Value and Enterprise Stakeholders

Integrating the Lean Enterprise

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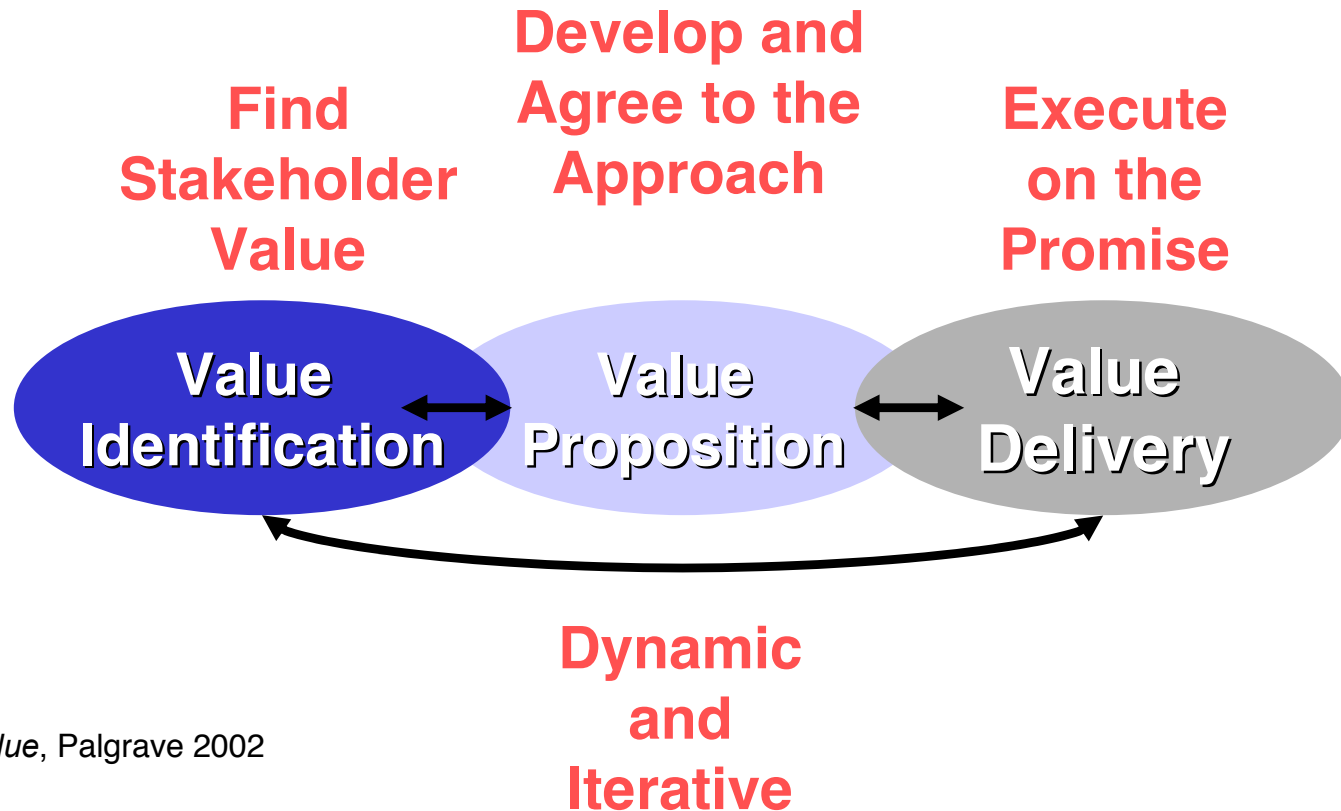
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Learning Objectives

- **Value creation framework**

- **Enterprise stakeholders**

- **Stakeholder Theory and Social Networks**

Creating 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

Find Stakeholder Value

Develop and Agree to the Approach

Execute on the Promise

Value Identification ⟷ **Value Proposition** ⟷ **Value Delivery**

Dynamic and Iterative

Identifying Value

- **Identify stakeholders**

- **What part of the program or process adds value for each stakeholder?**
  - **Determine each stakeholder value**

