</i>	<i>July 21-22</i>
Eric Dickson, M.D. Hugh McManus, Ph.D. Prof. EarlII Murman		Eric Rebentisch, Ph.D. Julie Vannerson, M.D. Prof. Annalisa Weigel



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Stakeholder Lens

Dr. Jayakanth Srinivasan
Prof. Debbie Nightingale
Massachusetts Institute of Technology
September 15-16, 2010



Learning Objectives

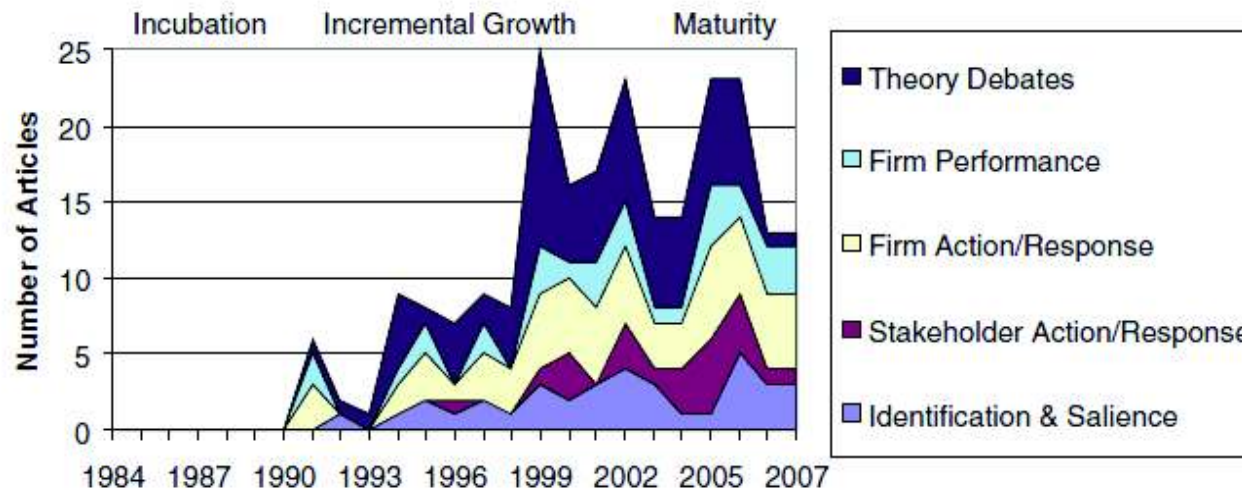
- Define the term stakeholders
- Identify and group enterprise stakeholders
- Prioritize key stakeholders
- Elicit the value exchanged between the enterprise and its key stakeholders
- Assess the effectiveness of the value exchange

Stakeholder Theory Overview

Stakeholder Theory has evolved to solve three problems:

- Understanding how value is created and traded
- Connecting ethics and capitalism, and
- Helping managers think about management such that the first two problems are addressed.

Source: Freeman et al., "Stakeholder Theory: The State of the Art", Cambridge University Press, 2010



Source: Laplume A.O., Sonpar K. and Litz R. A., "Stakeholder Theory: Reviewing a Theory that Moves Us", Journal of Management, 2008



Two Key Concepts

“A stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives“

– Freeman, 1984

Source: Freeman A., “Strategic Management: A Stakeholder Approach”, Pitman, 1986

“The enterprise is a network of stakeholders configured by the flow of value, which moves between the enterprise and its stakeholders”

– Nightingale and Srinivasan, 2010

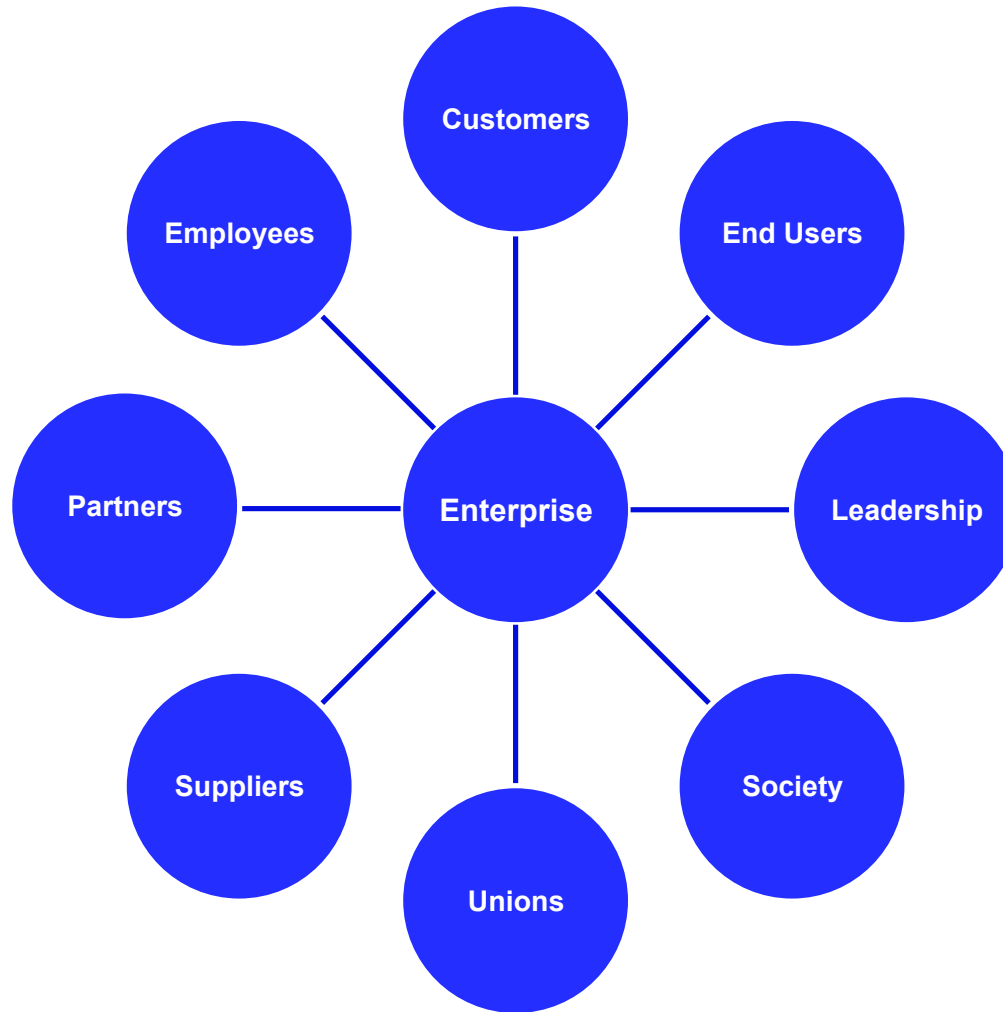
Source: Nightingale D. and Srinivasan J. “Beyond the Lean Revolution: Achieving Successful and Sustainable Enterprise Transformation”, AMACOM, In Press



