Organizational Assessment Processes for Lean Enterprise Transformation

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Background and Context

What is Organizational Assessment?
- A process for assessing efficiency and effectiveness of organization
- Evolved from being based on financial (internally-focused, backward-looking) measures to multi-dimensional (external, future-looking) frameworks

What is Role of Organizational Assessment?
- Identifies strengths and weaknesses in current performance
- Indicates future performance or envisions desired future state
- Provides input into future strategy and/or implementation plans

Why Process of Organizational Assessment is Important?
- Evidence suggests that 70% of attempts to implement performance measurement systems fail (Neely & Bourne, 2000) due to:
  - Poor design of measurement system
  - Difficulties in implementation, such as:
    - Political difficulties: biased process, misuse of results, lack of transparency
    - Loss of focus: lack of long-term commitment and attention
    - Lack of implementation action: results are not properly analyzed and not followed by action

Research Question and Hypothesis

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

Assessment Tool of Choice

Lean Enterprise Self-Assessment Tool (LESAT), version 1.0
- Developed by a team of industry, government and academia members of the Lean Advancement Initiate at MIT (LAI)
- Assesses current and desired state of enterprise maturity in terms of transformation efforts across 54 practices in three broad categories: Lean Transformation/Leadership, Life-Cycle Processes and Enabling Infrastructure Processes
- Designed for self-assessment by enterprise leaders
- Suggested process is outlined in the Facilitator's Guide and includes the following key steps:
  - Introduction of the tool
  - Assessment
  - Discussion of assessment results and determination of current maturity level
  - Determination of desired level and gap
  - Development of action plan and prioritization of resources

Suggested Methodology for Employing LESAT

Research Methodology and Results

Research Methodology
- Case studies of current and former LAI industry partners based on:
  - Semi-structured interviews
 - Review of company documents
  - Statistical analysis of LESAT results

Brief Overview of Case Studies

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

Analysis
- Assessment process does not start and end with assessment itself. It requires not only adequate planning, but also sustained leadership commitment and evaluation of results
- Factors that impact assessment include:
  - Organization motivation
  - Leadership buy-in
  - Choice of respondents
  - Role of facilitator
  - Training of respondents
- Respondents need to be carefully selected and prepared for assessment. Characteristics of respondents that affect assessment results:
  - Management level
  - Functional role
  - Risk attitude
  - Consistent opinion of organization
  - Interpretation of practice and scoring system

Mapping Case Studies to Process Model for Practical Software Measurement (PSM) Approach (McGarry, et al., 2002)
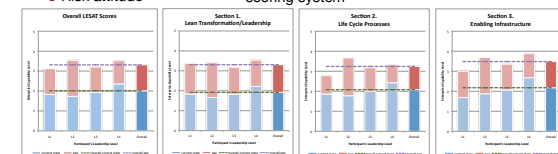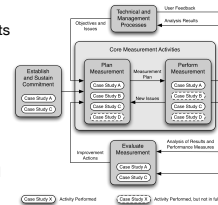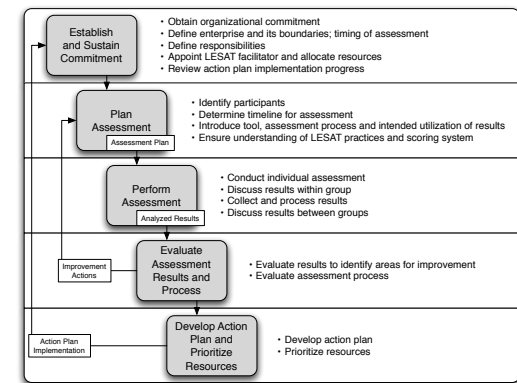

Implications and Recommendations

Key Conclusions
- Organizational assessment is an involved process that, just like any other important task, requires sustained leadership commitment and attention
- Enterprise can fully benefit from assessment in case it:
  - Carefully plans the assessment, including
    - Defining goals of assessment and intended utilization of results
    - Choosing respondents and training them
    - Appointing LESAT facilitator and defining his/her role
  - Full understands and analyses results of assessment
  - Uses assessment results for formulation of strategy and implementation plan

Recommended process for organizational assessment using LESAT

- **Establish and Sustain Commitment**
  - Obtain organizational commitment
  - Define enterprise and its boundaries; timing of assessment
  - Define responsibilities
  - Appoint LESAT facilitator and allocate resources
  - Review action plan implementation progress
- **Plan Assessment** → Assessment Plan
  - 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** → Analyzed Results
  - Conduct individual assessment
  - Discuss results within group
  - Collect and process results
  - Discuss results between groups
- **Evaluate Assessment Results and Process** → Improvement Actions
  - Evaluate results to identify areas for improvement
  - Evaluate assessment process
- **Develop Action Plan and Prioritize Resources** → Action Plan Implementation
  - Develop action plan
  - Prioritize resources

Acknowledgements