

Learning to Change and Changing to Learn – Managing for the 21st Century

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Around the globe, across a wide variety of industries, senior managers are coming to us and our colleagues with the same urgent question: how can I prepare my organization to survive and thrive in an increasingly unknowable future?

It's a tough question, and it's going to get tougher. As readers of *Prism* well know, change is happening faster and in less predictable ways than ever before. And no industry is immune – neither high-tech and service industries, such as telecommunications, computers, finance, health care, and entertainment, where new competition springs up daily from unexpected quarters, nor even mature industries, such as steel, airlines, and chemicals, where new technologies, new ways of managing, and increasingly global markets enable small players to successfully shake their fists at entrenched giants. The barriers to communications are dropping so fast and ideas spreading so quickly, that, for example, new teenage fashions introduced in California are available in major cities around the world in just 30 days!

The mandate for management is clear. Companies everywhere, whether they realize it or not, are competing on their ability to improve their performance faster and more effectively than their rivals. To succeed – and often just to survive – organizations must improve *the rate at which they improve*. Those that do not will be overtaken by those that improve faster.

A metaphor comes to mind: in the past, for the most part, management could sit on the bridge of a solid boat in the middle of a lake, comfortably certain that the crew had all the skills needed for their well-defined tasks. Today that lake has become a rushing river twisting unpredictably over rocks and chasms, and the art of management is not only to navigate, but to engage all the skills of the crew in continually redesigning the craft.

In other words, in the face of rapid, unpredictable change, success and even survival depend not only on intelligently designed structures, but also on the capacity of people to anticipate, to learn, and to respond effectively to whatever happens.

So managers need new ways to manage organizations – ways that recognize, encourage, enhance, and build on people's capacity for learning. Specifically, we need to create organizations that can learn faster and more effectively in order to keep changing faster and more effectively – in alignment with and in the direction of our vision.

Over the past several months, we have been writing a book about managing organizations in ways that accelerate positive change and ensure superb performance. This book is a direct outgrowth of our work – and the work of many of our colleagues – in helping organizations through transformational change, employing a framework we call the Pathway to Performance. In this article we outline that framework and discuss effective ways of managing its six components. But first, let's take stock of where we're coming from.

The Quest for High Performance

Any manager worth his or her salt recognizes the need to make timely changes in the ways organizations work. In recent years, managers have been making changes on an unprecedented scale. Organizations all over the world – in the European Union, Russia, India, the United States, South America, the Pacific Rim, and elsewhere – are seeking new strategies and have explored various approaches to performance improvement, such as Total Quality Management (TQM) and Business Process Reengineering.

For the most part, however, they have not been satisfied with the outcomes of their change programs. In the United States, for example, General Motors has been through four restructurings in the last decade, and yet it still lags both Ford and Chrysler in productivity, quality, and profitability. And GM is not alone. The University of Michigan studied 150 companies that had downsized to improve their performance. Three-quarters ended up in worse shape than they began. An Arthur D. Little survey of companies that have undertaken TQM programs found two-thirds disappointed with the results. And Michael Hammer, the reengineering pioneer, acknowledges that 70 percent of reengineering programs do not achieve the desired benefits.

Why have these efforts proven so disappointing? Specific answers are of course varied and complex. In general, however, the approaches used in these change programs fall into two classes: those like TQM, which are seen by some as too „soft“ and slow, and those like reengineering, which are seen by others as too mechanical and invasive. Defenders of failed reengineering programs claim that the concept remains valid and that the failed programs were not implemented properly, while critics warn that reengineering is too aggressive and neglects the „people“ part of the picture. For them, the right approach is to work the „soft“ side of the organization through shared vision, empowerment, and learning. Critics of the latter approach point out that it often ignores the business results necessary for the organization's survival.

Thoughtful proponents of both schools acknowledge the validity and value of many ideas of the other. Reengineers declare that of course people matter, and the more savvy proponents of the „learning organization“ suggest that learning should serve real business results. In practice, however, the two camps continue to go their separate ways. Neither side offers an approach that is equally rich and rigorous in both the hard and soft sides of management, nor practical guidance as to how they can be effectively integrated in practice.

The Art of Walking Two Paths

„If you come to a fork in the road, take it!“.. *Yogi Berra, legendary baseball player and management consultant*

Managers need a pragmatic way to be on two roads at the same time, a way to integrate sets of things that feel like polar opposites: reengineering and learning, efficiency and creativity, strategy and implementation, bottom-line results and investment in the future, action and emotion.

