MBSE – Culture Change Panel
Digital Transformation Journey

Siloed, Analog, State

- Compelling Vision/ROI
  - Siloed, fuzzy plan

- Engaged C-Suite
  - Delegated project

- Common Priorities & Plans
  - Competing Priorities & Plans

- Re-invent the Company
  - Digitized Siloed Work Processes

- Tech & Org RL 4.5
  - Org. RL 1.5

- Years needed
  - Months promised and budgeted

Requires
- Reality

Integrated, Digital State
Most large enterprises are remarkably siloed
Bounded rationality is the norm
Bounded Rationality

• Bounded rationality is the idea that rationality in individual’s decisions is limited by:
  • the tractability of the decision problem
  • the cognitive limitations of the mind
  • the time available to make the decision
  • the perceived or actual limits of their view or knowledge (boundaries)
  • some combination or all of the above

• Decision-makers, in this view, act as satisficers, seeking a satisfactory (local) solution rather than an optimal (systemic) one.

Source: Simon, Herbert; *Models of Man*
Bounded Rationality

3 fundamental corporate processes drive BR

- STRATEGY DEVELOPMENT and DEPLOYMENT (OKRs)
- OPERATIONAL TOTAL SHAREHOLDER RETURN (OTSR)
- INCENTIVES ($$)
OKRs

Source: http://www.okrcoaching.com/

Reductionist: bounded rationality risk
du Pont Identity

\[ \text{RoE} = \frac{\text{Net Income}}{\text{Equity}} = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}} \]
Incentives

Overlaid on top of first two assures bounded rationality is the norm

Source: https://compensationmanagementkirimega.blogspot.com/
Systematic vs. Systemic

Siloed Views – Bounded Rationality

Shared System View – Common Mental Models
Deming on Systems

- The Appreciation of a system involves understanding how interactions (i.e., feedback)
  - between the elements of a system can result in internal restrictions
  - that force the elements in the system to behave as a single organisms, not as system elements (holons), that automatically seeks a steady state (bounded rationality).

- It is this “steady (bounded) state” that determines the output of the system rather than the individual elements.
  - Thus it is the structure of the organization (read system) rather than the employees, alone, which holds the key to improving the quality of output.

“Steady State”

“The way we/I have always done it”
Three Keys (and challenges)

1. Must get C-Suite to think in systems (systemic and systematic)
   • Very rare!

2. Must have C-Suite support and engagement
   • Engagement is rare and support is usually lip-service.

3. Must have compelling reasons for transformation - Strategic, ROI, preferably both
   • Rare, usually aspirational happy talk and effort is viewed as an expense (a corporate tax at the division/local level), and therefore, resisted.