Organizational Assessment Processes for Enterprise Transformation

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We Share A Goal: Enterprise Excellence
Outline

- Research Question & Key Findings
- Why Organizational Assessment Processes
- Case Studies
- Recommended Assessment Process
Research Question and Key Findings
Research Question

- Research Question
  - How can enterprises do organizational assessment to better support enterprise transformation?

- Hypothesis
  - If enterprises follow a consistent process, organizational assessment will be more effective to ultimately support enterprise transformation
Key Findings

- In studied enterprises, organizational assessment processes are not fully effective and efficient

- Main reasons
  - Effect of organizational culture and behavior
  - Characteristics of the tool itself
  - Shortcomings of the prescribed implementation methodology

Source: Adapted from Leonard-Barton, 1988
Why Organizational Assessment Processes
Assessment of an enterprise’s current capabilities as well as for identification and prioritization of improvements needed to drive the enterprise transformation process

Evolved from being based on financial (internally-focused, backward-looking) measures to multi-dimensional (external, future-looking) frameworks

- Includes performance measurement
- Deals with quantitative and qualitative measures
Role of Organizational Assessment

- **Monitoring:** Measuring and recording actual performance
- **Control:** Identifying and attempting to close the gap between expected performance and actual performance
- **Improvement:** Identifying critical improvement opportunities
- **Coordination:** Providing information for decision making and enabling internal communication across processes as well as external communication with stakeholders
- **Motivation:** Encouraging behavior and continuous improvement

Source: Mahidhar, 2005
Assessment is an Organizational Process

- **Role of Organizational Processes**
  - **Direction** – Get organizations moving in the right directions, align interests of diverse groups of people and harmonize goals
  - **Source of competitive advantage** – Arises either from a skill or capability or process design
  - **Enable organizational learning** – Disseminate tacit knowledge and capabilities through interactions
  - **Make resources useful** – Mobilize resources and bring into relationship with other resources in order to fulfill a specific function

Source: Garvin, 1998; Lorino & Tarondeau, 2002
70% of attempts to implement performance measurement systems fail

Two main reasons:
- Poor design of the measurement system
- Difficulties in implementation
  - Political difficulties – *misuse of results*
  - Lack of infrastructure – *inability of collect data*
  - Loss of focus – *failure to complete*

Common mistake – no follow-up action is taken on the performance data produced

Source: Bourne, Neely, Mills, & Platts, 2003; Neely & Bourne, 2000
Framework for Organizational Assessment

Phase 1: Evaluation Prerequisites
Phase 2: Goals Exploration
Phase 3: Criteria Development
Phase 4: Evaluation Design
Phase 5: Evaluation Implementation
Phase 6: Data Analysis, Feedback and Evaluation

Practical Software Measurement

Core Measurement Activities
- Plan Measurement
- Perform Measurement
- Evaluate Measurement

User Feedback
Analysis of Results and Performance Measures
Improvement Actions

Objectives and Issues
Analysis Results
New Issues
Measurement Plan

Technological and Management Processes

Source: Van de Van & Ferry, 1980
Source: McGarry et al., 2002
General Assessment Process Model

- Assessment Prerequisites
- Plan Assessment
- Perform Assessment
- Act on Assessment
- Evaluate Assessment
Performing assessment periodically over time allows:

- Identifying trends and examining how changes in organizational and environmental conditions affect changes in performance
- Developing and implementing actions in areas where improvements were identified as needed
- Understanding impact of actions taken previously
- Adapting assessment to changing environment
- Capturing previous experience with assessment

Source: McGarry et al., 2002; Van de Van & Ferry, 1980
Case Studies
Research Question

- Research Question
  - How can enterprises do organizational assessment to better support enterprise transformation?

- Hypothesis
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Section I. Lean Transformation/Leadership

Processes and leadership attributes nurturing the transformation to lean principles and practices

Section II. Life Cycle Processes

Processes responsible for the product from conception through post delivery support

Section III. Enabling Infrastructure

Processes that provide and manage the resources enabling enterprise operations

- Assesses current capabilities in applying enterprise principles and practices (current state)
- Identifies the extent to which enterprise principles and practices to be applied (desired state)
- Five capability levels starting from “some awareness” (Level 1) to “fully deployed” (Level 5)
- 54 practices serving as leading indicators

Source: Nightingale & Mize, 2002
Self-assessment by enterprise leadership

A part of Enterprise Transformation Roadmap

Continuous assessment cycle

Steps:
- Pre-assessment preparation
- Performing assessment
- Post-assessment analysis and action planning

Goal – Understand how LESAT is being used and make recommendations on how to improve the process

Four case studies

Former or current members of LAI consortium

Each enterprise used LESAT at least once

Methodology

- Semi-structured interviews with LESAT facilitators
- Review of company documents
- Statistical analysis of LESAT scores (in one case)
# Summary of Case Studies

