Assessing Stakeholder Salience through the view of Lean Enterprise Transformation

Gwendolyn Sisto
SM 2010 Aero-Astro
September 9, 2010
Thesis motivation

1. Desire to elucidate connections between stakeholder salience and Enterprise Architecture (EA). Specifically with respect to transformations (ie dynamic view of the enterprise)

2. Significant for practitioners to carry-out successful transformation
   - *Second Principle of Lean Enterprise Thinking*: Identify relevant stakeholders and determine their value propositions (Nightingale 2009)
   - Enterprises that are better at engaging the structural, and cultural aspects are more successful at Lean value creation (Roth 2006)
Key Definitions

- Three Lenses (Carroll 2002)
- Stakeholder - "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984).
- Salience - “the degree to which managers give priority to competing stakeholder claims” (Mitchell 1995)
- Power, Legitimacy, and Urgency- (1) power to influence the firm, (2) legitimacy of relationship with the firm, and (3) the urgency of the stakeholder's claim on the firm (Mitchell 1995)
- Saliency is dynamic- stakeholder influence is dependent on life cycle stage (Jawahar 2001)
- Epochs and Era’s – context and time space (Rhodes, Ross, Nightingale 2009)
- Corporate Social Responsibility
- Core Ideology (Collins ad Porras 1996)
- Institutional and Resource dependency (Oliver 1991)
- Network versus dyadic behavior of stakeholders (Rowley 1997)
<table>
<thead>
<tr>
<th>Research Question</th>
<th>Relevant Body of work</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do the most salient enterprise stakeholders affect the Enterprise’s Architecture (EA)?</td>
<td>LAI Research</td>
<td>Provides EA framework</td>
</tr>
<tr>
<td></td>
<td>Enterprise thinking and industry challenges</td>
<td>Context for research motivations</td>
</tr>
<tr>
<td></td>
<td>Stakeholder Theory</td>
<td>Provides stakeholder framework</td>
</tr>
<tr>
<td></td>
<td>Enterprise Core Ideology</td>
<td>Connects EA and Stakeholders</td>
</tr>
<tr>
<td>How do these stakeholder relationships change as the enterprise transforms?</td>
<td>Stakeholder Theory</td>
<td>Provides stakeholder framework</td>
</tr>
<tr>
<td></td>
<td>Stakeholder behavior and decision making</td>
<td>Provides theory for Stakeholder relationships</td>
</tr>
<tr>
<td></td>
<td>Stakeholders and Corporate Social Responsibility</td>
<td>Connects stakeholder dynamics to enterprise dynamics</td>
</tr>
<tr>
<td></td>
<td>Enterprise Core Ideology</td>
<td>Connects stakeholder dynamics to enterprise dynamics</td>
</tr>
</tbody>
</table>
Enterprise Architecture Views
Complete a Case study on fast clock speed enterprise- Risto Sports-- using the EA framework

• Determine stakeholders and values using EA & ESAT to determine affect on architecture

• Map stakeholder in EA views over enterprise epochs

• Assess saliency with Normalized Stakeholder Saliency Index (NSSI) (Grossi 2003)

• Assess Network effects

• Design future state EA

• Interview Stakeholders to assess validity, reliability of Future EA
Enterprise Background

www.ristosports.com
Risto Goals and Core Values

Strategic goals:
1. Grow market share
2. Gain Legitimacy
3. Grow profitability

Core Values:
1. *Stronger:* Promote and serve strength sports
2. *Greener:* Sustainable, socially responsible products and services
3. *Leaner:* Aspire to be a Lean Thinking Enterprise
4. *Better:* Highest quality and exceptional value
Background-Stakeholders

Stakeholder Network model, January 2010
Part I - EA Space & Stakeholders
Part I- Business Strategy Space & Stakeholders
Part I- Time Dependency & Constant Inputs
Results & Analysis

Normalized Stakeholder Salience with Enterprise Epoch

View presence
None=0  Moderate=1  Strong=2
Part 1- Conclusions

Core mission and purpose will drive results

Stakeholders must meet your needs dependent on the Epoch dependent on Epoch context
• Stakeholders trade value with respect to business model

Stakeholders add capabilities to your enterprise (EA) dependent on Epoch context
• Salient stakeholders permeate each view