Stakeholder Analysis

- Process for aligning the enterprise with its stakeholders
- Brings to the forefront the disconnects and misalignments in the enterprise value proposition
- Structured means of reflecting on the enterprise value proposition as a whole.

Classical Stakeholder Map



Common Stakeholder Groups

Stakeholder Group	Definition
Customers	Customers specify requirements and pay money in return for products and services delivered.
End Users	End Users specify requirements based on actual use or consumption of products and services delivered. They may or may not be customers. For instance, an airline is the customer, while the passenger is the end user.
Suppliers	Suppliers deliver products and services based on requirements specified by the enterprise in exchange for money.
Partners	Partners are suppliers with whom the enterprise has a close relationship, often involving risk and reward sharing, long-term interaction, and codependency.
Employees	Employees are all people who work for the enterprise, either directly or on site as contract employees. This includes employees represented by unions.
Unions	Unions are formal organizations of employees who have banded together to achieve common goals, which could include better wages, working conditions, and so on. In organizations that do not have formal unions, this stakeholder group would include employee associations and other informal employee groups.
Leadership	Leadership internal and external to the enterprise provides strategic direction and allocate resources to be used by the enterprise. In some cases, leadership may include other organizational units.
Society	Society includes the local communities where the enterprise exists and in which the enterprise does business (or operates). This often includes government representatives working at various levels (tax authorities, environmental compliance).
Shareholders	Shareholders provide the enterprise with capital, with the expectation of a return on investment.



EXERCISE

FOR YOUR ENTERPRISE

IDENTIFY THE KEY STAKEHOLDERS

Stakeholder-Centricity at Campbell Soup Company

2001-2002

- Revitalize US Soup
- Strengthen the broader portfolio for predictable volume and growth
- Build new avenues for growth
- Drive a quality agenda while continuing to drive productivity
- Substantially improve organization excellence and vitality

2003-2004

- Revitalize core North America thermal business
- Strengthen the broader portfolio for consistent sales and earnings growth
- Continually improve product and package quality
- Drive total system productivity
- Build organization excellence and vitality

2005-2007

- Expand our icon brands within Simple Meals and Baked Snacks
- Trade consumers up to higher levels of satisfaction centering on convenience, wellness and quality
- Make our products more broadly available in existing and new markets
- Increase margins by improving price realization and companywide productivity
- Improve overall organizational diversity, engagement, excellence and agility

2008

- Expand our icon brands within simple meals, baked snacks and healthy beverages
- Trade consumers up to higher levels of satisfaction centering on wellness, quality and convenience
- Make our products more broadly available in existing and new markets
- Strengthen our business through outside partnerships and acquisitions
- Increase margins by improving price realization and company-wide productivity
- Improve overall organizational excellence, diversity, engagement and innovation
- Advance a powerful commitment to sustainability and corporate social responsibility.



Understanding Stakeholder Salience

- **Power:** stakeholders possess power in their relationship to the enterprise when they can gain access to coercive, utilitarian, or symbolic means by which impose their will in the relationship.
- **Legitimacy:** defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions,” legitimacy can exist in the absence of power, but when combined with it creates authority.
- **Urgency:** exists when the relationship/stake is time-sensitive in nature and/or when the relationship/stake is of importance to the stakeholder’s strategy and operation; its inclusion is the key attribute that provides a dynamic characteristic to stakeholder analysis



Prioritizing Stakeholders

Type of Stakeholder (Grossi)	Type of Stakeholder (MAW)	Power	Legitimacy	Urgency
Definitive	Definitive	X	X	X
Expectant	Dominant	X	X	
	Dependent		X	X
	Dangerous	X		X
Latent	Dormant	X		
	Discretionary		X	
	Demanding			X
Non-stakeholder	Non-stakeholder			

Source: Mitchell R., Agle B., Woods D., "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts", Academy of Management Review, 1997

Source: Grossi I., "Stakeholder analysis in the context of the lean enterprise", MIT Masters Thesis, 2004