<table>
<thead>
<tr>
<th></th>
<th>Case Study A</th>
<th>Case Study B</th>
<th>Case Study C</th>
<th>Case Study D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enterprise</strong></td>
<td>Autonomous business units</td>
<td>Autonomous business units</td>
<td>Cross-unit functional area</td>
<td>Multiorganizational program</td>
</tr>
<tr>
<td><strong>Mode of LESAT use</strong></td>
<td>On regular basis; continuing</td>
<td>Single time; discontinued</td>
<td>Single time; possibly continuing</td>
<td>On regular basis; discontinued</td>
</tr>
<tr>
<td><strong>Motivation for assessment</strong></td>
<td>Continuous improvement</td>
<td>Trial; cross-unit comparison</td>
<td>Continuous improvement</td>
<td>Customer requirement</td>
</tr>
<tr>
<td><strong>Type of assessment</strong></td>
<td>Managed (external) assessment</td>
<td>Self-assessment</td>
<td>Self-assessment</td>
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</tr>
<tr>
<td><strong>Role of facilitator</strong></td>
<td>Enabler/Consultant</td>
<td>Process facilitator</td>
<td>Change agent</td>
<td>Process facilitator</td>
</tr>
<tr>
<td><strong>Use of LESAT scores</strong></td>
<td>Input to transformation plan</td>
<td>Analysis of scores; no follow up</td>
<td>Input to transformation plan</td>
<td>Tracing overall score year to year</td>
</tr>
</tbody>
</table>
# Case Studies in Process View

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</thead>
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<tr>
<td><strong>Assessment Prerequisites</strong></td>
<td>Performed</td>
<td>Not performed</td>
<td>Performed</td>
<td>Not performed</td>
</tr>
<tr>
<td><strong>Plan Assessment</strong></td>
<td>Performed</td>
<td>Performed</td>
<td>Performed</td>
<td>Performed, but not in full</td>
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<tr>
<td><strong>Perform Assessment</strong></td>
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<td><strong>Act on Assessment</strong></td>
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<tr>
<td><strong>Evaluate Assessment</strong></td>
<td>Performed</td>
<td>Not performed</td>
<td>Performed</td>
<td>Not performed</td>
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Factors Impacting Assessment

- Organization motivation
- Leadership buy-in
- Commitment at all levels within the organization
- Choice of participants
- Respondents’ bias
- Role of the assessment facilitator
- Education and training of participants
Recommended Assessment Process
Guiding Principles

- Shared understanding of objectives and benefits
- Same-level knowledge of underlying principles
- Frequent communication
- Open discussion
Facilitator's responsibilities:
- Ensure continued leadership commitment
- Plan assessment process
- Provide training to respondents and users
- Organize and facilitate meetings
- Ensure timeliness of assessment
- Collate results and ensure first-level analysis
- Facilitate discussions of results and follow-up actions
- Carry out assessment and process
- Maintain contact with LAI for necessary training, advice and to ensure proper feedback and adjustments to the tool
Recommended Process

Develop Action Plan and Prioritize Resources

Assessment Prerequisites

Evaluate Assessment Results and Process

Plan Assessment

Performed Assessment

Analyzed Results

Improvement Actions

Action Plan Implementation

Assessment Plan
1. Assessment Prerequisites

- Obtain organizational commitment
- Define enterprise and its boundaries
- Define timing of assessment
- Define participants' roles and responsibilities
- Allocate resources
- Review progress in implementation of action plans
2. Plan Assessment

- Identify participants
- Determine timeline for assessment
- Introduce tool, assessment process and intended utilization of results
- Ensure understanding of LESAT practices and scoring system
3. Perform Assessment

- Conduct individual assessment
  - By filling out score sheets and providing examples and commentary

- Collect and process results
  - Collate results
  - Calculate average scores, variances and gaps for each practice, section and overall
  - Rank practices

- Discuss and analyze results
  - Identify reasons for high/low scores, high variance and any outliers
4. Evaluate Assessment Results and Process

- Evaluate results to identify areas for improvement
  - Select and agree on decision criteria
  - Apply decision criteria to the assessment results

- Evaluate assessment process
  - Effectiveness
  - Timeliness
  - Efficiency
  - Choice of participants
  - Obstacles
Example 1: Decision criteria based on current state scores and gaps

Source: Perkins et al., 2010
Example 2: Decision criteria based on variances and gaps

Source: Montoya et al., 2009; Perkins et al., 2010
5. Develop Action Plan and Prioritize Resources

- Based on the areas for improvement identified in previous stage
- Prioritize improvement areas and focus on select few that align strongly with enterprise strategic objectives
- Identify tasks and resources needed to implement improvements
- Prioritize tasks and resources
Assessment process spans beyond performing the assessment itself

Organizations must create an environment that:
- ensures consistent understanding of the role of the assessment in the enterprise transformation process
- promotes open and frequent discussion about the current state of the enterprise and future goals

Assessment process must be carefully planned to ensure:
- its effectiveness and efficiency
- accuracy and reliability of the assessment results

