Value and Enterprise Stakeholders

Professor Deborah Nightingale
September 21, 2005
Learning Objectives

• Value creation framework
• Enterprise stakeholders
• Stakeholder Theory and Social Networks
“How various stakeholders find particular worth, utility, benefit, or reward in exchange for their respective contributions to the enterprise.”*

* Source: Murman et al., Lean Enterprise Value, Palgrave 2002
Identifying Value

- Identify stakeholders

- What part of the program or process adds value for each stakeholder?
  - Determine each stakeholder value

- What kinds of exchanges are required to provide this value?
  - Establish stakeholder expectations and contributions

Find stakeholder value
Creating a Value Proposition

• Align stakeholders around the program value stream

• Structure the enterprise value stream
  • Each stakeholder will contribute their efforts or resources to the value stream in those ways from which they can derive value

• Establish clear communication of balanced expectations with all stakeholders

Develop and agree to the approach
Deliver Value to All Stakeholders

• Add value at each step along the value steam in accordance with the value proposition

• Execute the value stream using lean principles

• Gather information and data to continue to improve enterprise processes

Execute on the promise
Value Creation is Dynamic and Iterative

- Real world is not static
- Changes in stakeholder values
- Changes in who are the stakeholders
A Value Creation Framework

Enterprises

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Value Identification</th>
<th>Value Proposition</th>
<th>Value Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program</td>
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<tr>
<td>Corporate Government</td>
<td>Opportunities</td>
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<td>National International</td>
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</table>

Most lean principles and practices have been focused here.
Enterprise Stakeholders

- Customers/End Users
- Employees
- Shareholders
- Partners
- Corporate Leadership
- Suppliers
- Society
- Unions

Multi-Program Enterprise
Business Unit
Who is a stakeholder?

- Stakeholder is any group or individual who can affect or is affected by the achievement of the firm’s objectives (E. Freeman)

A more Systemic and Lean definition...

- Stakeholder is any group or individual who *directly or indirectly* affects or is affected by the *level of *achievement of an *enterprise’s* value creation processes

Source: Grossi (2003)
Customer View

• Value as we define it is delivered in a timely fashion, even in anticipation of our needs

• Our satisfaction appears to be the focus of all our supplier’s activities

• We are invited to get involved early in the design process

• Our supplier understands our need for low life-cycle cost and superb quality

OUTCOMES:
- More customers
- Greater market share
Workforce View

- I am proud to be an employee and feel my skills are valued as a resource for the company
- I enjoy coming to work everyday and understand how my work adds value for customers
- Continuous and cross-functional training helps empower me to make decisions and create a leaner enterprise
- I can get the necessary information for decision making when I need it and how I need it
- I am rewarded both as an individual and as a team member for my contributions

OUTCOMES:
- Better worker retention
- Fewer sick/absent days
- More innovation
- Greater productivity
Senior Leadership View

• Balance needs of all stakeholders and encourage value creation throughout the enterprise

• Create a shared vision of the enterprise with value defined for all stakeholders

• Establish a process-based enterprise using integrated teams that are aligned with customer value streams

• Strategic goals and enterprise metrics are created and understood by all levels of the organization

• Organizational learning is encouraged and best-practice/lessons learned information disseminated

**OUTCOMES:**

➢ Long-term corporate leadership
➢ Better executive compensation
Union View

• Feel like full strategic partners in the enterprise

• Understand market forces can cause “tough” decisions, but want to be in on the decisions in shaping the future

• Positive contributor to the enterprise by enabling work, NOT by withholding labor

• Feel a sense of pride in the work they help do and the products they help provide

• Work for long-run success of the enterprise, not simply short-term job quotas

**OUTCOMES:**

- Better salaries for employees
- Long-term job stability
- Fewer union conflicts
- HR duties shared with union
Corporate / Stockholder View

• Delighted with increased profitability from enhanced operating margins and sales

• Understand that the delivery of value to the customer is the core business objective

• Enterprise integration enables globalization and market growth

• Financial community values the increased operating efficiencies and the company shares these financial gains with the other stakeholders

• Resources freed up in the lean transformation are tasked with innovating and creating growth opportunities

