

# **Organizational Assessment Models for Enterprise Transformation**

L. Nathan Perkins

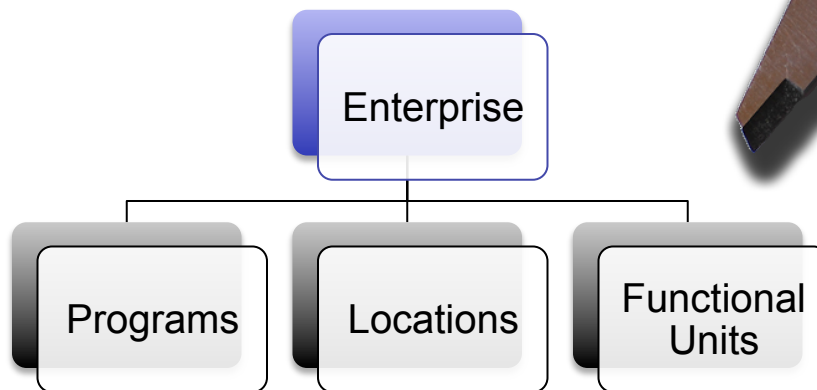
Dr. Ricardo Valerdi

Prof. Deborah Nightingale

Dr. Stan Rifkin

# Why Assess Organizations?

- Leading indicator for shifting performance
- Benchmark across programs and across companies
- Results drive decision making and transformation
- Use to reinforce desired outcomes
- Drive transformation efforts
- Increased enterprise focus



van De Ven, Andrew H. 1976. A Framework for Organization Assessment. *Academy of Management Review* 1, no. 1: 64-78.

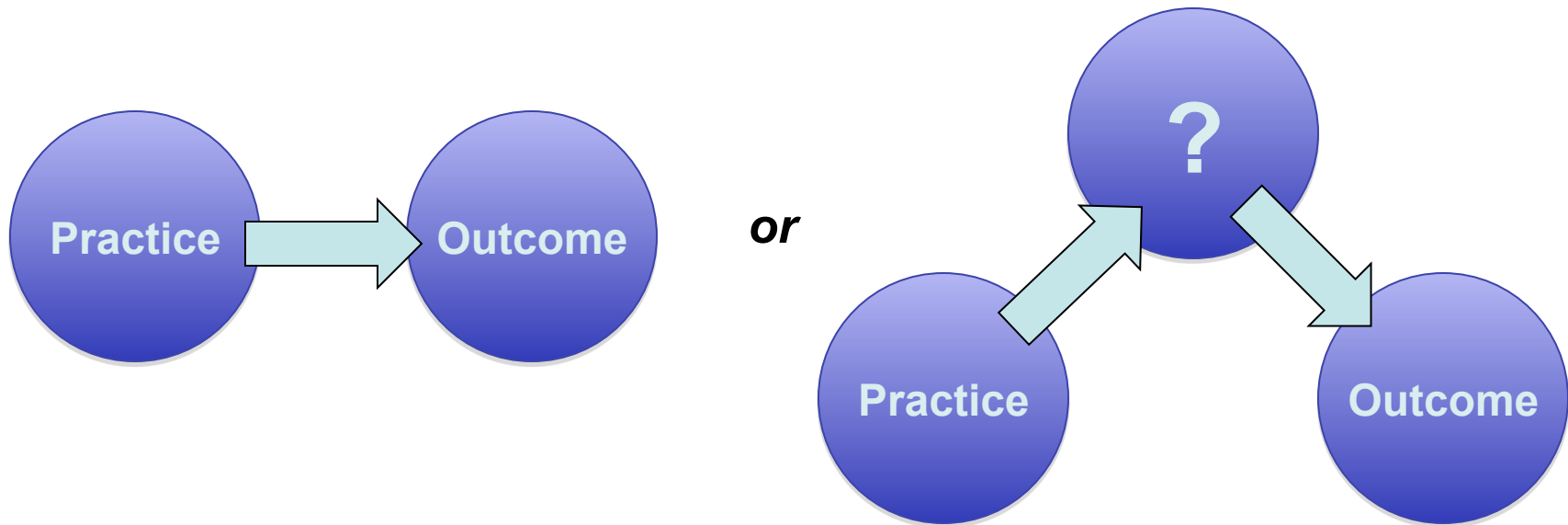
# Challenges to Assessment



- Difficult to assess an enterprise
  - Amorphous, non-standard
  - Values performance metrics often unique
  - Hard to find a one size fits all assessment tool
- Requires commitment and investment
- Must be independent
  - Cannot simply serve as a tool to reinforce leadership's goals
  - Nor can leadership fear results that vary from intended vision
- Assessment tools require time to develop familiarity and maximize value
  - Specific terms & practices reflected in different assessment tools
  - Historical data and trends help maximize insights
- Costs of assessment can be high (time, consultants, etc)