- **What kinds of exchanges are required to provide this value?**
  - **Establish stakeholder expectations and contributions**

Find stakeholder value

Creating a Value Proposition

- **Align stakeholders around the program value stream**

- **Structure the enterprise value stream**
  - **Each stakeholder will contribute their efforts or resources to the value stream in those ways from which they can derive value**

- **Establish clear communication of balanced expectations with all stakeholders**

Develop and agree to the approach

Deliver Value to All Stakeholders

- **Add value at each step along the value steam in accordance with the value proposition**

- **Execute the value stream using lean principles**

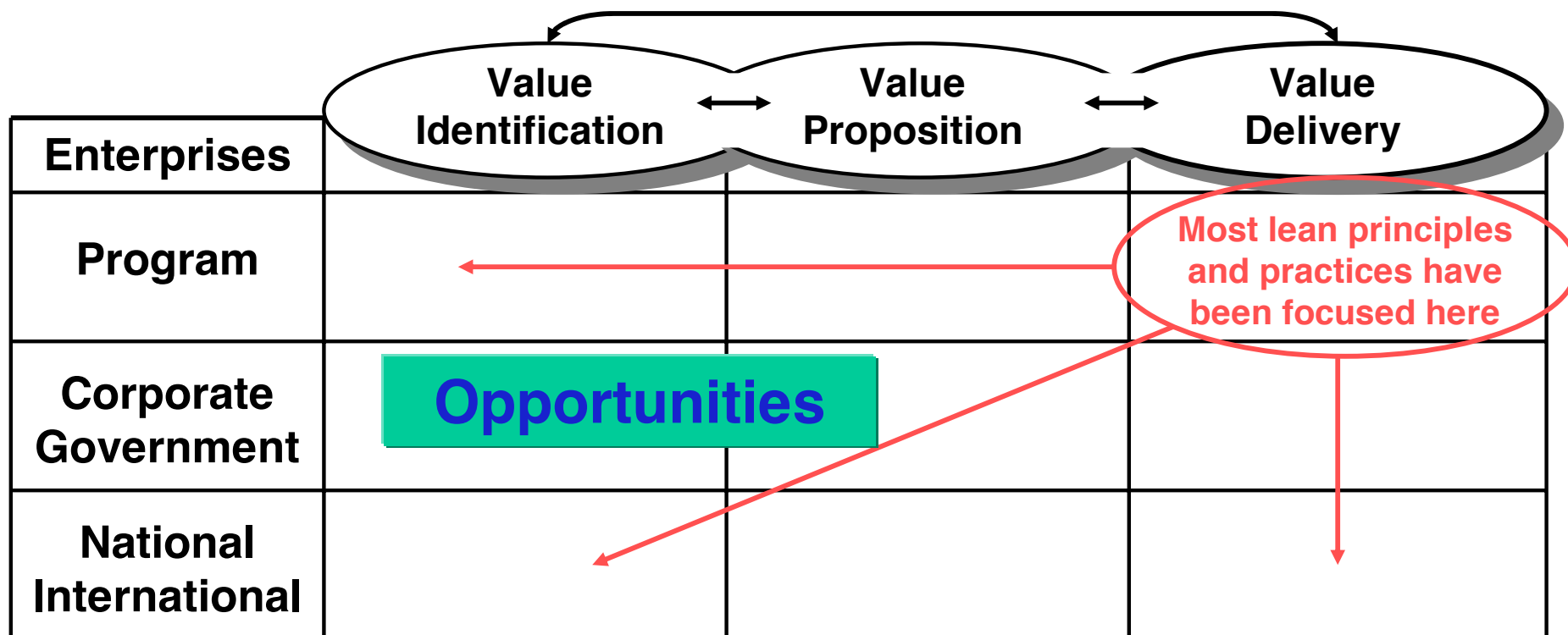- **Gather information and data to continue to improve enterprise processes**

