Enterprise Value: The New Lean Horizon

LESAT Actions in Industry
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Observations from Beta tests
Introduction to Beta test follow-up study
Classes of enterprise using LESAT
  Successful
  Unsuccessful
3 categories of management feedback control
Acting on LESAT results
Perceived cost/benefit of LESAT
Emergent needs
Conclusions
Observations from LESAT Beta Tests

➢ Significant progress in manufacturing and supply chain integration, but just beginning to address other enterprise processes

➢ Lean progress sometimes reaches a plateau due to low maturity in section I (Leadership) and section III (Enabling Infrastructure)

➢ Differences in perception are often disclosed between management layers

➢ Variability in LESAT rating across enterprise assessors is a revealing indicator of issues in executive team communication
Introduction to Study

➢ Develop an understanding of how LESAT is (or is not) a part of management control

➢ 10 LESAT beta test sites

➢ Post-assessment interviews about LESAT-driven action plans
Classes of Enterprise Using LESAT

➢ Successful
  ➢ Business unit
  ➢ Division
  ➢ Program
  ➢ Site
  ➢ P&L

➢ Unsuccessful
  ➢ Support functions as enterprises
  ➢ But Section I of LESAT applicable
Category 1 - Open Loop Assessment

Leadership Desires → Improvement Plan → Enterprise → Output

Resources

LESAT
3 Categories of Feedback Control

➤ Category 2 - Dissociated Assessment, Closed Loop Control

Leadership Desires (a)

Resources

Leadership Desires (b)

Other Improvement Plan

LESAT Improvement Plan

Enterprise

Output

LESAT

http://lean.mit.edu
3 Categories of Feedback Control

Category 3 - Integrated Strategy and Assessment, Closed-Loop Control

Leadership Desires $\sum$ Improvement Plan → Enterprise → Output

Resources

LESAT
Acting On LESAT Results 😞

- Performed assessment, no action taken
- Arbitrarily mandate 1 point improvement across the board in 1 year
- Fix numbers to look better to upper management
Acting On LESAT Results

➢ Address practices with lowest maturity
➢ Address practices with largest maturity variability
➢ Address lowest maturity in leadership section first
➢ Cross reference lowest maturity practices to business strategy
➢ Integrate improvement actions into Annual Operating Plans (AOP)
➢ Perform annual LESAT, aim for continual (incremental) increase in maturity
Pros

- Assessment process is as valuable as results
- Increased executive communication
- Creation of common vocabulary
- Identify and support those who need education
- Open identification of enterprise-level issues
- Clear picture of lean maturity of enterprise
- Next level of lean maturity obvious
Cons

➢ 4-6 hours for intro session, rating, and report out
➢ Additional resources to conduct the assessment and deal with logistics and data
➢ Migration actions to next maturity level are unclear
➢ Starting point of improvement efforts is unclear
➢ Coordinating executives is difficult
Emergent Needs

- Enterprise Education and Curriculum
- LESAT communication, sharing, and refinement
- Enterprise-level decision aids and tools
Formal concept of the “Lean Enterprise”
Enterprise Transition to Lean (TTL) training
LESAT facilitator training
Emphasis on:
Executive education
Enterprise-level
Workshops
Courses
➢ Continued sharing of best practices and LESAT experiences across consortium
➢ Assistance for new LESAT users
➢ Continuing interaction between MIT and LESAT users
  ➢ Update LESAT with knowledge learned
  ➢ Identify research/development needs
➢ Electronic LESAT (real-time analysis)
Enterprise Decision Aids and Tools

➢ Enterprise Metrics
  ➢ Value-based metrics
  ➢ Need for balanced scorecard in aerospace industry
  ➢ Multiple stakeholder optimization approach for sustainability

➢ Diagnostic Tools/Decision Aids for LESAT users
  ➢ Maturity level analysis and interpretation
  ➢ Prioritization of action plans
  ➢ Cost/benefit knowledge for maturity level improvements
  ➢ Simulation tools for high-leverage actions
 ➢ Enterprise-level transformation methodologies

 ➢ LESAT section I linked to TTL

 ➢ Section II and III are need to be linked to LEM and other tools

 ➢ Case studies on lean aerospace enterprise transformation (outcome measures)
Conclusions

➢ Transformation is a continuous process that takes years

➢ LESAT acts as a “sensor” for closed-loop lean enterprise management control

➢ LESAT users fall into 3 Categories of Enterprise Management
  ➢ Open Loop
  ➢ Closed-Loop
  ➢ Fully Integrated Closed-Loop

➢ Significant investment of time deemed worthwhile

➢ Increases understanding of the lean enterprise

➢ Sustainable transformation successes will be closely linked to Category 3 enterprises
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