# “Assessing” Assessment Tools

- Measuring a **causal link** between assessment practices and long-term performance is extremely difficult



- Without causal data, it is hard to pronounce one assessment as “better”
- Instead, we seek to identify questions to assess the alignment between a tool and enterprise values

# Assessment Tools

- Compare four enterprise-level assessments
- Two are prominent industry awards
- Compare:
  - Mode
  - Stakeholders
  - Inputs (criteria)
  - Outputs (insights)

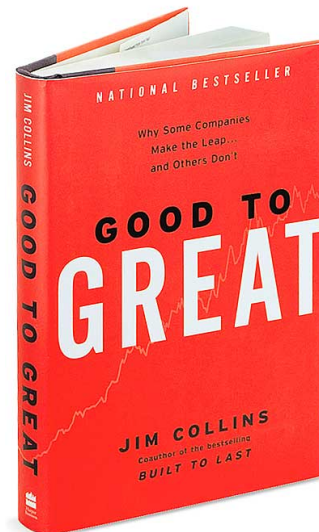


Shingo Prize



LEAN ADVANCEMENT INITIATIVE™

Lean Enterprise Self-Assessment Tool  
(LESAT)



Good to Great Diagnostic



Baldrige Award

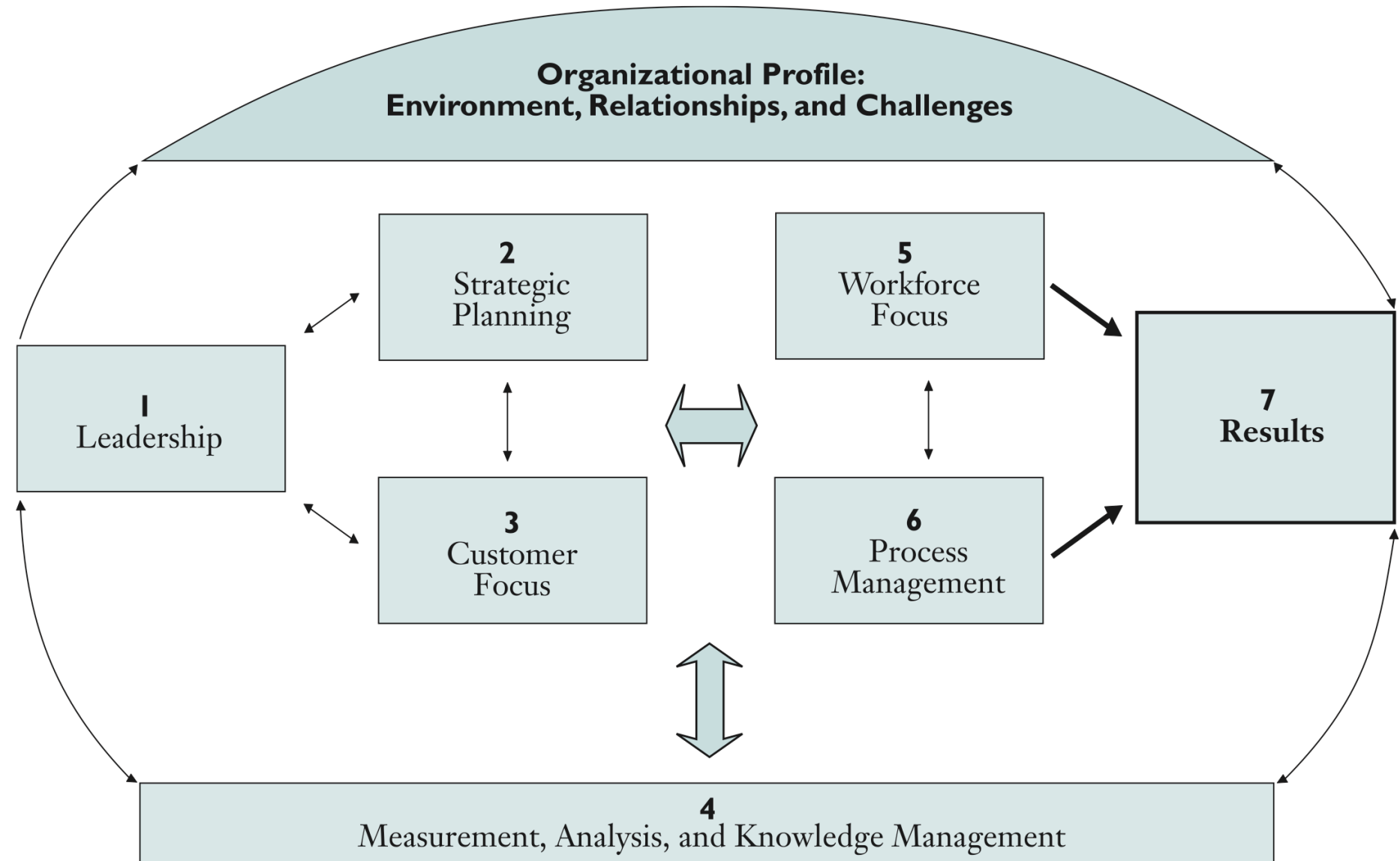
# Tool: Malcolm Baldrige National Quality Award



