

Best Practices and Beyond

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Last spring Arthur D. Little convened six colloquia – stretching from northern California to southern Florida – to which we invited executives from some of the world’s most innovative companies. It was an experiment in collaborative learning. We asked the executive participants, working with a team of Arthur D. Little consultants, to tackle the toughest problems currently facing managers of several critically important business processes: new product development, supply chain management, customer service provision, manufacturing, information management, and safeguarding the environment. For each process, the goal was to identify and document best practices, anticipate the next set of critical challenges and opportunities, and create a body of insights – thought leadership – that would help other executives improve their operations.

This issue of *Prism* presents some of the results of this experiment. We consider it a remarkable success. In the pages that follow, you will find leading-edge techniques, candid reflections on unmet challenges, and case studies from companies that unquestionably qualify as Best of the Best. Beyond that – and, in a sense, more importantly – you will see how senior executives from more than 50 major companies struggle with a common dilemma: unleashing major change in large, complex, often fabulously successful organizations.

Today, the single most important invention for any company is continuous reinvention. In a business world that is changing more quickly, and on more fronts, than ever before, the central challenges are these: How do managers design and implement change, and how do they build organizations agile enough to embrace change as an ongoing reality of doing business?

Change was the touchstone theme of all six colloquia. Our executive participants were clear: Today’s best practices will be tomorrow’s lagging indicators. Only the ability to manage change itself – to rewrite the rules of competition in an industry, to discover new ways of working, to render a generation of products obsolete before rivals do – will continue to generate sustainable advantage.

It’s difficult to overstate the urgency of this theme. Time and again – whether the core process under discussion was providing exceptional customer service or maintaining state-of-the-art environmental practices – the theme that galvanized the most energetic conversations was the creation of an agenda for change. Four sub-themes defined that agenda:

The Promise – and Perils – of Process. Around the world, hierarchical, function-based organizations are losing ground to organizations built around processes. But reorganizing around processes, our participants agreed, creates its own set of challenges. Much of the discussion at each of the colloquia focused on the unmet challenges and dark sides of business process redesign.

For example, one simple yet critical element to redesigning a process is understanding where it begins and ends. But process boundaries are increasingly eroding. Participants in the supply chain meeting defined their responsibilities as stretching from „dirt to dirt“ – that is, from the extraction of raw materials to the disposal or recycling of end products. That’s about as „sweeping“ as a process gets!

The information management session confronted a related challenge. As information technology (IT) becomes imbedded in virtually every function, process, and product, the once-familiar discipline of „information management“ changes dramatically. Is the IT organization responsible for everything? For nothing? Where is the boundary between the process of managing information and just plain managing?

Arthur D. Little has spent years working with clients on business process redesign. Still, these gatherings were powerful evidence of just how young the field is. When it comes to organizing around processes, there are still far more questions than answers. Finding answers requires deep experience and a willingness to engage in side-by-side learning.

From New Structures to New Behaviors. Nearly all the executives who participated in the colloquia had long careers in largely technical disciplines. So it was striking, given these backgrounds, just how large the „people factor“ loomed in every discussion.

The participants recognized that as the logic of competition changes and as organizations reconfigure themselves to respond, long-term success requires more than new strategies, structures, and systems. It requires new mindsets and behaviors – between managers and individual contributors, among members of teams, between corporate partners. Success also requires new skills, especially in the areas of leadership and motivation.

Think of it as a part of a broader shift from the hardware of the corporation to its software. Naturally, some of the conversations in the manufacturing colloquium focused on „hard“ techniques such as minimizing disruptions and establishing just-in-time systems. But most of the focus was on the „soft side“ of people and teams: the new realities of work, learning, and coaching. How do we describe the new values and behaviors we need? How do

we instill them in our people? How do we reward and promote people based on those values? Much the same held true for product and technology management. The toughest questions among R&D executives centered on the most „human“ issues: How do researchers separated by thousands of miles develop a shared sense of purpose? In a world of self-directed teams, what are the new attributes of leadership? How do we encourage teams to take risks in pursuit of major breakthroughs, even as we hold them accountable for short-term performance?

What Gets Measured Gets Attention. Measurement easily qualified as one of the most widely shared frustrations across the six colloquia. Nearly all our executive participants were firm believers in the maxim „What gets measured gets attention.“ *Yet* most everyone also agreed that in a period of such profound change, this maxim begs a more basic question: Just what should we be measuring? It is a common dilemma: If we’re busy writing new rules of the game, how do we keep score?