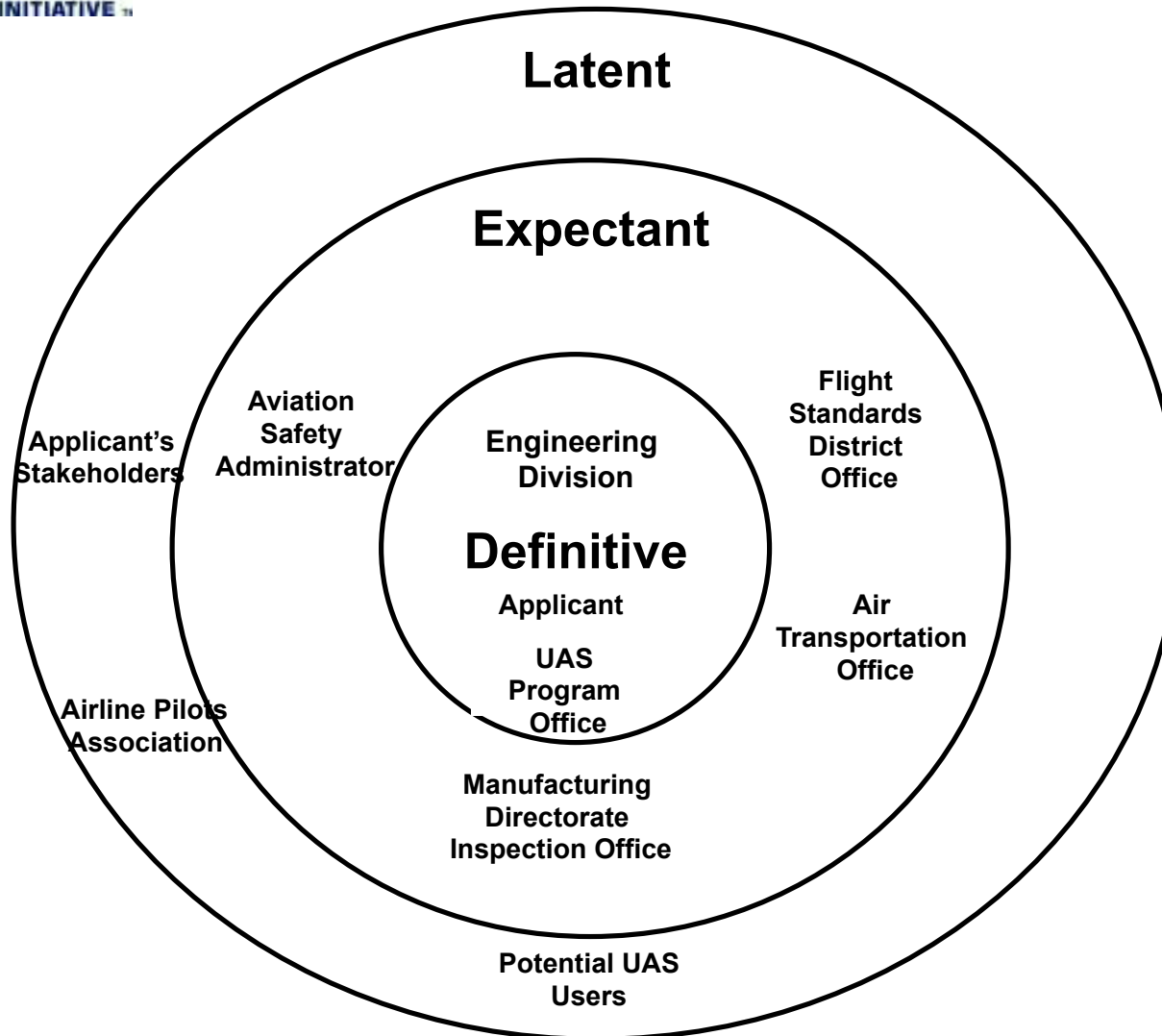


Understanding the UAS Enterprise

- Understand the unmanned aerial system certification enterprise
- Lack of standard process for certifying new systems
- Stakeholder identification resulted in
 - > 100 individual stakeholders
 - Highlighted the fuzziness of the enterprise boundaries

Source: Cropsey L., "Integrating Military Unmanned Aircraft into the National Airspace System: An Application of Value-Focused Thinking and Enterprise Architecting," MIT SM Thesis, 2008

Prioritizing Stakeholders in the UAS Context



Source: Cropsey L., "Integrating Military Unmanned Aircraft into the National Airspace System: An Application of Value-Focused Thinking and Enterprise Architecting," MIT SM Thesis, 2008



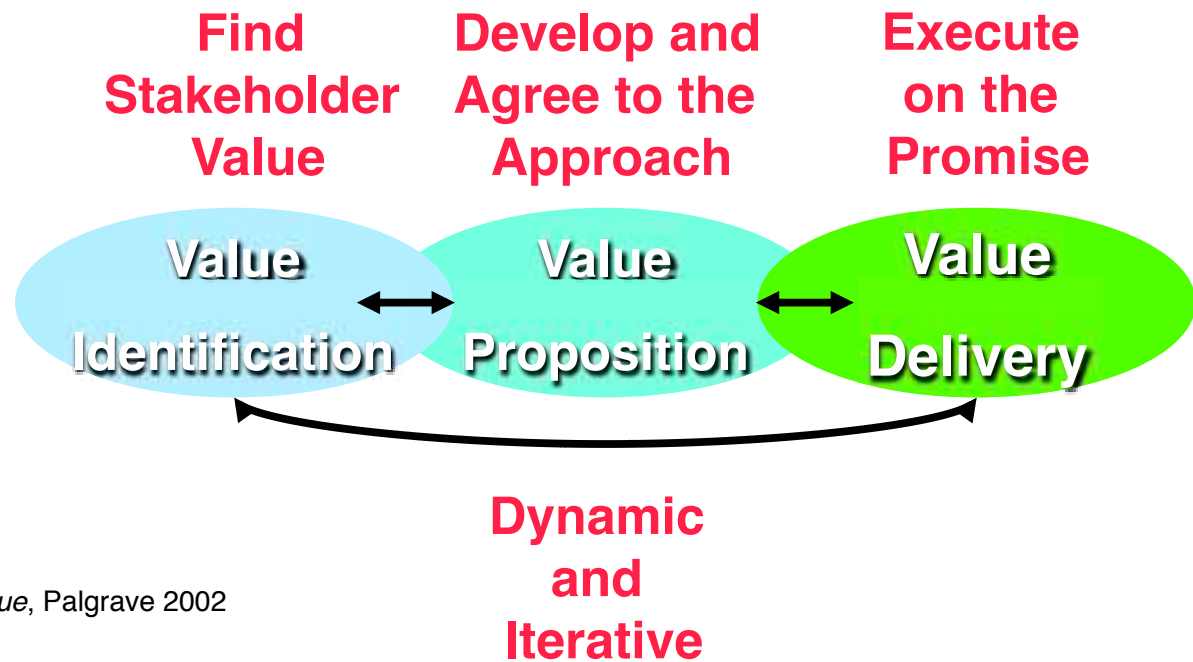
Stakeholder Name/Group	Power	Legitimacy	Urgency
Customer	x	x	x
Supplier		x	x
...			
...			
...			
...			