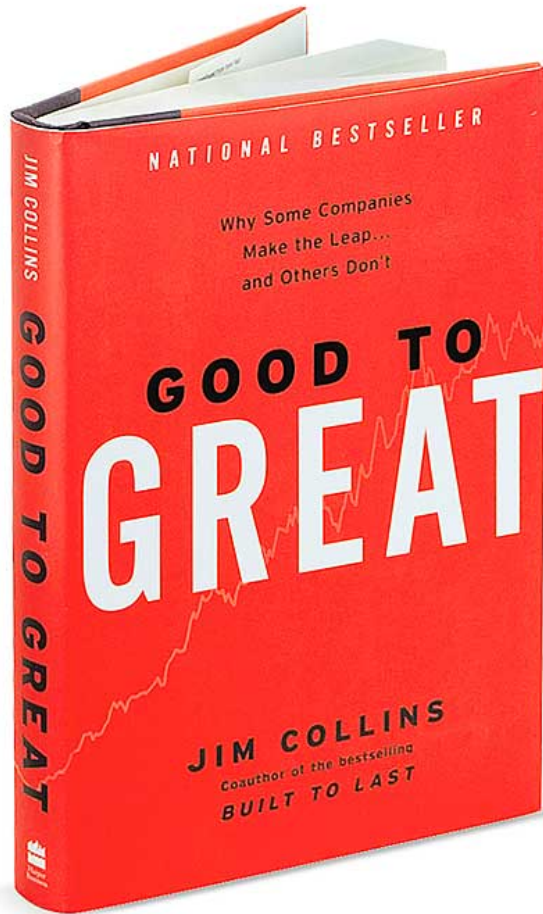
- Developed and funded by the National Institute of Standards and Technology (NIST)
- Estimated private benefits to the economy of over \$24 billion
- Quality and performance centric assessment
- Many sectors: small business, education, manufacturing, healthcare, etc

NIST. 2009. Malcolm Baldrige National Quality Award: Criteria for Performance Excellence. Gaithersburg, MD: Baldrige National Quality Program. Available at [www.baldrige.nist.gov](http://www.baldrige.nist.gov).  
Link, Albert, and John Scott. 2006. An economic evaluation of the Baldrige National Quality Program. *Economics of Innovation and New Technology* 15, no. 1: 83-100.

# Tool: Malcolm Baldrige National Quality Award



# Tool: Good to Great Diagnostic



- A diagnostic tool that accompanies Jim Collins' s book
- Worked backwards from several companies that had a sharp inflection point in performance (hence, “good” to “great”)
- Derived best practices common to the eleven companies studied

Collins, Jim. 2001. *Good to Great: Why Some Companies Make the Leap... and Others Don't*. New York: Harper Business.