Some of the most intriguing best-practice presentations (at least, judging from the furious note-taking) grappled with the measurement challenge – in team performance, customer satisfaction, R&D productivity. Clearly, creating scorecards capable of tracking the new factors behind long-term success is a major item on the change agenda.

Beyond Vision to Integration. Times of great change call for leaders and organizations with a strong point of view about the future. In each colloquium, „the vision thing“ inspired a complex blend of hope and dread. On the one hand, executives agreed on the importance of direction for the future, and they were hungry for effective ways to communicate that direction throughout the ranks.

On the other hand, the reality of „vision fatigue“ was palpable. The executives were genuinely concerned that their organizations have been „scenarioed“ and „critical success factored“ to death. Too often, they worried, grand visions have too little connection to short-term investments and day-to-day work priorities. The challenge is moving beyond vision to integration.

For Arthur D. Little, the process of organizing and leading the colloquia was itself a valuable learning experience – and one that spoke directly to the vision challenge. One of the most important lessons was the power of a special kind of „double vision.“ Each of the sessions brought together senior executives with similar managerial and technical responsibilities, but from vastly different organizations. For example, the session on customer management included executives from a steel company, a catalogue retailer, and a hospital. The group that focused on environmental management included executives from a chemical company, a telecommunications company, and a food and beverage company.

The result was blank-sheet-of-paper creativity tempered by hard-headed reality. The executives thought broadly, sometimes radically, and ventured well beyond the confines of their specific industries. *Yet* they also drilled deeply and reckoned seriously with the complexities of designing and implementing high-performance management systems and techniques.

This double vision is one of the core drivers of change today. To innovate, leaders and organizations need to cast off the constraints of corporate tradition. To deliver, they must infuse their imagination with world-class expertise and in-depth experience.

The six two-day sessions shared a common format, although they quickly developed their own personalities and styles. For each group the first task was to settle on a process definition to „bound the problem.“ This was never easy, largely because of the phenomenon of „blurring boundaries.“ Some of the most provocative insights came in response to the simplest questions:

What are we here to talk about? What do we think manufacturing management (or customer management, or information management) means?

The second agenda item was a brainstorming exercise we called „Toughest Problems/Best Minds.“ Members of the group were asked to identify the major challenges they faced as they looked to the future. Together they refined and categorized them. This exercise generated a rich set of problems and roadblocks that informed much of the subsequent discussion.

The brainstorming period was followed by a series of presentations on best practices. Each participant shared a management system or technique from his or her company. The presentations were candid, detailed, and pragmatic. Together, they represented a remarkable collection of some of the most effective approaches to process management anywhere.

The final agenda item was called „Paving New Paths.“ Small groups took on a set of the „toughest problems“ and created a plan for tackling them. The groups were urged to be creative, to suspend disbelief, to try some wild ideas. The job of the Arthur D. Little participants was to facilitate, probe, and push – to apply our collective experience to help the executives get beyond today’s best practices, increase their knowledge capital, and

advance along the path of innovation and change.

The colloquia were intense and exhausting. The days were long, the expectations high. But without exception, the conversations were provocative and stimulating – at times, downright exhilarating. So many of us, including those of us at Arthur D. Little, are consumed with the day-to-day pressures of simply getting things done. Few experiences are as rewarding as enabling a group of world-class minds, in the spirit of candid exchange, to share what they know and collaborate to create new knowledge.

We hope the material that follows captures the substance and spirit of what took place at the six colloquia. The first article, on technology and product management, employs an „as-it-happened“ narrative style to give our *Prism* readers a full sense of the way the discussion unfolded and the core themes that emerged. The five other reports are thematic summaries of key issues and case studies. For each of these colloquia, more detailed reports, similar in style to the technology management article, are also available. We will be happy to provide any and all of them to *Prism* readers who request them.

Arthur D. Little is proud of what we and our guest participants achieved in these colloquia. But for all the best practices we discussed and all the learning that took place, we also recognize that the material that follows represents the first word – not the last – on new ways of competing. The pace of change in business is so fast, the competitive pressures so relentless, that there are no „right answers“ anymore – or at least not for very long. The best we can hope for is the intellectual honesty to keep asking the tough questions and the curiosity, tenacity, and vision to keep learning the new answers.

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