OUTCOMES:
- Higher ROI
- Long term growth
Supplier / Partner View

- Fully integrated in design, development, and production of the product
- Productions schedules are aligned and open to all in the value chain
- Supplier is assisted by his customer to achieve Lean and is appraised of potential business opportunities
- Delivers products just in time to point of use
- Openly share ideas on product and process improvement that will benefit the entire enterprise
- Equitable sharing of profits throughout the enterprise

**OUTCOMES:**
- Greater sales
- Less overhead and stock
- Reduced demand amplification
Societal View

- Pleased to have this organization in their community
- The organization provides jobs and participates in the improvement of the community
- The environment is considered important to the organization
- The local society is willing to provide infrastructure support to sustain the organization
- Partnership between organization and society makes the community a desirable place to live

OUTCOMES:
- Long term partnership
- Improves local economy
- Increased local societal well-being
## Stakeholder Values

<table>
<thead>
<tr>
<th>Stakeholder Group:</th>
<th>Stakeholder Name:</th>
</tr>
</thead>
</table>

Ask the stakeholder what they value. What do they expect to get from their involvement with your enterprise? What are the things that would make your enterprise highly thought of by them?

<table>
<thead>
<tr>
<th>On a scale of 1 to 5 how important is this value to the stakeholder?</th>
<th>On a scale of 1 to 5 how well is the enterprise delivering this value?</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>
## Customer Value Exchange

<table>
<thead>
<tr>
<th>Value Expected from the Enterprise</th>
<th>Stakeholders</th>
<th>Value Contributed to the Enterprise</th>
</tr>
</thead>
</table>
| • List the data collected about value expected here | **Customers** • List the enterprise customers here | This list is a starting place, tailor it as appropriate.  
• Needs and requirements  
• Money (for products/services) |
# Stakeholder Values/Contributions

## STAKEHOLDERS' INTERESTS IN AN ENTERPRISE

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Shareholders</th>
<th>Employees</th>
<th>Customers</th>
<th>Suppliers</th>
<th>Society/Community/Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability of the Enterprise</td>
<td>Share Price in the Market</td>
<td>Sustainability of the Enterprise</td>
<td>Responsiveness to Concerns</td>
<td>Sustainability of the Enterprise</td>
<td>Expansion in Employment Opport.</td>
</tr>
<tr>
<td>Growth in Market Share</td>
<td>Growth in Profits</td>
<td>Share in Profits</td>
<td>Quality in Products</td>
<td>Growth in Market Share</td>
<td>Job Security</td>
</tr>
<tr>
<td>Expansion into New Markets</td>
<td>Management of Corporation</td>
<td>Quality of Work Environment</td>
<td>Innovation in Products</td>
<td>On-Time Accts. Receivable</td>
<td>Quality of Work Environment</td>
</tr>
<tr>
<td>Innovation in Products</td>
<td>Information on Corporate Affairs</td>
<td>Information Sharing</td>
<td>Quality in Overall Service/Support</td>
<td>Early Design Involvement</td>
<td>Externalities</td>
</tr>
</tbody>
</table>

- Goodwill of Corporation
- Good Management
- On-Time Deliveries
- Information Sharing
- Corporate Citizenship

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## Stakeholder Values/Contributions

### STAKEHOLDERS' CONTRIBUTIONS TO AN ENTERPRISE

<table>
<thead>
<tr>
<th>Corporation</th>
<th>Capital/ Facilities</th>
<th>Direction and Strategy</th>
<th>Legal Entity</th>
<th>Management Expertise</th>
<th>Inter-Functional Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders</td>
<td>Financial Forecasting/Analysis</td>
<td>Capital</td>
<td>Feedback on Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Labour/Service/ Expertise</td>
<td>Ideas/ Innovations</td>
<td>Corporate Culture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>Money</td>
<td>Drive and Competition</td>
<td>Feedback</td>
<td>Design Specifications</td>
<td></td>
</tr>
<tr>
<td>Society/Community/Government</td>
<td>Manpower</td>
<td>Quality of Life</td>
<td>Services</td>
<td>Policies</td>
<td></td>
</tr>
</tbody>
</table>
Stakeholder: Shareholder

- External Relations: High
- Risk: Low
- Return: Low Relative Importance
- Executive Leadership: Low
- Market Position: Low
- Growth Potential: Low
- Current Performance: Low
- Relative Importance: Low
Stakeholder: Employee

- Fair Wages
- Benefits
- Job Satisfaction
- Career Growth
- Rewards
- Training
- Security
- Facilities
- Tools to Do Job

Low Relative Importance High

Low

High

Current Performance

Relative Importance
Who is more relevant?