# Tool: Good to Great Diagnostic



## INPUT PRINCIPLES\*

### Stage 1: DISCIPLINED PEOPLE

Level 5 Leadership  
First Who, Then What

### Stage 2: DISCIPLINED THOUGHT

Confront the Brutal Facts  
The Hedgehog Concept

### Stage 3: DISCIPLINED ACTION

Culture of Discipline  
The Flywheel

### Stage 4: BUILDING GREATNESS TO LAST\*\*

Clock Building, not Time Telling  
Preserve the Core / Stimulate Progress

## OUTPUT RESULTS

Delivers Superior Performance  
relative to its mission

Makes a Distinctive Impact  
on the communities it touches

Achieves Lasting Endurance  
beyond any leader, idea or setback

# Tool: Lean Enterprise Self-Assessment Tool

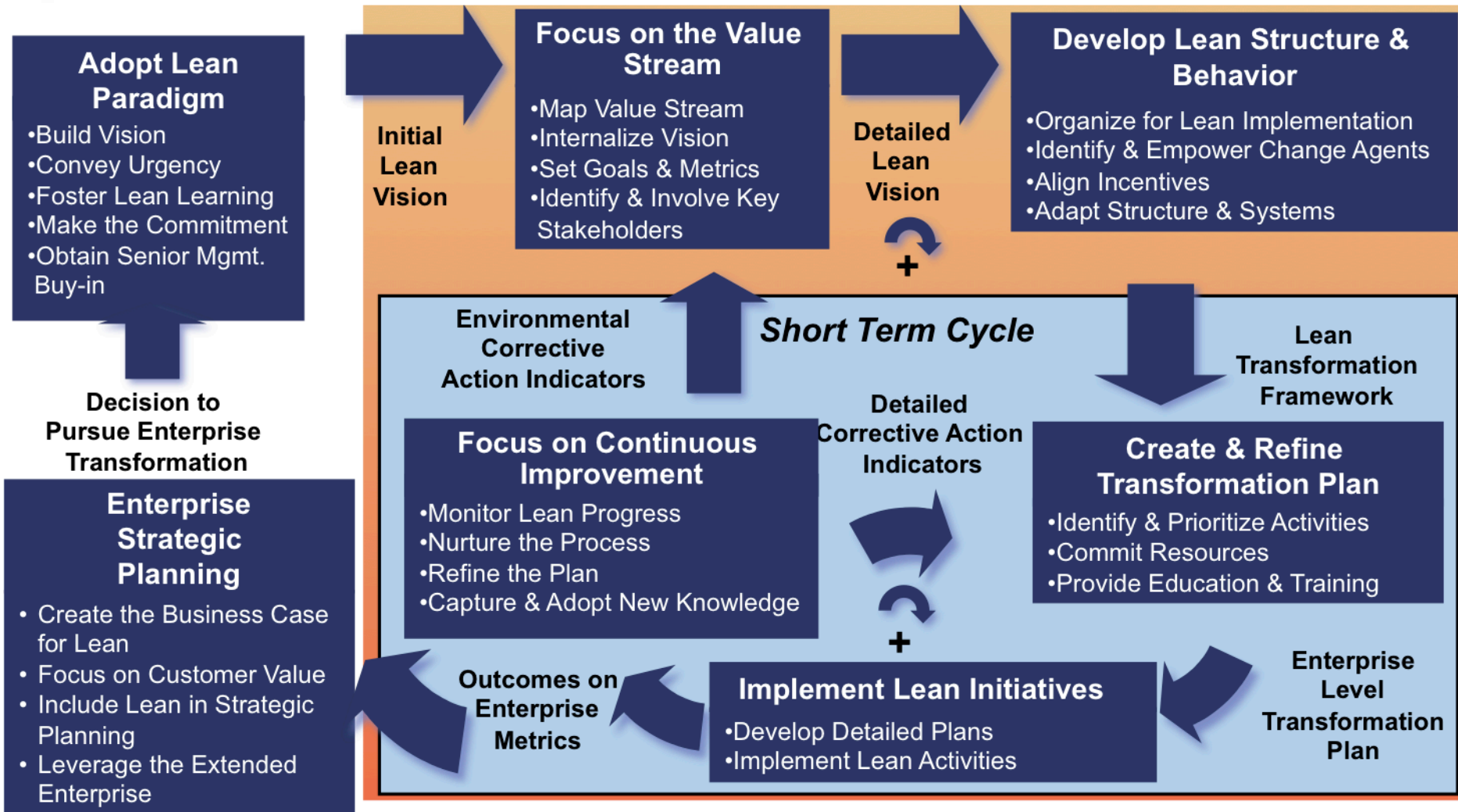


- A self-assessment designed to measure lean maturity on the enterprise scale
- Tightly integrated with an existing transformation roadmap (Transition to Learn Roadmap)
- Measures both current performance and desired performance
- As a self-assessment, integrates many perspectives and cohesion (via variance among responses)

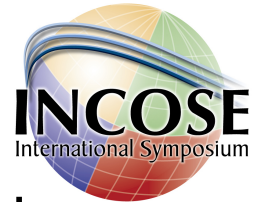
Nightingale, Deborah J., and Joe H. Mize. 2002. Development of a lean enterprise transformation maturity model. *Information, Knowledge, Systems Management* 3, no. 1: 15–30.

Nightingale, Deborah. 2009. Principles of enterprise systems. Paper presented at the Second Annual International Symposium on Engineering Systems, June 15-17, in Cambridge, MA.