EXERCISE
FOR YOUR STAKEHOLDERS
DETERMINE STAKEHOLDER SALIENCE

Understanding Value

*“How various stakeholders find particular worth, utility, benefit, or reward in exchange for their respective contributions to the enterprise.”**

* Source: Murman et al., *Lean Enterprise Value*, Palgrave 2002





Value Exchange Data Collection

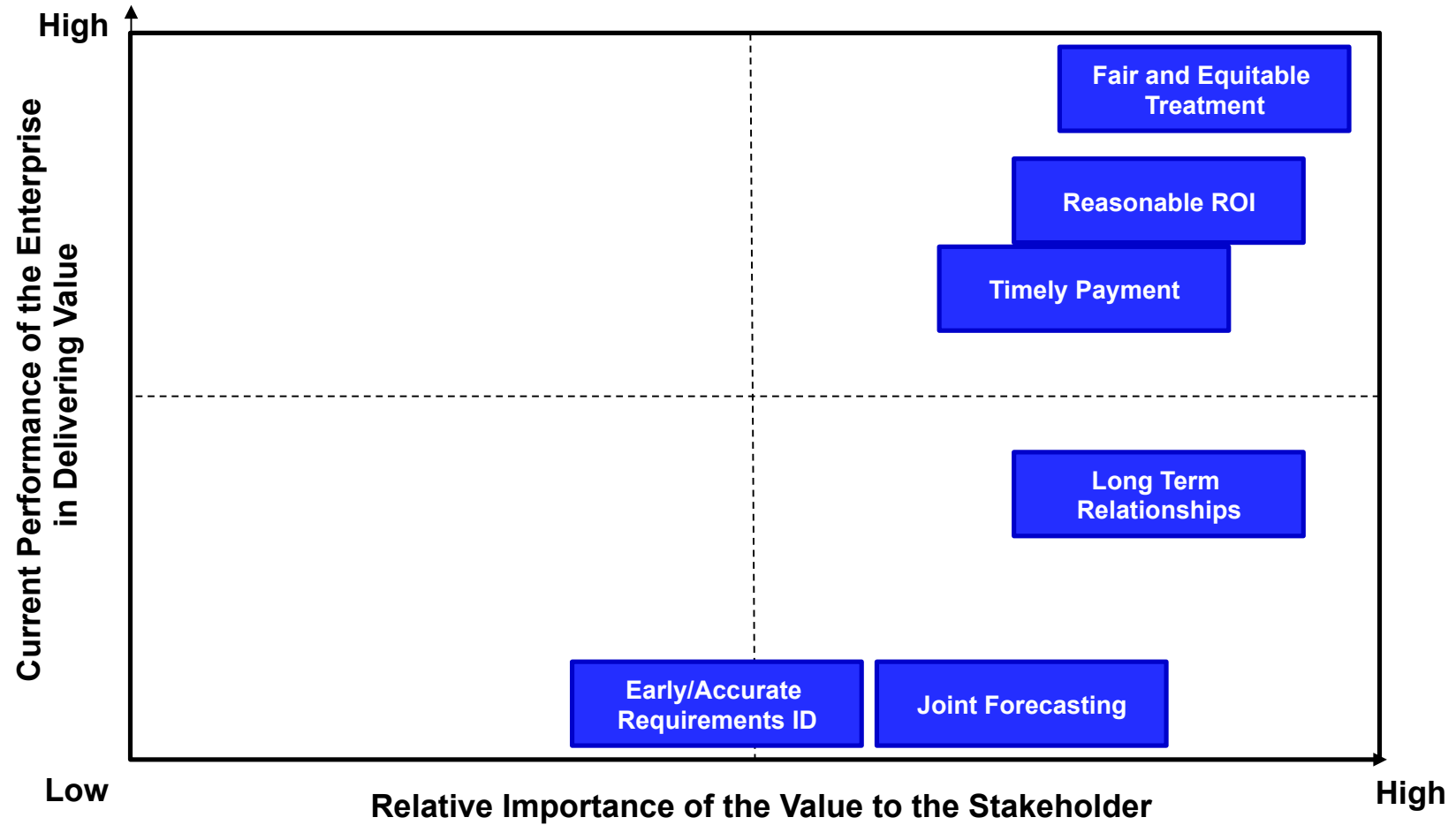
Value Expected from the Enterprise	Stakeholders	Value Contributed to the Enterprise
<ul style="list-style-type: none"> • Fair and equitable treatment • Timely payment • Long-term relationships • Joint forecasting • Early and accurate requirements identification 	<p>Suppliers</p>	<ul style="list-style-type: none"> • Products (parts/ raw materials) • Design input • Ideas/ innovation • On-time delivery • High quality
<ul style="list-style-type: none"> • Expected Value #1 • Expected Value #2 • Expected Value #3 • Expected Value #4 	<p>Stakeholder # 2</p>	<ul style="list-style-type: none"> • Contributed Value #1 • Contributed Value #2 • Contributed Value #3 • Contributed Value #4