Execute on the promise
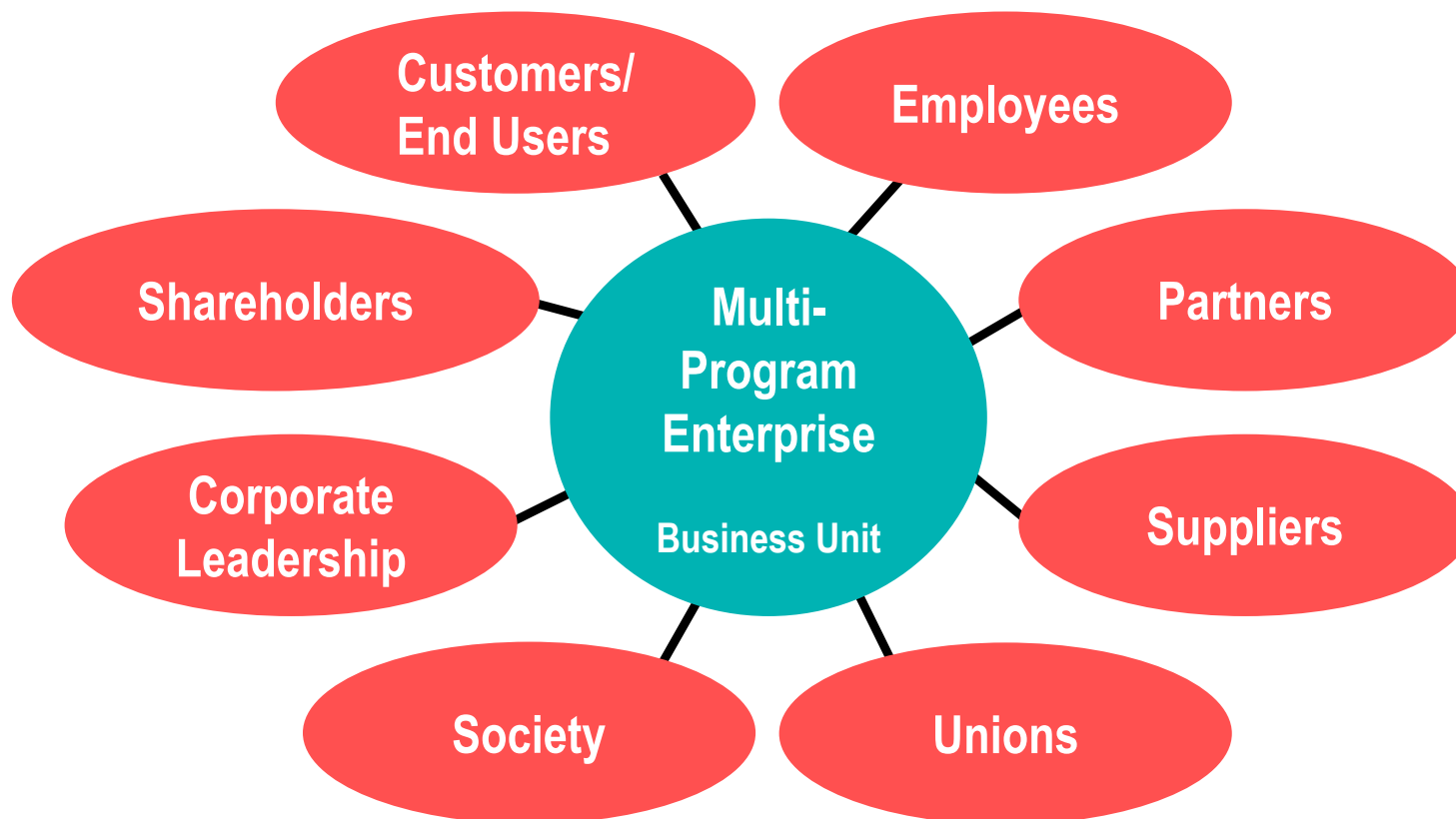
Value Creation is Dynamic and Iterative

- **Real world is not static**

- **Changes in stakeholder values**

- **Changes in who are the stakeholders**

A Value Creation Framework

Enterprises	Value Identification	Value Proposition	Value Delivery
Program			
Corporate Government	Opportunities		
National International			

Most lean principles and practices have been focused here

Enterprise Stakeholders

Customers/ End Users

Employees

Shareholders

Multi- Program Enterprise

Business Unit

Partners

Corporate Leadership

Suppliers

Society

Unions

Who is a stakeholder?