# Tool: Lean Enterprise Self-Assessment Tool



# Tool: Shingo Prize for Operational Excellence



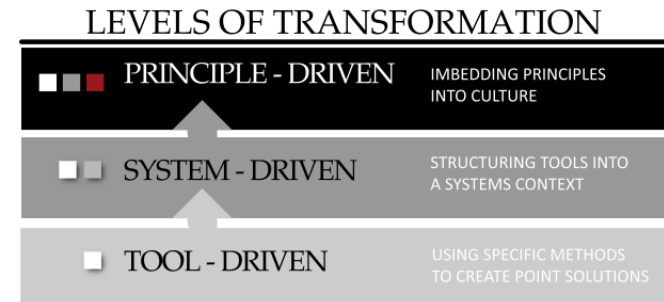
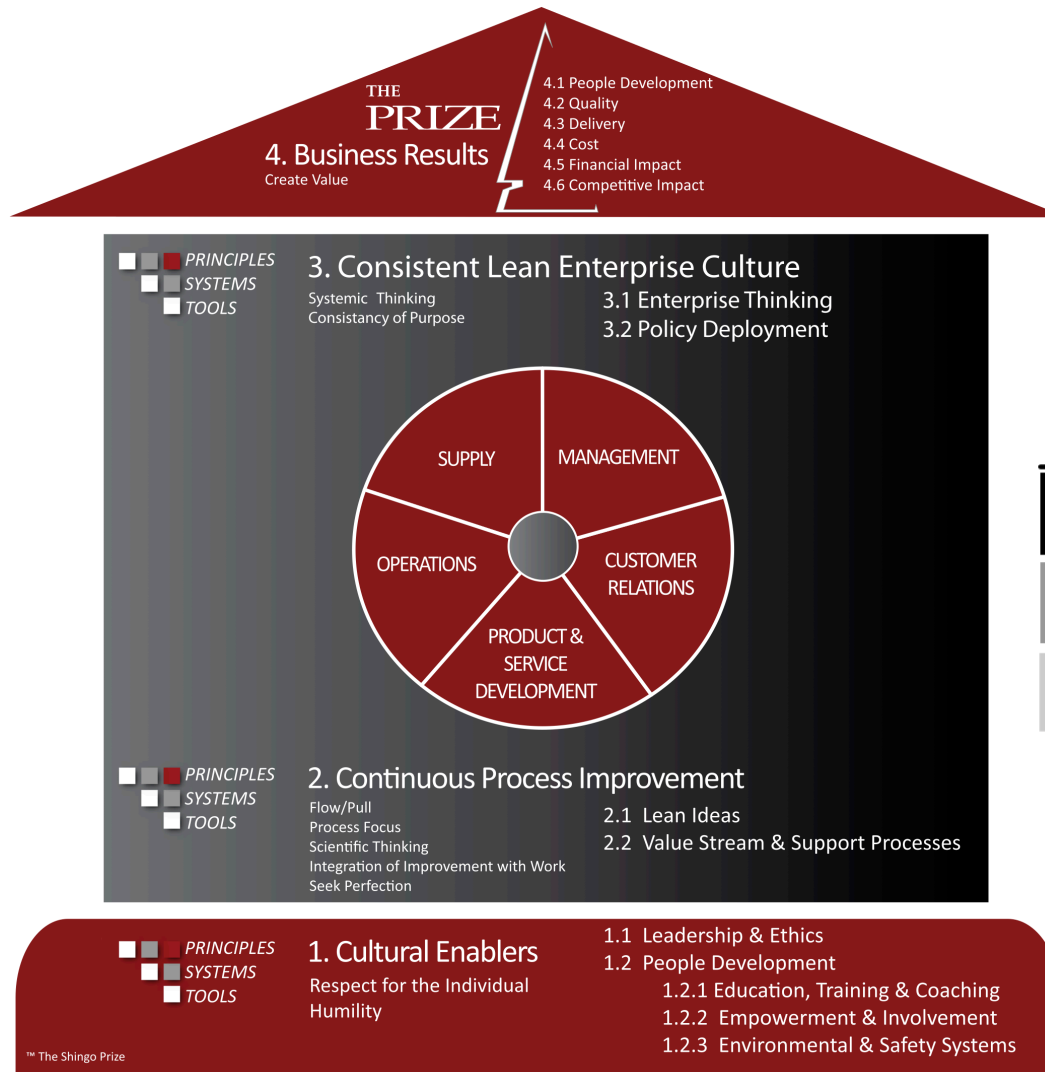
THE  
SHINGO  
PRIZE  
for OPERATIONAL  
EXCELLENCE

UtahStateUniversity  
JON M. HUNTSMAN SCHOOL OF BUSINESS

- Managed and awarded by the business school at Utah State University
- Recently shifted to an enterprise focus (used to be Shingo Prize for Manufacturing Excellence)
- Combines lean manufacturing ideas with a culture of continuous improvement
- Awards Bronze, Silver or Gold based on performance

The Shingo Prize for Operational Excellence. 2009. *The Shingo Prize for Operational Excellence*. Logan, UT: Utah State University, Jon M. Huntsman School of Business.