Earlier in this century, physicists confronted a similar dilemma. Matter, they discovered, had to be seen as both particles and waves. This seemed impossible, for particles and waves are two very different kinds of things. Particles appear to have substance, and one can pin them down, whereas waves are pure movement, insubstantial and therefore difficult to position precisely. So how could something be both a particle and a wave at the same time? Out of the reconciliation of these two very different mental models of the physical world was born the new science of quantum mechanics, which led to the breakthroughs in atomic physics and electronics that spawned the new technologies that are reshaping business and industry today.

Similarly, management must reconcile the hard and soft views of organization, of structure and style, and provide new ways to manage that engage the hearts and minds of the entire organization in a coordinated quest for continually improving performance.

If there is one key to managing learning, change, and improvement, it is people. People are important because although good processes deliver results – which is the thesis of reengineering – processes don’t learn. People learn, and people cause processes to improve. And only people can aspire to change and make change happen; no other asset of the organization can do that. People are at the heart of the accelerated-learning, high-performing organization. Hence, management must fully recognize and respect the human face of change.

The foundation of the new approach to management is the recognition that for a high-performing learning organization, the journey is the destination. That is, the process of change is the same as the desired outcome of that process – an organization that thrives on purposeful, productive, never-ending change. Significantly, the concepts, techniques, and tools that managers need to create fundamental change in the first place – that is, to convert their organization into a learning organization – will be the same ones they will use to continue managing the organization.

Therefore we need to understand the principal components of a successful change process and determine the practical ways to manage them. Arthur D. Little’s experience guiding leading organizations through major change processes – sharpened by insights we have obtained from many successful business leaders and enriched by leading-edge ideas from researchers in the process of change in the physical and biological sciences – has given rise to a rich set of skills, tools, and concepts that together form a uniquely practical and effective model for transforming and managing organizations. This model rests on new ways of managing organizations that never rest but continue to change and improve (Exhibit 1). *We* are convinced that these ways will provide the new syllabus for management education.

Managing Action, Involvement, and Learning

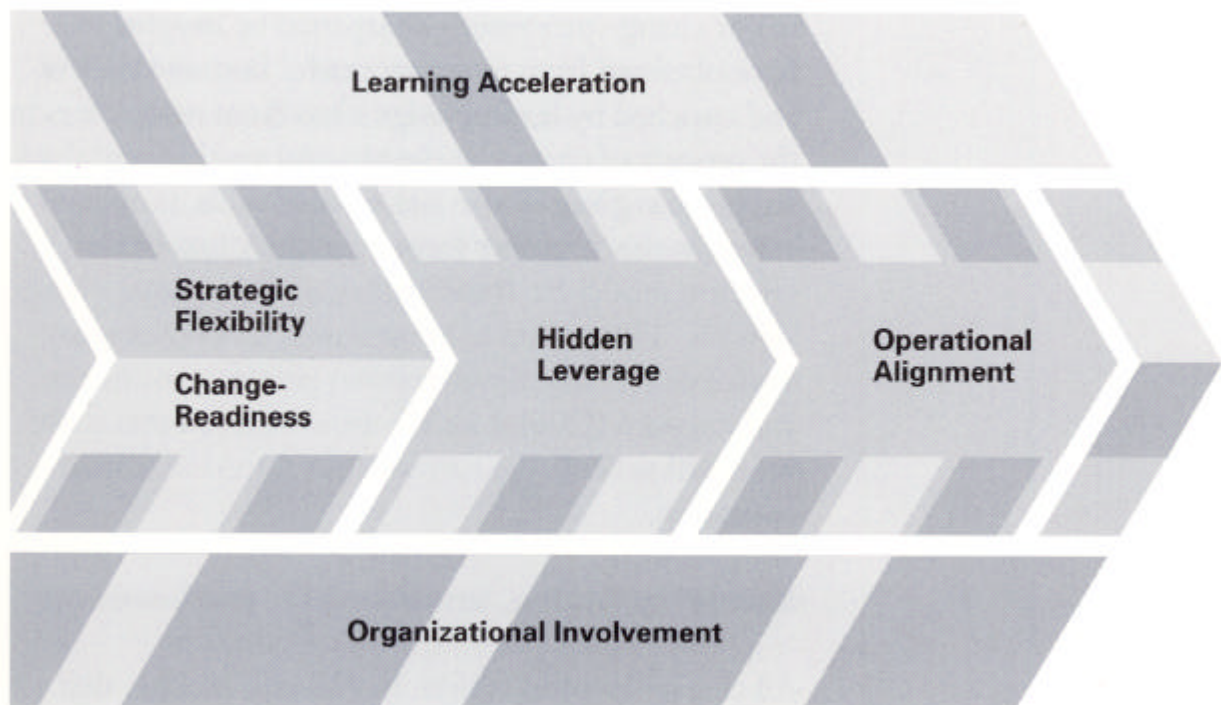
All change involves action. In effective change, that action is directed toward a vision of the place in which the leaders and members of the organization would like to see themselves in the future. Strategy, then, is the path they are willing to take to get there. In a rapidly changing environment, that path must be redefined continually. *Yet* managers must also provide stability and focus by nurturing the core values of the organization and building upon them. So the first component of the new school of management will be strategic flexibility.