- **Stakeholder is any group or individual who can affect or is affected by the achievement of the firm's objectives (E. Freeman)**

A more Systemic and Lean definition…

- **Stakeholder is any group or individual who *directly or indirectly* affects or is affected by the *level of* achievement of an *enterprise's value creation processes***

Source: Grossi (2003)

Customer View

- **Value as we define it is delivered in a timely fashion, even in anticipation of our needs**

- **Our satisfaction appears to be the focus of all our supplier's activities**

- **We are invited to get involved early in the design process**

- **Our supplier understands our need for low life-cycle cost and superb quality**

OUTCOMES:
➢More customers
➢Greater market share

Workforce View

- **I am proud to be an employee and feel my skills are valued as a resource for the company**

- **I enjoy coming to work everyday and understand how my work adds value for customers**

- **Continuous and cross-functional training helps empower me to make decisions and create a leaner enterprise**

- **I can get the necessary information for decision making when I need it and how I need it**

- **I am rewarded both as an individual and as a team member for my contributions**

OUTCOMES:
- Better worker retention
- Fewer sick/absent days
- More innovation
- Greater productivity

Senior Leadership View

- **Balance needs of all stakeholders and encourage value creation throughout the enterprise**

- **Create a shared vision of the enterprise with value defined for all stakeholders**

- **Establish a process-based enterprise using integrated teams that are aligned with customer value streams**

- **Strategic goals and enterprise metrics are created and understood by all levels of the organization**

- **Organizational learning is encouraged and best-practice/lessons learned information disseminated**

OUTCOMES:
➢Long-term corporate leadership
➢Better executive compensation

Union View

- **Feel like full strategic partners in the enterprise**

- **Understand market forces can cause "tough" decisions, but want to be in on the decisions in shaping the future**

- **Positive contributor to the enterprise by enabling work, NOT by withholding labor**

- **Feel a sense of pride in the work they help do and the products they help provide**

- **Work for long-run success of the enterprise, not simply short-term job quotas**

OUTCOMES:
- Better salaries for employees
- Long-term job stability
- Fewer union conflicts
- HR duties shared with union

Corporate / Stockholder View

- **Delighted with increased profitability from enhanced operating margins and sales**

- **Understand that the delivery of value to the customer is the core business objective**

- **Enterprise integration enables globalization and market growth**

- **Financial community values the increased operating efficiencies and the company shares these financial gains with the other stakeholders**

- **Resources freed up in the lean transformation are tasked with innovating and creating growth opportunities**

OUTCOMES:
➢Higher ROI
➢Long term growth

Supplier / Partner View

- **Fully integrated in design, development, and production of the product**

- **Productions schedules are aligned and open to all in the value chain**

- **Supplier is assisted by his customer to achieve Lean and is appraised of potential business opportunities**

- **Delivers products just in time to point of use**

- **Openly share ideas on product and process improvement that will benefit the entire enterprise**

- **Equitable sharing of profits throughout the enterprise**

OUTCOMES:
- Greater sales
- Less overhead and stock
- Reduced demand amplification

Societal View

- **Pleased to have this organization in their community**

- **The organization provides jobs and participates in the improvement of the community**

- **The environment is considered important to the organization**

- **The local society is willing to provide infrastructure support to sustain the organization**

- **Partnership between organization and society makes the community a desirable place to live**

OUTCOMES:
- Long term partnership
- Improves local economy
- Increased local societal well-being