# Tool: Shingo Prize for Operational Excellence



# Modes of Assessment

- Managed/External – Consultant or outside group
- Hybrid – Creation of a distinct department for assessment and transformation
- Self-Assessment – Groups or individuals assess their own performance

## Assessment Modes

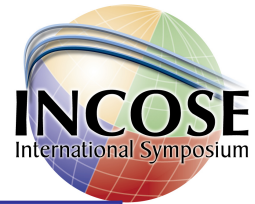
- Managed/External
- Hybrid
- Self-Assessment



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# Modes of Assessment



|                             | Managed/<br>External                                                       | Hybrid                                                                                                      | Self-<br>Assessment                                                                                                                  |
|-----------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tool/Model Knowledge</b> | Extensive                                                                  | Extensive                                                                                                   | Limited                                                                                                                              |
| <b>Org. Knowledge</b>       | Low                                                                        | Medium                                                                                                      | High                                                                                                                                 |
| <b>Costs</b>                | High                                                                       | Medium                                                                                                      | Low                                                                                                                                  |
| <b>Time</b>                 | Low                                                                        | Low                                                                                                         | High                                                                                                                                 |
| <b>Bias</b>                 | Low                                                                        | Medium                                                                                                      | High                                                                                                                                 |
| <b>Best Uses</b>            | One time assessments or introducing a new tool or exploring best practices | Ideal for long-term, high-commitment transformation plans that involve regular assessment and data analysis | Good for reflecting detail and a variety of vantage points and encouraging conversation or involvement in the transformation process |

# Assessment Stakeholders

| Assessment            | Stakeholders                                                                                                 |
|-----------------------|--------------------------------------------------------------------------------------------------------------|
| <b>Baldrige Award</b> | Flexible, draws on people throughout the enterprise (since award, not specified)                             |
| <b>Good to Great</b>  | Leadership                                                                                                   |
| <b>LESAT</b>          | Multiple leaders, with sufficient perspective to assess the whole enterprise (self-assessment draws on many) |
| <b>Shingo Prize</b>   | Flexible (since award, not specified)                                                                        |

Assessment tools can leverage different stakeholder perspectives, whether seeking a holistic view or many detailed vantage points





# Inputs: Criteria & Information Assessed

Assessment tools encompass a range of practices and principles. Tool must be selected that aligns with enterprise values.



| Assessment            | Criteria and Information Assessed                                                                                                                                                                                                                                                                      |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Baldrige Award</b> | Questions/prompts regarding: <ul style="list-style-type: none"><li>•Leadership,</li><li>•Strategic planning</li><li>•Customer focus</li><li>•Measurement analysis</li><li>•Performance improvement</li></ul>                                                                                           |
| <b>Good to Great</b>  | Grade 100 practices from five key concept groups, focused on: <ul style="list-style-type: none"><li>•Leadership (“disciplined people”)</li><li>•Culture (“disciplined thought” and “disciplined action”)</li><li>•Sustainability (“building greatness to last”)</li><li>•Evidence (outcomes)</li></ul> |

# Inputs: Criteria & Information Assessed

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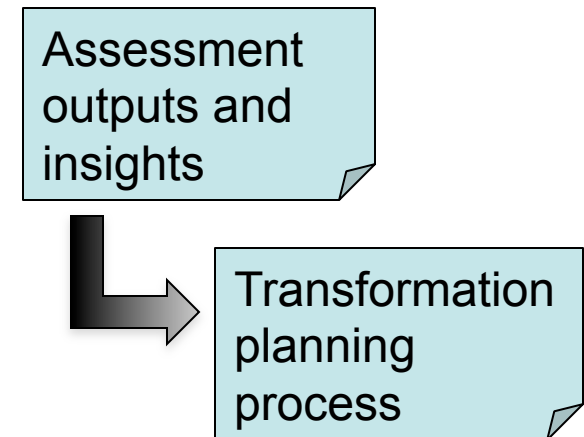
| Assessment          | Criteria and Information Assessed                                                                                                                                                                                                                                                                    |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>LESAT</b>        | <p>Score 54 practices, both in terms of current maturity and desired maturity, in three categories:</p> <ul style="list-style-type: none"><li>•Lean transformation/leadership</li><li>•Life-cycle processes</li><li>•Enabling infrastructure</li></ul>                                               |
| <b>Shingo Prize</b> | <p>Assesses 17 key principles looking at the level of commitment to each principle. Principles include:</p> <ul style="list-style-type: none"><li>•Cultural enablers</li><li>•Continuous process improvement</li><li>•Consistent lean enterprise culture</li><li>•Business results (value)</li></ul> |