Most salient stakeholders are ones that your architecture & Strategy is inextricably dependent
Examine how stakeholders linked to each other, resource dependency and institutional power, how relationships evolve with EA & business model

Per Part 1, define Core and Extended Enterprise on stakeholder saliency
Part II- Network Effects

Epoch 4
Epoch 4

- Distributor 1
- USAW
- Distributors
- Leadership
- Customers
- Gym Affiliate
- IT Contractor
- B2B customers
- Industrial Engineer
- Colombian Business Bureau
- Artisans

- Extended enterprise
- Core Enterprise
Epoch 3

Distributor 1

USA

Distributors

Leadership

Customers

B2B customers

IT Contractor

Industrial Engineer

Colombian Business Bureau

Artisans
Epoch 2

- Distributor 1
- USAW
- Distributors
- Customers
- Leadership
- B2B customers
- Industrial Engineer
- Colombian Business Bureau
- Artisans
Epoch 1
Insights on Network

- Most salient stakeholders are Core enterprise
- Extended enterprise comprised of less salient stakeholders, saw most delta in NSSI across states
- Core stakeholders high centrality
  - Control decision making and information flow
  - Control via resource dependency through cluster linkages
- Most dense where learning and information flow needed to occur quickly
  - Harnessing customer W.O.M., or communicating with shop
- Network appropriate for organization seeking higher legitimacy & institutional power
Part III- Designing Future Epoch

**Strategy View**
- Grow market share
- Gain Legitimacy
- Become more profitable

**Process View**
- More codified
- Assess process compliance and maturity

**Policy View**
- Return policies in sync with market
- Manufacture where Policy’s stable

**Knowledge View**
- More Efficient & standardized extractions and retention
- Harness B2B, B2C knowledge

**Products/Services View**
- Standardize offerings
- Agile and adaptable
- Sophistication

**IT View**
- Centralize information flow and collection
- Fewer hand-offs and easier accessibility
- Enable feedbacks

**Organization View**
- Improve reflection of Risto values in Distributor to consumer interactions
- Extract more value from Resource rich stakeholders
### EA Gap Analysis by Stakeholder and View

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Strategy</th>
<th>IT</th>
<th>Knowledge</th>
<th>Product</th>
<th>Policy</th>
<th>Process</th>
<th>Organization</th>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>USAW</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Low End</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>High end</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>B2B</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Distributors</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Distributor 1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>IT</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Artisans</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>IE</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Leadership</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>COL BB</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gym Affiliate</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>
Mapping Future State Stakeholder Value Delivery

Key:
- Present State, EA State 4
- Future State, EA State 5
Part IV- Accuracy of Management’s perceptions

- Interviewed lowest and highest salience stakeholders, perceptions of management and other stakeholders
- Shows Risto Sports living-up to Core Ideology
- Confirms Gap Analysis
- Reveals context
Part IV-Excerpts

Artisans
- Improved living standards, work/wage predictability
- Pride in sending products to USA
- Insensitive to deadlines
- “Gringo from Miami” “we have to ship shoes for the Gringo”

IE
- Able to buy a house
- Growth of product design
- “quality is better than China”.
- “always looking for new, better quality materials”
- Checking on Artisans
- Uses local materials

COL BB
- USA is the “first commercial ally of Colombia”
- Conscious of China
- Controlling of small business & hard currency

D1
- Doing Risto a “favor”
- Not core market

USAW
- Need “10-15[companies like] Ristos”
- Can “contribute more” to Risto
Conclusions

- Core enterprise stakeholders are most salient and present in each view, they define Core Ideology
- Extended enterprise stakeholders may not be salient in every view, tied to the enterprise by the values and capabilities they add
- EA and business Model determine the stakeholders endogenously
- Core enterprise less affected by context/EPOCHs, only constant in the Enterprise system is Core Ideology
- On Corp. Social Responsibility, the enterprise must possess core values that management truly believes-in and abides consistent with well being of society
- Benevolence IS possible, it all depends on how the enterprise constructs its values and relationships and defines externalities
- Much of an enterprise’s work is “invisible work” (Daniels 1987), employing human relationships in political and cultural context (Carroll 2002)