Organizational Design Choices in Lean Transformation

Panel Session

22 March 2005
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Organizational design is the structure through which an organization allocates people and resources to tasks and establishes the authority relationships that control activities and seek to achieve goals.

Why is organizational design so important?

• Affects a company’s ability to deal with contingencies
• Is a source of competitive advantage, (the ability of one company to create more value)
• Influences an organization’s ability to be efficient and innovative
• Ignoring it often leads to organizational decline

from Morgan, Organizational Theory: Text and Cases
Framework for Lean Transformation: Enterprise TTL

Entry/Re-entry Cycle
- Adopt Lean Paradigm
- Build Vision
- Convey Urgency
- Foster Lean Learning
- Make the Commitment
- Obtain Senior Mgmt. Buy-in

Long Term Cycle
- Focus on the Value Stream
  - Map Value Stream
  - Internalize Vision
  - Set Goals & Metrics
  - Identify & Involve Key Stakeholders
- Detailed Lean Vision
- Develop Lean Structure & Behavior
  - Organize for Lean Implementation
  - Identify & Empower Change Agents
  - Align Incentives
  - Adapt Structure & Systems

Short Term Cycle
- Environmental Corrective Action Indicators
- Focus on Continuous Improvement
  - Monitor Lean Progress
  - Nurture the Process
  - Refine the Plan
  - Capture & Adopt New Knowledge
- Transformation Framework
- Detailed Corrective Action Indicators
- Create & Refine Transformation Plan
  - Identify & Prioritize Activities
  - Commit Resources
  - Provide Education & Training

Outcomes on Enterprise Metrics
- Implement Lean Initiatives
  - Develop Detailed Plans
  - Implement Lean Activities

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web.mit.edu/lean
Emergence of Complex Networked Enterprises

Small, local companies

Centralized, hierarchical organizations

Complex Networked Enterprises

Source: Thomas W. Malone, “Inventing the Organizations of the New Economy,” Presentation at the Lean Aerospace Initiative Plenary Conference (March 2001)
Organizational Design Choices in Lean Transformation

Panelists:

Charles Toups, VP Engineering, Boeing IDS, Space and Intelligence Systems

John Kirkgasser, ACE Manager, PW Military Engines

Bill Kessler, VP Advanced Enterprise Initiatives, Lockheed Martin

Rusty Patterson, VP Customer and Supply Chain Institute, Raytheon Corporation

Moderator:

George Roth, LAI and MIT Sloan School of Management
Panelists will describe their organization’s efforts and programs:

• Organizational infrastructure for developing and deploying lean capabilities and improvement initiatives across the enterprise

• Flowing insights from strategy into allocation of resources and targeting of improvement programs

• Linking lean enterprise capabilities with improved performance and results
Panel Process

George Roth: Organizational Design Choices - 5 minutes

Charles Toups: Boeing (and lean offices) - 10 minutes
John Kirkgasser: UTC (and ACE) - 10 minutes
Bill Kessler: Lockheed Martin (and LM21) - 10 minutes
Rusty Patterson: Raytheon (and R6S) - 10 minutes

Question & Answers - 45 minutes