STAKEHOLDER VALUE METRICS

Module to Support Team Assignment
“Integrating the Lean Enterprise”
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Prepared by:
Joe Mize
Cory Hallam
Most of the published literature pertaining to “lean manufacturing”, or more broadly, to “lean thinking”, places great emphasis on customer value (e.g., Womack and Jones, 1996). Focusing on delivering value to customers is very important in the lean paradigm. However, there are other stakeholders that are also very important to business enterprises. In managing such enterprises, managers must continuously strive to strike a balance between the competing priorities of all its stakeholders. In the book The Value Enterprise (Donovan, Tully and Wortman, 1998), an “Enterprise Value Scoreboard” is proposed which attempts to guide an organization to decisions which achieve an “optimal” balance among three stakeholders: customers, shareholders, and employees. The purpose of this approach is to balance tradeoffs company-wide, such that cross-organizational impacts are considered.

This paper expands the list of stakeholders to include the following:

- Customer/End Users
- Suppliers/Partners
- Shareholders
- Employees
- Union (if any)
- Society

In the taxonomy of Stakeholder Value Metrics shown in Attachment A, an all-encompassing chart represents “Corporate Value”.

For each of the stakeholders, the major factors contributing to long-term stakeholder satisfaction (value) were determined. Several metrics, or performance factors, were identified for each factor.

This taxonomy (Attachment A) is intended to be generic and not specific to a particular industry or type of product. It can and should be modified to fit a particular situation.

A methodology for analyzing how an organization is performing relative to the values desired by all stakeholders is presented in Attachment B. A set of Value Comparison templates is presented for this purpose. The vertical axis of each template maps “Current Performance” and the horizontal axis maps “Relative Importance”. A generic template is shown on the following page.
Stakeholder: ____________

Current Performance

High
Low

Low
High

Relative Importance
A Value Comparison Chart is created for each stakeholder. The major factors contributing to that stakeholder’s value are listed at the top. Each factor is to be placed within the chart depending on an assessment of 1) the relative importance of that factor and 2) the enterprise’s current performance on that factor.

Attachment B contains two sets of charts. The first are the blank templates for the several stakeholders. The second are completed templates for a hypothetical situation, to serve as an example. Again, for a particular company, the “major factors” may be customized to fit that situation.
ATTACHMENT A

TAXONOMY OF

STAKEHOLDER VALUE METRICS
Customer Value

Function to Requirements
- Reliability
- Availability

Product Performance
- Defects
- Failure Rate, MTBF

Product / Service Quality

Responsiveness
- Early Involvement
- Quality of Support
- Open Communications
- Trust
- Risk Sharing
- Benefit Sharing
- Viability of Enterprise

Relationship with Corporation

Cost of Ownership
- Product Development Cost
- Acquisition Cost
- Operating Cost
- Support Cost
- Retirement Cost
- Retention of Resale Value

Cycle Time
- Order Lead Time
- Product Development Time
- Maintenance/Repair/Overhaul Time
- On-Time Delivery
- Just-in-Time Capability

CUSTOMER** SATISFACTION

** Includes Acquisition Community, End User, and System Beneficiary
Supplier Value

Market Information
Demand Information
Design Information
Production Information
Product/Process Improvement

Training/Assistance with Process Improvement
Supplier Certification
Early Involvement (design, development, production)
Information Sharing
Technology Sharing
Viability of Enterprise
Long Term Relationship
Corporation's Market Reputation

Fair Pricing
Risk Sharing
Equitable Benefit Sharing
On-Time Accounts Receivable
Growth in Market Share

Relationship with Corporation

SUPPLIER SATISFACTION

Financial
Employee Value

- Compensation
  - Salary
  - Benefits
  - Bonus

- Work Environment
  - Skills are valued
  - Safety
  - Environment/OSHA
  - Ergonomics

- Good Management Relations
- Timely Communications
- Two-way Communications
- "Cool" place to work

- Career
  - Job Security
  - Training
  - Potential for Career Advancement
  - Employability

- External Factors
  - Community Relations
  - Company Reputation/Personal Pride
  - Quality of Life

EMPLOYEE SATISFACTION
Societal Value

- Corporate Tax on Profits
- Property Tax
- Income Tax of Employees
- Local Sales Tax

- Suppliers
- Supporting Commerce

- Reduction of Emissions
- Waste Reduction

- Tax Revenue
- Charitable Contributions

- Financial

- Secondary and Tertiary Industry
- Job Potential
- Job Security

- Economic Attractiveness of Industry

- Voluntary Efforts
- Environmentally Friendly Practices
- Quality of Work Environment
- Adherence to Regulations

- Corporate Citizenship

- Universities
- Professional Societies
- Industry Associations

- Affiliated Organizations

- Societal Satisfaction
Lean Aerospace Initiative

Union Value

- Headcount Protection
- Position Protection
  - Job Security
  - Compensation
  - Benefits
  - Safety
  - Job Classifications
  - Seniority Rights