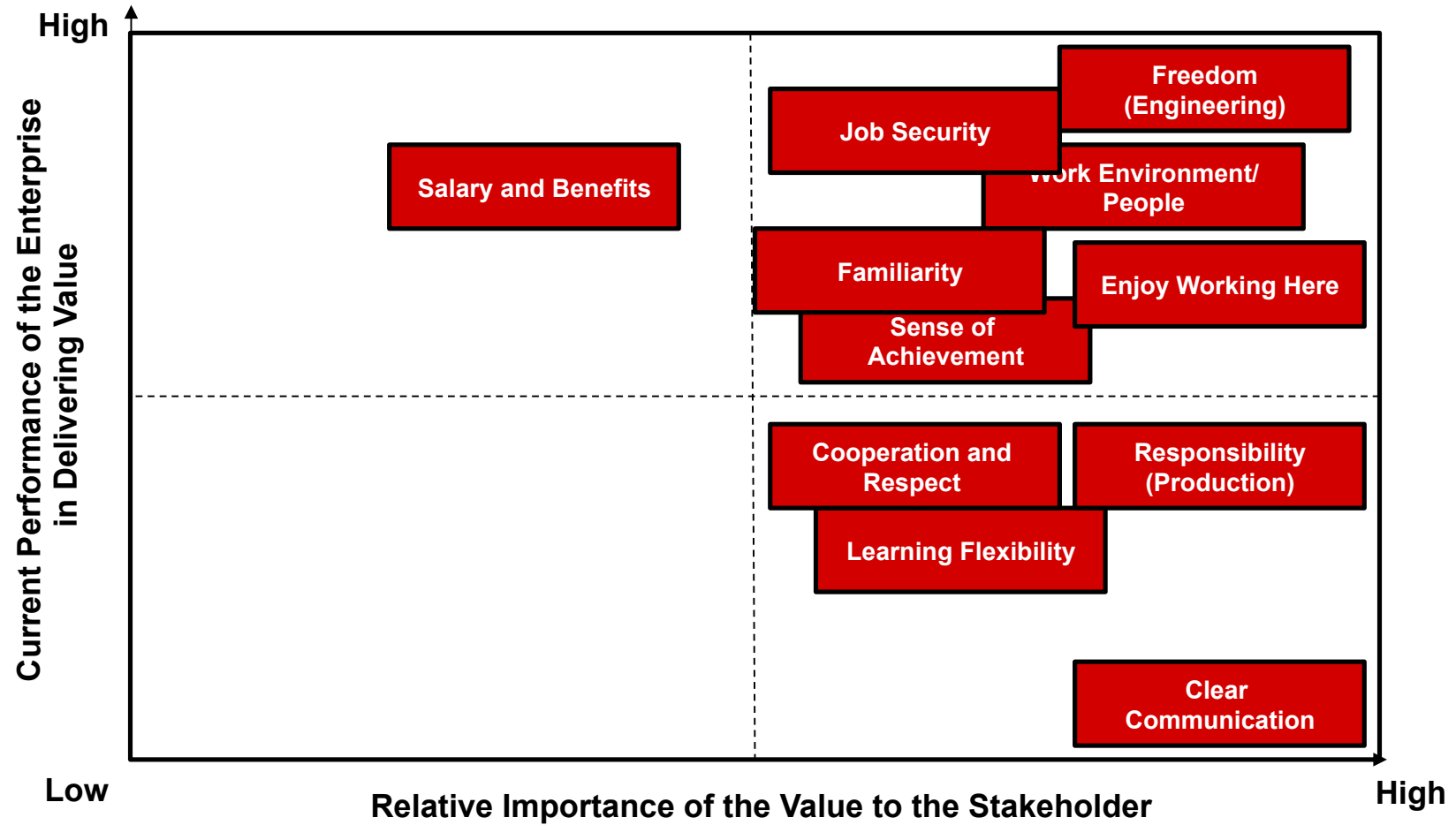
Value Exchange Assessment

Stakeholder Group: Supplier		
Stakeholder Name: XYZ Company		
Questions to guide stakeholder conversation: - What does the stakeholder value? - What does the stakeholder expect from its involvement with the enterprise? - What are the things that would make the enterprise be highly thought of by the stakeholder?	How important is this value for the stakeholder? 1 = low 5= high	How well is the enterprise delivering this value? 1 = low 5= high
Fair and equitable treatment	5	5
Reasonable ROI	5	4
Long-term relationship	5	2
Timely payment	4	4
Joint forecasting	4	1
Early and accurate requirements	3	1

