

The "Four R's" for Re-Launching Stalled Modularity Initiatives

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A number of companies that have previously launched modularity initiatives have achieved significant successes in implementing "technical modularity" in the designs of their products. However, many of these companies have come to realize that in spite of those successes, their modularity initiatives have fallen short of achieving "strategic modularity" and have not been able to become significant drivers of firm strategies.¹

Preliminary discussions with a number of managers in a variety of firms suggest that modularity initiatives have stalled in their firms for two main reasons:

(i) Previous modularity initiatives were launched *without clear strategic priorities* set by senior management for how modularity would be used as an enabler and driver of firm strategies.

(ii) Firms have tried to carry out modularity initiatives *through conventional (pre-existing) organizational structures and management processes* that are neither intended to nor capable of supporting strategic uses of modularity.

Senior managers will face special challenges in re-launching modularity initiatives intended to elevate modularity to its full potential as an enabler and driver of firm strategies. Elevating prior modularity initiatives to the strategic level will require a *clear and committed change management process* consisting of four steps: Review, Re-Evaluate, Re-set, and Re-Start

"Review"

Analyses of prior and/or ongoing modularity initiatives that have stalled at the "technical modularity" level are very likely to reveal the limits of what can be accomplished and sustained in a given organization without a clear set of strategic goals for using modularity and without putting in place new organization and management processes that are essential to effective implementations of modularity at the strategic level. A careful *Review* of an organization's modularity initiative(s) to date could help to clarify both (i) what the successes the firm has achieved to date suggest about the potential benefits to be derived from further modularization of a firm's products, processes, and strategies, and (ii) the specific organizational challenges that will have to be addressed in re-launching a strategic-level modularity initiative in the firm.

It may be useful for an experienced outside party who is both knowledgeable in modularity strategies and who can be seen as "objective and non-threatening" to interview both the

¹ Ron Sanchez (2013). "Building Real Modularity Competence in Automotive Design, Development, Production, and After Service," *International Journal of Automotive Technology and Management*, **13**(3), p.209.

people directly involved in the firm's current modularity efforts and the people "on the other side of the table" in the organization to try to extract an accurate picture of what can be learned from the firm's first modularity initiative(s). Those interviews could then be the basis for a report to senior management explaining what has happened in the firm's first try at modularity -- and what needs to be done on the second try to succeed in implementing more strategic level uses of modularity throughout the organization.

"Re-Evaluate"

Whatever strategic priorities may have been set for a firm's initial modularity initiative (if in fact there were any) may not be the priorities that are called for in today's environment. Thus, a key second step in re-launching modularity in an organization would be a re-evaluation of (i) the potential strategic benefits to be derived from modularity today in the various business activities of the firm, and (ii) the extent of the changes in the firm's current organization and management processes needed to achieve those benefits.

The major work in such a re-evaluation has to be done by the people who know a firm and its markets best -- i.e., the firm's own people -- but senior management is very likely to benefit from considering the experiences and perspectives of other companies who have achieved successes in using modularity strategically.

"Re-Set"

Re-setting the strategic objectives and priorities for a re-launch of modularity in a firm would of course be the direct responsibility of the firm's top management team. The insights developed in the "Review" and "Re-Evaluate" processes described above should provide essential inputs to the top management team in deciding the new strategic objectives for modularity in their firm, and also in identifying the specific changes in organization and management processes that will be needed to make the re-launch a success.

In this process, outside consultants could be a useful resource for the top management team in its discussions and deliberations. How that would play out in its details is likely to vary considerably across different firms, but in general it is likely to be useful to the top management team to have an informed "sounding board" for their thinking at both strategic and operational levels -- ideally with someone who has been down that road with other companies, and who can help to identify overlooked or underrated possibilities or concerns, provide suggestions based on the experiences of other companies, and generally provide informed comments on management's thinking and intended decisions.

"Re-Start"

Launching any new initiative in an organization is not easy, but re-launching a previous and now stalled initiative will present some special challenges to management. Those challenges will call for a very carefully designed change management process in which the reasons for re-starting modularity, the exact nature of the changes to be made in the new initiative, and the expected outcomes (both for the organization and for individuals) are made clear. The design of the process for communicating the intended strategic changes to the organization has to make clear what those changes mean will mean for each work group and even for key individuals. In general, significant organizational change has to start with a clear and convincing "top-down"

decision by top management that change has become a strategic necessity, but achieving actual change in the organization has to be accomplished through a "bottom-up" participative process in which everyone is given an opportunity to voice their concerns and receive honest responses to those concerns.

Such a Re-Start in any firm would be a major undertaking that can only be accomplished if top management's determination to make a historic transition to modularity-enabled strategies is clear, consistent, and steadfast. In planning such a transition, senior management may benefit from knowing about the experiences of other firms who have successfully navigated organizational conversions to strategic-level uses of modularity.