  → Employment

  - Sharing in Decision Making
  - Contribution to Long-term Corporate Success
  - Instill Sense of Pride in Workforce
  - Strike Threat Capability
  - Encourage Involvement in Innovation
  - Union Teaming with Corporate Leadership

  → Influence

  - Political Action Committees

  → UNION SATISFACTION
Corporate Value

Revenue
Expenses
Stock rating
Bond rating
Market Share
Barriers to Entry
Competition
Branding
New Product Development
New Market Development
Contribution to Innovation
Productivity
Timeliness
Cost (Salaries & Benefits)
Sick/Absent days
Safety
Employee Engagement
Continuous Improvement
Knowledge Management
Growth Potential
Employee Loyalty
Customer satisfaction
Loyalty
High Quality
Low Cost
Timely Delivery
Fewer Conflicts
Infrastructure Support
Long Term Partnership
Political/Public
Sustainable
Society
Corporate Value

Loyalty
Customers
Shareholder
Employees
Stakeholders
Stock rating
Bond rating
Market Position
Growth Potential
Sustainability
Continuous Improvement
Knowledge Management
Contribution to Innovation
Productivity
Timeliness
Cost (Salaries & Benefits)
Sick/Absent days
Safety
Employee Engagement
Continuous Improvement
Knowledge Management
Growth Potential
Employee Loyalty
Customer satisfaction
Loyalty
High Quality
Low Cost
Timely Delivery
Fewer Conflicts
Infrastructure Support
Long Term Partnership
Political/Public
Sustainable
Society
ATTACHMENT B

STAKEHOLDER VALUE COMPARISON CHARTS

Relative Importance

compared to

Current Performance
Stakeholder: Customer

Major Factors Contributing to Customer Value:
- Product/Service Quality
- Relationship with Corporation
- Cost of Ownership
- Cycle Time

Current Performance

<table>
<thead>
<tr>
<th>High</th>
<th>Low</th>
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<tbody>
<tr>
<td>Low</td>
<td>Relative Importance</td>
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</tbody>
</table>

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Stakeholder: Supplier

Major Factors Contributing to Supplier Value:
- Relationship with Corporation
- Financial

Current Performance

Low

High

Low

High

Relative Importance
Stakeholder: Shareholder

Major Factors Contributing to Shareholder Value:

- Return
- Risk
- Market Position
- Growth Potential
- Executive Leadership
- External Relations

Current Performance

Low

Relative Importance

Low

High

High
Stakeholder: **Employee**

*Major Factors Contributing to Employee Value:*
- Compensation
- Work Environment
- Career Advancement
- External Factors

<table>
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<tr>
<th>High</th>
<th>Low</th>
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<td><strong>Current Performance</strong></td>
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<table>
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</table>
Stakeholder: **Society**

*Major Factors Contributing to Societal Value:*
- Financial
- Economic Attractiveness of Industry
- Corporate Citizenship

Current Performance

Relative Importance

High

Low

Low

High
Stakeholder: Union

Major Factors Contributing to Union Value:
- Employment
- Power

Current Performance

Relative Importance

High

Low

High

Low
Stakeholder: Corporate

Major Factors Contributing to Customer Value:
- Financial
- Sustainability
- Stakeholders
- Public

Current Performance

Relative Importance

Low  High

Low  High
HYPOTHETICAL EXAMPLES

OF

STAKEHOLDER VALUE COMPARISON CHARTS
Stakeholder: Customer

Major Factors Contributing to Customer Value:
- Product/Service Quality
- Relationship with Corporation
- Cost of Ownership
- Cycle Time

Cost Of Ownership
Product/Service Quality
Relationship with Corp.
Cycle Time

Current Performance
High
Low

Relative Importance
Low
High
Stakeholder: **Supplier**

*Major Factors Contributing to Supplier Value:*
- Relationship with Corporation
- Financial
Stakeholder: Shareholder

Major Factors Contributing to Shareholder Value:
- Return
- Risk
- Market Position
- Growth Potential
- Executive Leadership
- External Relations

Current Performance

Relative Importance

- External Relations
- Risk
- Return
- Executive Leadership
- Market Position
- Growth Potential
Stakeholder: Employee

Major Factors Contributing to Employee Value:
- Compensation
- Work Environment
- Career Advancement
- External Factors

Current Performance

Relative Importance

High

Low

Compensation

Work Environment

External Factors

Career Advancement
Stakeholder: Society

Major Factors Contributing to Societal Value:

• Financial
• Economic Attractiveness of Industry
• Corporate Citizenship

Current Performance

High

Low

Relative Importance

Low

High

Financial

Corporate Citizenship

Economic Attractiveness
Stakeholder: Union

Major Factors Contributing to Union Value:
- Employment
- Power
Stakeholder: Corporate

Major Factors Contributing to Customer Value:

- Financial
- Sustainability
- Stakeholders
- Public

Current Performance

Relative Importance

- High
- Low

- Financial
- Political/Public
- Stakeholders
- Sustainability