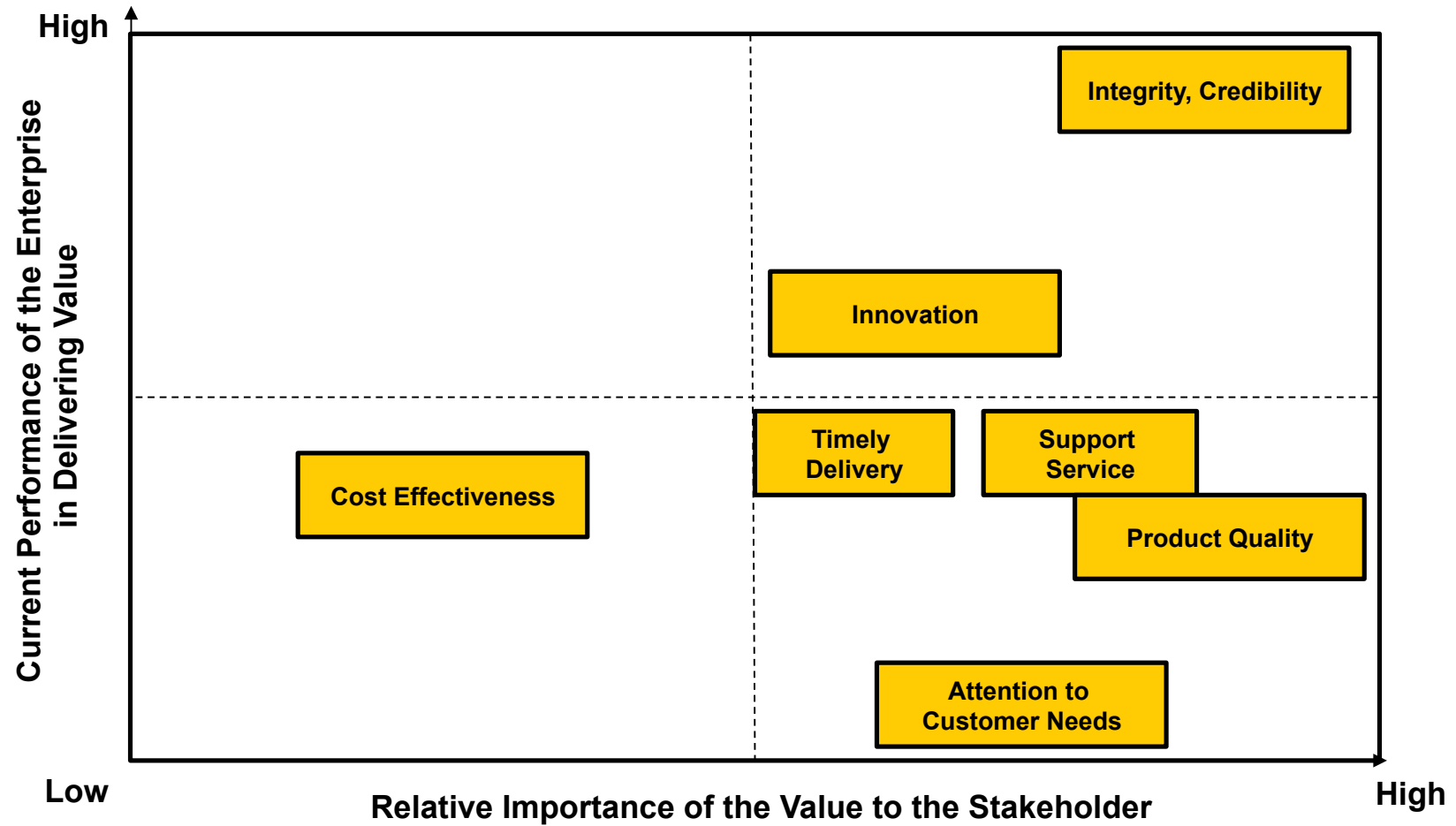
Supplier Value Exchange



Employee Value Exchange



Customer Value Exchange



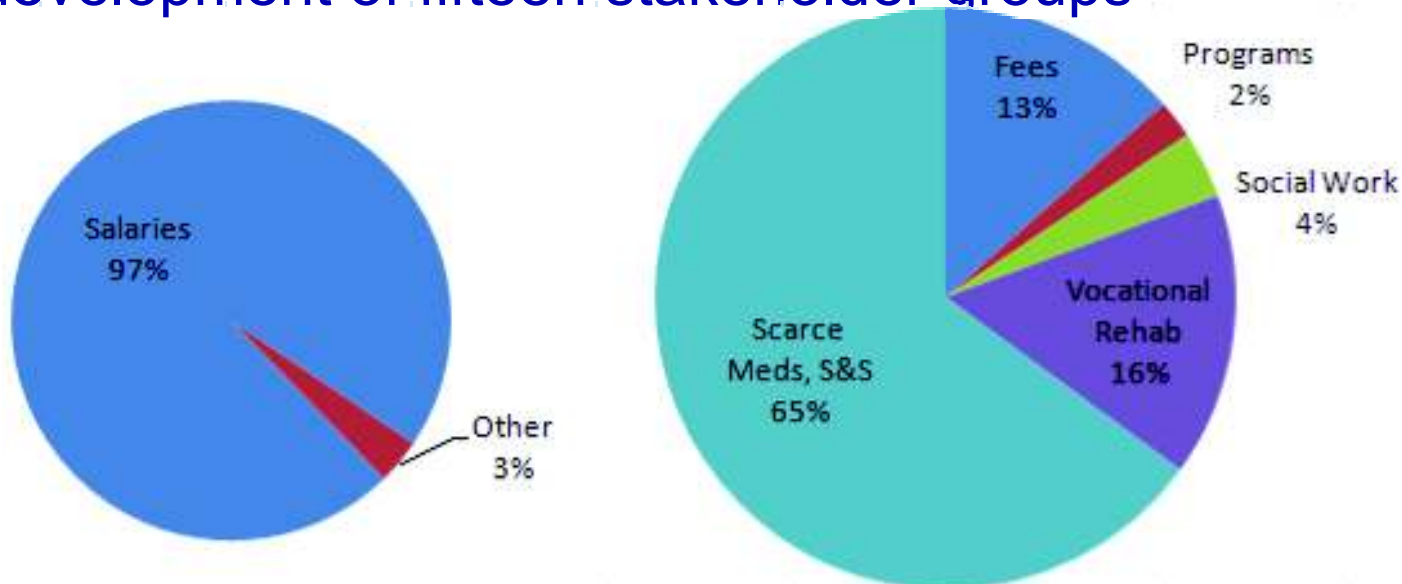


EXERCISE

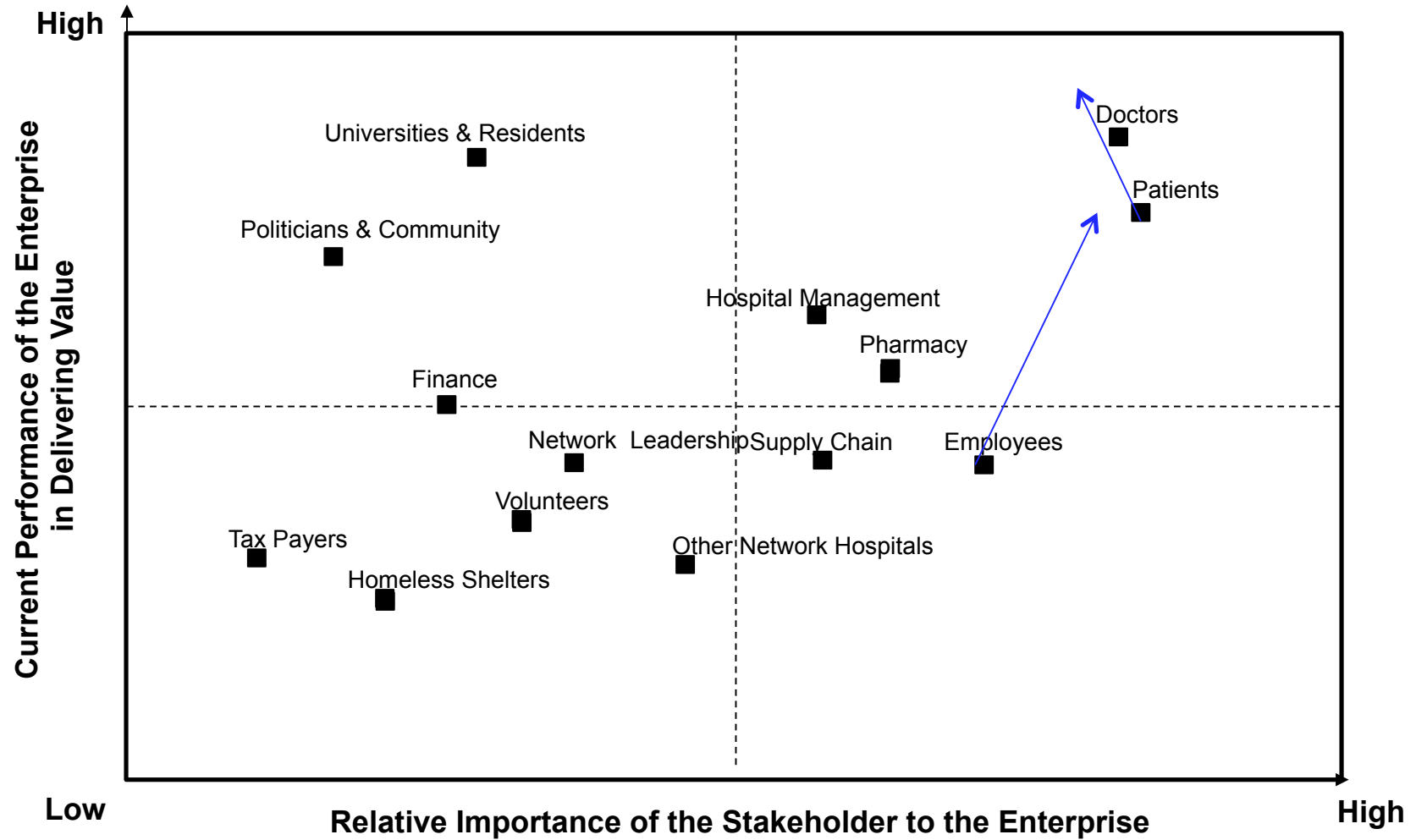
FOR YOUR ENTERPRISE, COMPLETE THE VALUE EXCHANGE TEMPLATES AND THE 2X2

