

Ongoing Discussion “Thought Piece”

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Enterprise Change Capabilities

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In this month's Ongoing Discussion, I am interested in describing and discussing enterprise change capabilities and learning from the experiences of our participants. Our research data suffers from largely sampling successful firms. As a result, I am particularly interested in the experiences and outcomes in promoting enterprise changes of In2:InThinking Network members' companies, not only where their efforts have been successful, but also where these efforts have hit obstacles that limited or set back their progress.

Background

In my research role at MIT, I lead the enterprise change research area for our Lean Advancement Initiative (LAI), found online at <http://lean.mit.edu/>. LAI is a joint industry-government consortium that was founded in 1993 to develop, test, and apply the lean principles identified in auto industry studies to the defense aerospace industry. The research, membership, and activities of LAI have broadened to the current lean enterprise value focus. Enterprise change management is one of LAI's four main research areas (find online at http://lean.mit.edu/index.php?option=com_content&task=view&id=411&Itemid=563). Enterprise change research efforts, in working with LAI's sponsors, seek to develop and test premises that result in making and sustaining enterprise changes. We have conducted and posted case studies (find online at http://lean.mit.edu/index.php?option=com_content&task=view&id=591&Itemid=582) that describe successful change efforts, including both what contributed to those successes as well as what has created limitations in those change efforts.

Results

The predominant form in which business is carried out has shifted over the past decades from that of a large, centrally managed, functionally organized, monolithic firm to many small units actively interacting with one another through numerous cooperative relationships. This organizational form, often referred as a networked enterprise, is consistent with the characteristics found in the most effective firms in automotive, aerospace, airline, textile, and retail industries. As organizations participate in multiple enterprise networks, how does management change? What methods are most effective for promoting and sustaining improvement across firms?

These are questions that we have been asking and investigating in heading up a series of research projects at MIT. Through identifying companies that have changed their operations and demonstrated success in managing themselves and their collaborating

organizations as enterprises, together with my students and colleagues, I have conducted case studies to examine and describe these companies enterprise improvement and change practices. What we find is that enterprise change starts with identifying the system, creating order, direction, and alignment; and then developing capabilities that create improvements. Demonstrating what is possible in one firm enables change across units and other organizations, which is accomplished implementing new practices to better performance. The success of enterprise change depends upon the development of capabilities within and across the set of firms. These capabilities, broadly defined, are the resources, talents, and abilities of an organization and its people that have the potential for development and use, and in their use, create expected outcomes while further developing themselves.

In our research, we have identified five capabilities consistently found in successful lean enterprise transformations (see table below). These capabilities for enterprise change are interdependent and support and reinforce one another. The transformation to a lean enterprise system is created by developing all of these capabilities. As enterprises develop and spread any one capability, it reinforces the application of the other capabilities. For example, rethinking boundaries helps people see their efforts in the context of changes needed in a larger system, which requires sets of changes in process improvement as well as redefining and managing boundaries and restructuring jobs and reporting relationships. Realizing these goals involves pushing strategic change objectives in setting and achieving goals, while also pulling changes to broadly engage people through organizational learning and developmental processes. With improvements, business growth is not only enabled by better quality, greater capacity, and higher productivity, but required so that these gains are realized. The abilities to take coordinated actions at multiple levels requires an engagement of leadership at multiple levels, particularly at front-line, middle, and executive leadership levels, along with leadership from people that provide and use the technical expertise that directs improvements efforts.

Five Capabilities for Enterprise Change

- **Rethinking organizational boundaries**
System view of own organization and relationship with suppliers and customers as part of a common value stream
- **Installing sets of innovations**
Complementary approach to managing boundary, process, and restructuring changes
- **Pulling and pushing change**
Distinguishing setting strategic goals from developing organizational capabilities in directing learning processes
- **Seeking growth opportunities**
The positive vision for continual renewal at personal levels and growth at organizational levels
- **Distributing leadership**
Recognizing and developing interdependent roles in system of networked leadership

Biographical Information

George Roth is a Principle Research Associate in MIT's Sloan School of Management (<http://mitsloan.mit.edu>). His books include Car Launch: Managing the Human Side of Change (Oxford Univ. Press, 2000), The Dance of Change: The Challenges to Sustain Momentum in Learning Organizations (Doubleday, 1999) and To the Desert and Back: The Story of one of the Most Dramatic Business Transformations on Record (Jossey-Bass, 2004). His focus in leading this LAI research area is to develop and extend insights for leadership, learning and change identified in corporate settings to industry and government enterprises.