Stakeholder Values

Stakeholder Group:		
Stakeholder Name:		
Ask the stakeholder what they value. What do they expect to get from their involvement with your enterprise? What are the things that would make your enterprise highly thought of by them?	**On a scale of 1 to 5 how important is this value to the stakeholder?**	**On a scale of 1 to 5 how well is the enterprise delivering this value?**

Customer Value Exchange

Value Expected from the Enterprise	Stakeholders	Value Contributed to the Enterprise
• List the data collected about value expected here	**Customers** • List the enterprise customers here	This list is a starting place, tailor it as appropriate. • Needs and requirements • Money (for products/services)

Stakeholder Values/Contributions

STAKE HOLDERS' INTERESTS IN AN ENTERPRISE

Corporation	Sustainability of the Enterprise	Growth in Market Share	Growth in Profits	Expansion into New Markets	Innovation in Products	
Shareholders	Share Price in the Market	Growth in Profits	Financial Ratios	Management of Corporation	Information on Corporate Affairs	Goodwill of Corporation
Employees	Sustainability of the Enterprise	Share in Profits	Job Security	Quality of Work Environment	Information Sharing	Good Management
Customers	Responsiveness to Concerns	Quality in Products	Value in Products	Innovation in Products	Quality in Overall Service/Support	On-Time Deliveries
Suppliers	Sustainability of the Enterprise	Growth in Market Share	Fair Pricing	On-Time Accts. Receivable	Early Design Involvement	Information Sharing
Society/Community/Government	Expansion in Employment Opport.	Job Security	Tax Payments	Quality of Work Environment	Externalities	Corporate Citizenship

Stakeholder Values/Contributions

STAKE HOLDERS' CONTRIBUTIONS TO AN ENTERPRISE					
Corporation	Capital/ Facilities	Direction and Strategy	Legal Entity	Management Expertise	Inter-Functional Integration
Shareholders	Financial Fore-casting/Analysis	Capital	Feedback on Value		
Employees	Labour/Service/ Expertise	Ideas/ Innovations	Corporate Culture		
Customers	Money	Drive and Competition	Feedback	Design Specifications	
Suppliers	Products (Parts/ Raw Materials)	Design Input	Ideas/ Innovat.	Brand Recogni-tion	
Society/Commu-nity/Government	Manpower	Quality of Life	Services	Policies	

Stakeholder: _____

A 2×2 matrix chart with the vertical axis labeled **Current Performance** (ranging from **Low** at bottom to **High** at top) and the horizontal axis labeled **Relative Importance** (ranging from **Low** at left to **High** at right).

Stakeholder: Customer

A 2×2 matrix plotting customer attributes by Current Performance (vertical axis, Low to High) and Relative Importance (horizontal axis, Low to High):

- Spares Available On Shelf
- Quality Product
- Proactive Predictable Prog. Mgmt.
- Accurate Schedule (Timely)
- Stable Costs
- Frequent Credible Communication

Stakeholder: Shareholder

A 2x2 matrix with vertical axis "Current Performance" (High to Low) and horizontal axis "Relative Importance" (Low to High):

- **External Relations** — High Performance, Low Importance
- **Risk** — High Performance, High Importance
- **Return** — High Performance, High Importance (far right)
- **Executive Leadership** — Low Performance, High Importance
- **Market Position** — Low Performance, High Importance
- **Growth Potential** — Low Performance, High Importance

Stakeholder: Supplier

A 2x2 matrix plotting supplier stakeholder values by Current Performance (vertical axis, Low to High) and Relative Importance (horizontal axis, Low to High):

- **Fair and Equitable Treatment** — High Performance, High Importance
- **Timely Payment** — High Performance, Medium-High Importance
- **Reasonable ROI** — High Performance, High Importance
- **Long Term Relationships** — Medium Performance, High Importance
- **Early/Accurate Req. ID** — Low Performance, Medium Importance
- **Joint Forecasting** — Low Performance, High Importance

Stakeholder: Employee

A 2x2 matrix plotting employee attributes by Current Performance (vertical axis: Low to High) against Relative Importance (horizontal axis: Low to High):

- **Fair Wages Benefits** — High performance, High importance
- **Job Satisfaction** — High performance, High importance
- **Security** — High performance, Medium importance
- **Rewards** — Medium performance, High importance
- **Career Growth** — Medium-low performance, High importance
- **Training** — Low performance, Medium-high importance
- **Facilities** — Low performance, Medium-high importance
- **Tools to Do Job** — Low performance, High importance

Who is more relevant?