# Outputs: Information Gleaned



| Assessment            | Information Gleaned                                                                                                |
|-----------------------|--------------------------------------------------------------------------------------------------------------------|
| <b>Baldrige Award</b> | Identifies gaps and actionable projects to improve outcomes, focuses on core values                                |
| <b>Good to Great</b>  | Reinforces practices described in the Good to Great book                                                           |
| <b>LESAT</b>          | Integrates in with transformation roadmap to directly target integral practices; uses desired scores to prioritize |
| <b>Shingo Prize</b>   | Clear progression of principles, moving up from tool-focus to value-focus                                          |

Assessment insights should form a closed-loop with the transformation process, directly informing actions and resource allocation



Hallam, Cory R. A. 2003. *Lean Enterprise Self-Assessment as a Leading Indicator for Accelerating Transformation in the Aerospace Industry*. Dissertation, MIT.

# Summary

|                                   | Baldrige Prize                                                        | Good to Great                                                       | LESAT                                                                                | Shingo Prize                                                             |
|-----------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Assessment Mode                   | Award, can be adapted for internal assessment                         | Internal diagnostic to distinguish between good and great companies | Self assessment in support of transformation planning                                | Award, can be adapted for internal assessment                            |
| Assessment Stakeholders           | Flexible                                                              | Top leadership                                                      | Enterprise Leadership                                                                | Flexible                                                                 |
| Criteria or Information Addressed | Quality and customer commitment                                       | Best principles identified in Good to Great book                    | Lean enterprise practices                                                            | Toyota Production System and lean manufacturing                          |
| Information Gleaned               | Areas for improvement and key principles                              | Trends in implementation of concepts                                | Gaps and prioritized improvement areas                                               | Successive adoption pyramid guides transformation                        |
| Sectors                           | Manufacturing, service, small-business, health, education, non-profit | Broad                                                               | Designed for manufacturing (aerospace), recently applied to healthcare and services. | Designed for manufacturing, recently expanded to Operational Excellence. |
| Sample size (approximate)         | Thousands                                                             | Based on 11<br>Usage unknown                                        | Dozens                                                                               | Hundreds                                                                 |