To galvanize action toward the organization’s vision, members of the organization must be willing to leave the place they currently occupy, even if it seems comfortable. Managers will have a better understanding of the reasons why people may resist change and will be skilled in helping people to let go of the past for the sake of the organization’s, and their own, futures. Thus the second component of the new way of managing will be change-readiness.

Then the organization must determine the gaps between its vision and its current reality. It must look at the connections among the many things that need to be changed and find the – often hidden – points of leverage by understanding the unwritten rules that drive the organization. With these insights, it must make a plan for change that will effectively and economically achieve the desired outcomes. This is hidden leverage, the third component of managing change.

Exhibit 1

Accelerating Improvement: Managing the Pathway to Performance



The next challenge is to change the many interrelated facets of the organization – such as management policies, organization structures, business processes, and resources – together, simultaneously and harmoniously, without disrupting the performance of the organization. This is where thought and action meet: where systems thinking turns into systems action. This is the way of managing operational alignment.

From another perspective, change is about switching off old mental models and procedures and switching on new mental models and procedures. This switching has to take place in the minds of people and in their day-to-day actions. So to operationalize change smoothly and quickly, it is vital to involve the final implementors as early as possible so that they become the agents of change rather than the victims of change, which they become when the solutions devised by others are forced down upon them. Therefore organizational involvement is the fifth aspect of managing change.

Throughout all this activity, the agents of change must learn. They must learn what is of most value to their stakeholders, that is, those on whose support they rely – their customers, colleagues, providers of capital, suppliers, and others. And they must learn how to provide this value more efficiently and effectively than their existing and potential competition. Closely aligned with the dimension of involving people effectively is this dimension of learning. To stay ahead, an organization must grow its „knowledge capital“ and apply it effectively. It must pay explicit attention to the process of organizational learning and must apply learning to improve the ways in which it manages the five components of change we have delineated. As the organization changes, it must build up an infrastructure of continuous learning so that it can sustain high performance. It must encode change and learning into its very DNA. This is the sixth component, learning acceleration.

Each of these six components of the process of change and learning must be conducted in a way that is consistent with the overall objective of creating an organization that accelerates performance improvement.

The One Pathway

The resilience of the organization rests on the integration of all six components of change and learning into a single flexible Pathway to Performance process. Gone with this passing century will be the old divisionist models of thinking and management – the reduction of the organization into distinctly separate functions, business processes, or hard and soft ways of managing.

Managers of the new school will know that a fabric cannot be strong if only the threads running in one dimension are strong, and that a fabric with strong threads in many dimensions will still be weak unless the threads are skillfully interwoven. Thus also with managing the six components of the process. None by itself will

create the accelerated-learning, high-performing organization. Therefore, well-schooled managers will not be misled by faddists or purveyors of unidimensional solutions – whether reengineering, empowerment, or learning. They will take the best ideas from these disciplines and weave them pragmatically into their own ways of managing the integrated fabric of learning and improvement. As Albert Einstein said, „Powerful new frameworks are like climbing a mountain – the larger view encompasses, rather than rejects, the earlier, more restricted view.“

With the vantage point of the new framework outlined here, when managers come to Yogi Berra’s fork in the road, they will know practical ways to take it.

Conclusion

Our picture of the Pathway to Performance represents a single cycle on an upward-spiraling journey of accelerated performance improvement. For organizations that undertake the journey, there is no end-point, no destination to arrive at, because the journey is the destination. They continue to form new, flexible strategies, responding to changes in their environment and making waves that buffet others in their industries. They continually realign operations and enhance organizational involvement as they go on. Above all, with each cycle on their journey onward and upward, they continually enhance their mastery of the ways of managing for sustained high performance.

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