Understanding the PsychHealth Enterprise

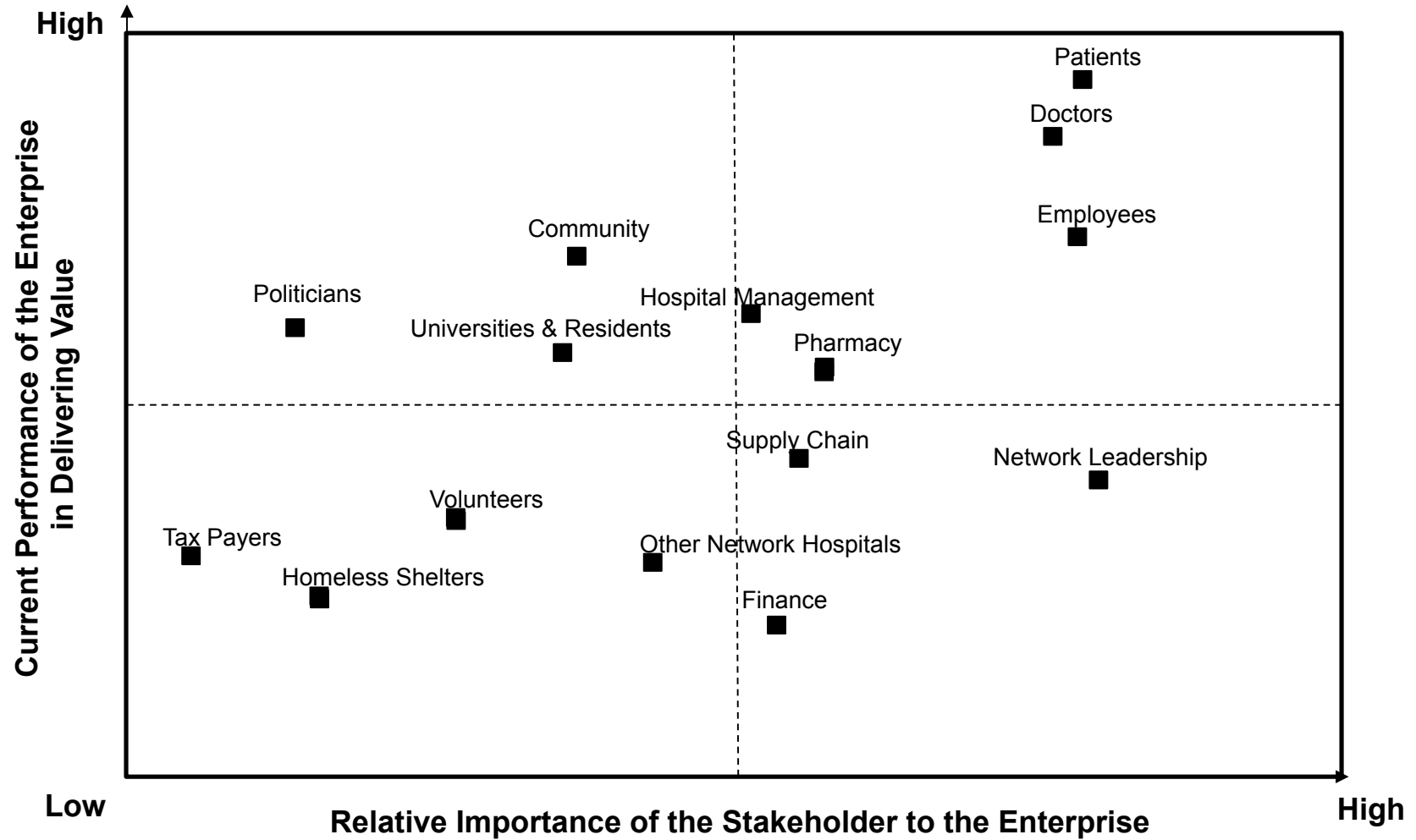
- Single hospital within a larger network of care that provides mental health services to veterans and their families
- Stakeholder identification process resulted in the development of fifteen stakeholder groups