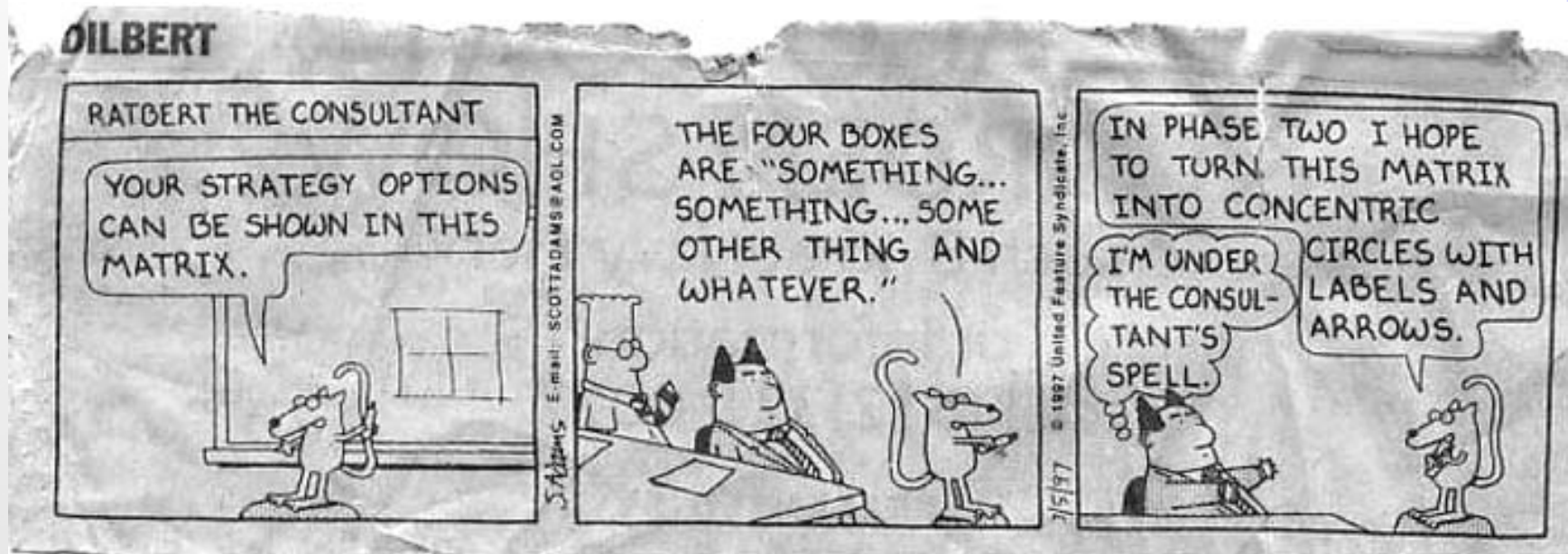
# Summary: Key Insights



- Assessment tools must align with enterprise values
- Leadership and stakeholder commitment is important to deriving long-term, residual benefits from assessment
- Outputs of the assessment should be applicable and useful to the transformation process
- Tool needs to be integrated into the strategic process, so it can continue to inform transformation efforts

## Questions?



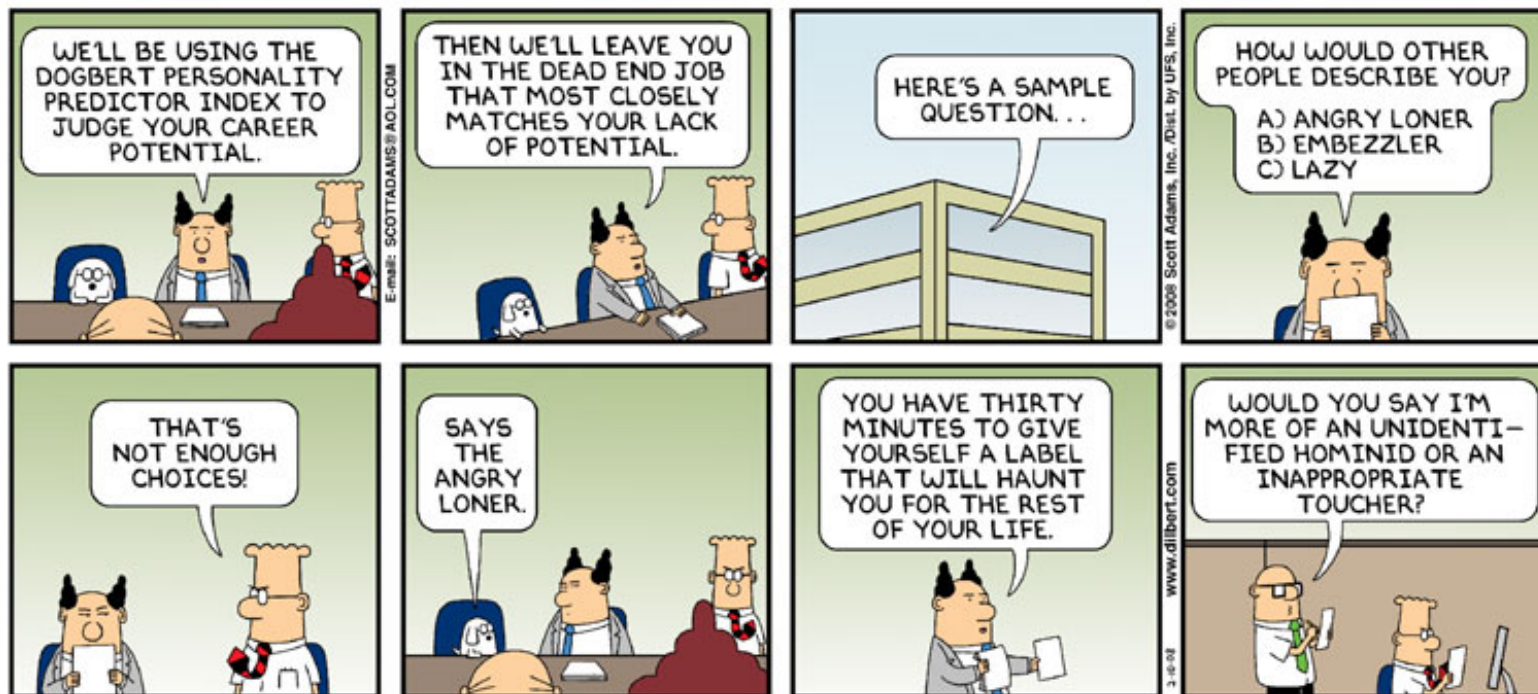






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SCOTT ADAMS

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