Assessment results must be analyzed and turned into specific recommendations and action plans

Assessment process must be evaluated and adjusted for the next cycle of assessment

Conclusion
Recommended Process

Assessment Prerequisites
- Obtain organizational commitment
- Define enterprise and its boundaries
- Define timing of assessment
- Define participants' roles and responsibilities
- Allocate resources
- Review progress in implementation of action plans

Plan Assessment
- Identify participants
- Determine timeline for assessment
- Introduce tool, assessment process and intended utilization of results
- Ensure understanding of LESAT practices and scoring system

Perform Assessment
- Conduct individual assessment
- Collect and process results
- Discuss and analyze results

Evaluate Assessment Results and Process
- Evaluate results to identify areas for improvement
- Evaluate assessment process

Develop Action Plan and Prioritize Resources
- Develop action plan
- Prioritize resources

Improvement Actions
- Action Plan Implementation
- Analyzed Results
- Assessment Plan

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References

Back-up
- **Obtain organizational commitment**
  - Understand objectives of assessment, its benefits and intended use of results
  - Communicate this understanding to wider enterprise leadership
  - Gain support from wider enterprise leadership
  - Identify and remove potential biases

- **Benefits of LESAT**
  - Track enterprise-level progress in implementation of transformation plans
  - Prioritize transformation tasks
  - Track consistent view of enterprise among participants
  - Track Lean knowledge
  - Drive enterprise behavior
  - Communicate assessment results to personnel as rational for behavior
  - Enable better decision-making
  - Motivate transformation

*Source: Perkins et al., 2010*
Define enterprise boundaries

- Levels of enterprise:
  - Program enterprise
  - Multi-program enterprise
  - International enterprise
- Core enterprise
  - “Seamlessly integrated entities with well articulated collaboration and partnership”
- Extended enterprise
  - “Loosely coupled customers, suppliers, government, and entities that might have indirect influence”

Source: Valerdi, Nightingale, Blackburn, 2008
- Define timing of assessment
  - Within planning cycle of the Enterprise Transformation Roadmap, if applicable
  - Within strategic planning cycle, if used autonomously
  - In any case, use iteratively
- **Allocate resources**
  - Time
  - Staff
  - Financial
  - Automated assessment

- **Review progress**
  - For the second and subsequent assessment cycles
  - Progress in implementation of actions plans developed as result of previous cycle
  - Progress in improvement of assessment and process as result of evaluation in previous cycle
Identify participants

Characteristics:
- Enterprise-level responsibility
- Covering variety of life-cycle processes and functions

Number of participants:
- Minimum 5 to allow statistical analysis (minimize statistical error)
- More participants will decrease error further and allow inter-group comparison
- If inter-group comparison is used, then minimum 5 participants in each group
- Maybe beneficial to use the same participants or participants with similar profiles (same responsibility, same functional role) during each assessment cycle to ensure comparability of results
- Determine timeline
  - Value of process = deliver timely result
  - Establish clear deadlines and deliverables
  - Lay out required commitment (number and length of meetings)
  - Obtain time commitment from participants

- Introduction and training
  - For users and participants
  - Aspects of training
    - Lean concepts and principles
    - Role and place of assessment in transformation process
    - LESAT practices and scoring system
    - Assessment process
    - Scope of assessment (enterprise boundaries)
    - Analysis and use of results
Conduct individual assessment and discuss results within group

- Assessment can be performed by each participant
  - Individually, or
  - With a group of direct reports
- Ultimately, one score sheet per participant/group
- In case of group assessment, ultimate scores reflect consensus opinion within the group
- Consensus to be formed on basis of discussion
- Facilitator may facilitate the discussion, answer questions or provide clarification
- Collect and process results
  - Facilitator collects results from participant and collates them
  - Initial analysis of results
    - Average score and variance for current and desired states for each practice
    - Gaps between current and desired state for each practice
    - Ranking of practices based on high/low score, variance and/or gap

- Discuss results
  - Facilitator presents initial analysis of results to participants
  - For more detailed analysis, participants discuss results to identify reasons for high/low scores, high variance and any outliers
Evaluate assessment results

- Participants agree on decision criteria based on relative distribution of scores, e.g.
  - Current strengths: current state score > 2.5 or top 5% of current state scores
  - Current weakness: current state score < 1.5 or bottom 5% of current state scores
  - Take action: gap > 1.75
  - Need training/education: variance > 1.25

- Participants discuss results based on decision criteria to identify areas for improvement

Evaluate assessment process

- Criteria
  - Timeliness
  - Effectiveness
  - Efficiency
  - Choice of participants
  - Obstacles
  - Areas for improvement
  - Any other issues
- Develop action plan and prioritize resources
  - Based on the areas for improvement identified in previous stage
  - Prioritize and focus on select few that align strongly with enterprise strategic objectives
  - Identify tasks and needed resources
  - Prioritize tasks and resources