Consolidated Value Exchange Visualization



Desired Value Exchange

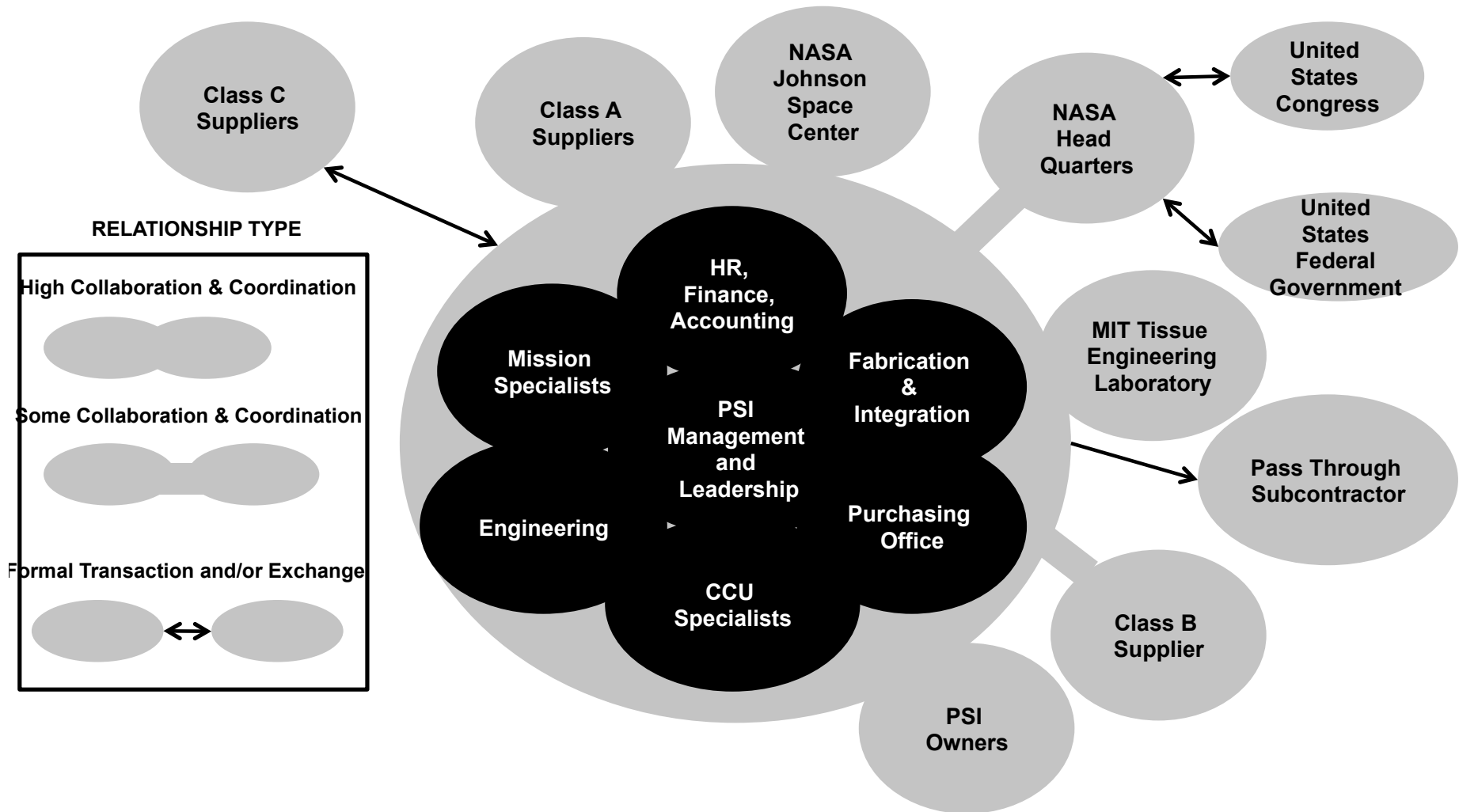




EXERCISE

FOR YOUR ENTERPRISE, DEVELOP A CONSOLIDATED VALUE EXCHANGE VISUALIZATION

Visualizing the CCU Enterprise




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