• Three attributes:
  • POWER to influence the enterprise,
  • LEGITIMACY of the relationship or the stake,
  • CRITICALITY of the claim on the enterprise

• POWER can be coercive, utilitarian, or symbolic

• LEGITIMACY is the perception that the actions of an entity are desirable, or appropriate within some socially constructed system of norms, values, beliefs, and definitions

• CRITICALITY is present when the claim is of time-sensitive nature and/or when the claim is important or critical to the stakeholder

Source: Grossi (2003)
Social Networks

• Provide a set of definitions and quantitative measures that help assessing stakeholder networks

• Relations or ties among actors are the focus of study

• Allow for the application of systemic view to stakeholder analysis

Source: Grossi (2003)
Social Networks Elements

- Actors (nodes)
- Groups and subgroups
- Relational ties
  - Individual evaluations (friendship, respect)
  - Transaction or transfer of material resources
  - Transfer of non-material resources (info)
  - Association or affiliation
  - Formal roles (hierarchies)
  - Kinship relationship (marriage, descent)

Source: Grossi (2003)
Stakeholder salience

Defined by the cumulative number and intensity of the power, legitimacy, and criticality attributes

Source: Grossi (2003)
## How stakeholders interact?

<table>
<thead>
<tr>
<th>Relationship Type</th>
<th>Allied</th>
<th>Cooperative</th>
<th>Neutral</th>
<th>Competitive</th>
<th>Threatening</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Relationship Orientation and Evaluation Mode</strong></td>
<td>Cooperative Strategic</td>
<td>Cooperative Strategic</td>
<td>Individualistic Operative</td>
<td>Individualistic/Competitive Operative</td>
<td>Competitive Operative</td>
</tr>
<tr>
<td>Trust</td>
<td>Identification-based trust</td>
<td>Knowledge-based trust</td>
<td>Calculus-based trust</td>
<td>Calculus-based trust</td>
<td>Distrust</td>
</tr>
<tr>
<td>Communication</td>
<td>Hi frequency Bi-directional Informal Indirect content</td>
<td>Hi frequency Bi-directional Informal Direct content</td>
<td>Low frequency Bi-directional Formal Direct content</td>
<td>Low frequency Unidirectional Formal Direct content</td>
<td>Low/high freq. Uni-/Bidirectional In-/Formal Direct content</td>
</tr>
<tr>
<td>Power</td>
<td>Very low</td>
<td>Higher Normative</td>
<td>High Normative/Utilitarian</td>
<td>High Utilitarian/Normative</td>
<td>Very High Utilitarian/Normative/Coercive</td>
</tr>
<tr>
<td>Reciprocity and commitment</td>
<td>Positive and weak High commitments</td>
<td>Positive and weak/Strong Limited commitments</td>
<td>Positive/Negative and strong Low/no commitments</td>
<td>Negative and strong Low commitments</td>
<td>Negative and strong Low/High commitments</td>
</tr>
</tbody>
</table>

Source: Polonsky, Schuppisser, Beldona (2002)
Value flow across relationships

• Stakeholders are the players of a game-like situation

• What flows in the interaction of stakeholders is value (payoffs from their contribution to the enterprise)

• In a steady state value flows are in equilibrium, i.e., relationships are balanced (the value flowing in one direction is compensated by the value flowing in the other direction)

Source: Grossi (2003)
SH Analysis: Qualitative Models

- Two different views to represent stakeholder relationships
  - Firm-centric view: Water-drop model
  - Network or system view: Network model

- Both relevant to obtain a complete picture of any stakeholder system

Source: Grossi (2003)
How to identify stakeholders?

- Snowball sampling methodology used in social network analysis
- Specially suited technique for social networks where the boundaries of the system are unknown
- This is a specialization for stakeholder identification within lean enterprise scenarios

Source: Grossi (2003)
Lean Enterprise Value For All Stakeholders Delivers Results

Lean Enterprise

Satisfied Stakeholders

Strategic outcomes