Executive EDGE

HARD-WON KNOWLEDGE

Most continuous improvement programs fail because companies do not make a commitment to learning and lack a structured approach to improving the organization's knowledge base. To succeed, leaders must define what a learning organization is, set up guidelines for managing one, and find ways to measure their progress.

A learning organization is "skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights." Companies that fit this definition "actively manage the learning process so that it occurs by design rather than by chance." Their skills include systematic problem solving, experimentation, learning from their own experience and others', and transferring knowledge quickly throughout all levels of the organization.

Companies must invest a significant amount of time to make real progress along the learning curve. Organizational learning usually goes through three overlapping stages: the cognitive, where people learn new ideas and begin to change their mind-sets; the behavioral, where internalizing what they have learned begins to change the way they work; and the performative, where behavioral changes lead to measurable improvements in results.

People retain and expand knowledge when they are given methods and incentives to apply what they learn. For example, AT&T has developed an internal quality competition program that recognizes units for improvement and absolute performance.

Companies can begin fostering a learning environment by giving employees time to reflect on the process and develop important skills. Opening up boundaries and stimulating idea exchange is another powerful tool.

Finally, managers can create "learning forums" by designing programs or events with explicit learning goals. Such programs can include strategic reviews of the competitive environment and the company's market position, audits of cross-functional processes and delivery systems, and study missions to leading companies to understand their distinctive skills and performance.
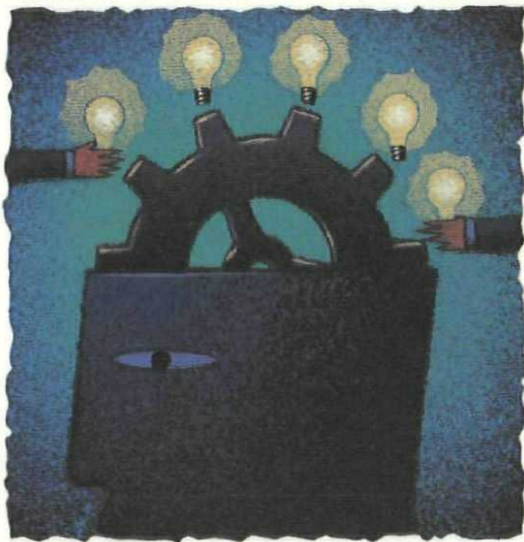
David Tillinghast

CORE CHANGES

Reengineering, or the radical redesign of core business processes, is one of the most powerful techniques available for improving a company's products or services. But in part because the technique is so radical, it is not for everyone.

In developing reengineering processes, managers begin as if they were planning operations for a new company, with none of the constraints or inertia associated with the organization's existing methods, personnel, or corporate structure. The early, relatively unencumbered stages of a reengineering project can thus be exhilarating.

But implementation is another matter. Fifty percent to 70 percent of reengineering projects fail. Successful efforts are usually expensive and often involve layoffs and significant realignment of work and workers. For example, in reengineering its private branch exchange, AT&T Global Business Communications Systems rewrote hundreds of job descriptions, created new recognition and reward methods, overhauled its computer system, and embarked on a major retraining program.

The time, money, and effort required dictate that reengineering be used only to achieve fundamental strategic objectives—a lesson many companies have learned from hard experience. One computer company spent tens of millions of dollars to train its sales force to offer consulting services only to discover that most of its customers were much less interested in such a service than they were in price.

Because reengineering often involves interdepartmental work processes, it requires leadership from top administrators—ideally the chief executive or chief operating officer. Department heads or staff officers lack the authority to make the changes such projects entail. Leaders also have to create a sense of urgency about the need for fundamental change by showing others in the organization where the company is failing to meet customers' needs and where competitors are performing more effectively.

Seeing a company's products and services from the customer's perspective is another element in successful reengineering. Identifying key customers to serve on focus groups, evaluate ideas, and give regular feedback will help a company maintain the proper perspective for effective reengineering.

Finally, radically new business processes will work only in companies that train and encourage employees to take an active role in implementing and perfecting them. "Without an environment of continuous improvement or TQM," says Bill Stoddard of Andersen Consulting, "you can't do reengineering." Executives set the broad goals, but employees must figure out how to achieve them.