- **Three attributes:**
  - POWER to influence the enterprise,
  - LEGITIMACY of the relationship or the stake,
  - CRITICALITY of the claim on the enterprise

- **POWER can be coercive, utilitarian, or symbolic**

- **LEGITIMACY is the perception that the actions of an entity are desirable, or appropriate within some socially constructed system of norms, values, beliefs, and definitions**

- **CRITICALITY is present when the claim is of time-sensitive nature and/or when the claim is important or critical to the stakeholder**

Source: Grossi (2003)

Social Networks

- **Provide a set of definitions and quantitative measures that help assessing stakeholder networks**

- **Relations or ties among actors are the focus of study**

- **Allow for the application of systemic view to stakeholder analysis**

Source: Grossi (2003)

Social Networks Elements

- ## Actors (nodes)

- ## Groups and subgroups

- ## Relational ties
  - Individual evaluations (friendship, respect)
  - Transaction or transfer of material resources
  - Transfer of non-material resources (info)
  - Association or affiliation
  - Formal roles (hierarchies)
  - Kinship relationship (marriage, descent)

Source: Grossi (2003)

Stakeholder salience

Defined by the cumulative number and intensity of the power, legitimacy, and criticality attributes

Source: Grossi (2003)

How stakeholders interact?

Relationship Type	Allied	Cooperative	Neutral	Competitive	Threatening
Relationship Orientation and Evaluation Mode	Cooperative Strategic	Cooperative Strategic	Individualistic Operative	Individualistic/ Competitive Operative	Competitive Operative
Trust	Identification-based trust	Knowledge-based trust	Calculus-based trust	Calculus-based trust	Distrust
Communication	Hi frequency Bi-directional Informal Indirect content	Hi frequency Bi-directional Informal In-/direct content	Low frequency Bi-directional Formal Direct content	Low frequency Unidirectional Formal Direct content	Low/high freq. Uni-/Bidirectional In-/Formal Direct content
Learning	Single-loop Double-loop Triple-loop	Single-loop Double-loop	Single-loop	Single-loop	Single-loop
Power	Very low	Higher Normative	High Normative/ Utilitarian	High Utilitarian/ Normative	Very High Utilitarian/ Normative/ Coercive
Reciprocity and commitment	Positive and weak High commitments	Positive and weak/ Strong Limited commitments	Positive/Negative and strong Low/no commitments	Negative and strong Low commitments	Negative and strong Low/High commitments

Source: Polonsky, Schuppisser, Beldona (2002)

Value flow across relationships

- **Stakeholders are the players of a game-like situation**

- **What flows in the interaction of stakeholders is value (payoffs from their contribution to the enterprise)**

- **In a steady state value flows are in equilibrium, i.e., relationships are balanced (the value flowing in one direction is compensated by the value flowing in the other direction)**

Source: Grossi (2003)

SH Analysis: Qualitative Models

- ## Two different views to represent stakeholder relationships

  - ### Firm-centric view: Water-drop model

  - ### Network or system view: Network model

- ## Both relevant to obtain a complete picture of any stakeholder system

Source: Grossi (2003)

How to identify stakeholders?

- **Snowball sampling methodology used in social network analysis**

- **Specially suited technique for social networks where the boundaries of the system are unknown**

- **This is a specialization for stakeholder identification within lean enterprise scenarios**

Source: Grossi (2003)

Lean Enterprise Value For All Stakeholders Delivers Results

Lean Enterprise

Satisfied Stakeholders

Strategic outcomes