In this issue:

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  a simple, highly effective change program that has created huge payoffs for General Electric, Home Depot, Sears, and General Motors.

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  Work-Out to break down hierarchy, eliminate useless meetings, reduce costs, speed cycle times, and increase profits.

- **Build...**
  a fast-paced innovative culture, develop leaders who make quick decisions, and create an empowered workforce.

- **Learn...**
  each of the steps and roles involved in planning, conducting, and implementing a Work-Out at your business.

- **Overcome...**
  resistance within the organization by linking Work-Out to other change programs, modeling the change, and focusing on the payoff.

The GE Work-Out

How to Implement GE's Revolutionary Method for Busting Bureaucracy and Attacking Organizational Problems — Fast!

**by Dave Ulrich, Steve Kerr, and Ron Ashkenas
with Debbie Burke and Patrice Murphy**

A summary of the original text.

GE is one of the most successful companies in the world, with businesses ranging from jet engines to light bulbs to credit cards. Yet every day, thousands of people at GE face the same problems that confront every other business in the world. What's the best way to deliver products and services to our customers? How can we improve our margins? How do we stay ahead of the competition? How can we make the best use of technology? How do we move quickly to new opportunities?

GE does not have all the answers to these questions, but it does have a superb process for confronting each challenge — quickly, simply, and with the involvement of the people who will carry out the decision. That process is called "Work-Out," because it aims to get unproductive *work out* of the system.

Our discussion of Work-Out is divided into seven parts:

- Section 1 outlines the process and the benefits that it provides.

- Section 2 helps you prepare for the normal skepticism and resistance to change that is sure to arise.

- Section 3 gives you an overview of the Work-Out process and how to plan a basic Work-Out.

- Section 4 covers the five basic steps in conducting a Work-Out.

- Section 5 covers the four basic elements of a successful Implementation.

- Section 6 shows you how to customize Work-Out to fulfill your organization's operational needs.

- Section 7 gives you the

secrets to making Work-Out pay off for the long term by creating new leadership and a new culture.

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1. WHAT IS WORK-OUT?

Work-Out is a simple, straightforward methodology for cutting bureaucracy and solving problems quickly. Its genius lies in harnessing the intelligence of workers closest to a problem.

The problem can be of almost any type. Work-Out was first used at GE to harvest the low-hanging fruit of overgrown bureaucracies by reducing meetings, reports, and the number of approvals needed to make a decision. It can also be used to cut in half process times in product development, order entry, employee communications, and more. Or, Work-Out can be used to bring your people together with customers or suppliers to develop innovative ways of doing business together.

No matter what the challenge, the process remains the same, with four basic steps:

1. Bring together the people who know the issues best.

2. Challenge them to develop creative solutions.

3. Make yes or no decisions on the solutions immediately in a public forum.

4. Empower people to carry out the solutions.

For example, one of the earliest Work-Outs at GE Capital focused on finding and getting rid of procedures that get in

the way of doing business and serving customers. After an introduction by the Chief Financial Officer and an outside consultant, 40 people from various businesses and functions within GE Capital broke into small groups and started brainstorming. What procedures didn't make sense? Where were they wasting time? What activities added the least value?

The CFO expected very little to come out of the discussion. GE Capital was one of the company's fastest-moving, least bureaucratic units. It wasn't a tired old business with 100 years of outdated procedures.

But to his amazement, the participants filled countless pages with notes about areas that needed to be improved. The facilitators asked the CFO to leave, and then the group divided the ideas into three themes: expense approvals and reimbursements; materials purchasing; and deal analysis and approvals.

The participants split into three groups to work on each issue. They spent the rest of the day selecting the ideas that were worth pursuing, and estimated how much money or time the change would save.

The next day, the three groups met together to discuss their recommendations. After lunch, the CFO returned, along with several senior GE Capital managers. For several hours, all 40 participants talked through the ideas one at a time in a "Town Meeting." After each idea was discussed, the CFO had to say "yes" or "no" immediately.

As a result of this Work-Out,

GE Capital got rid of several time-consuming, money-wasting activities on the spot. Expense reports no longer needed multiple approvals. People could purchase approved software without going through the IT organization. And a pre-deal process was established to see if deals were worth pursuing, *before* going through all the analytics.

At GE and at other firms that use it, Work-Out is more than a way to solve problems. It also *creates an empowered workforce,* because employees can see that their ideas make an impact. Work-Out also helps to *build a culture that is fast-moving, focused on innovation, and unconcerned with boundaries.* Plus, it *develops leaders* who listen to workers and make quick decisions, rather than hiding in their offices. All of these benefits have given GE the foundation to roll out other initiatives, such as Six Sigma and e-commerce.

The company has held literally hundreds of thousands of Town Meetings to make quick decisions on solutions to problems. Welch and many outside observers believe that the program is an unqualified success, but there are no hard numbers to back up that claim. Welch always refused to measure Work-Out, saying it would die if he started to measure and track the results it was producing. Instead, he said he would know "in his gut" when it was working and when it was not.

Many other companies that have used Work-Out *have* measured the results. For example, Zurich Financial Services U.K. had used

hundreds of Work-Outs by the end of 2001, involving half of the firm's 6,000 employees. The verified savings over the preceding four years totaled more than $100 million, and came from every part of the company. In addition, the company achieved gains in customer service, product development, and process improvement.

Whether its impact is measured at the gut level or on a spreadsheet, Work-Out wins over CEOs because it helps a company return to the way in which decisions were made in its early days. In small start-up organizations, the founders and "first-generation" employees have an entrepreneurial spirit: They focus on the tasks that, with or without titles, need to be accomplished.

As the organization grows and develops, internal relationships became more defined and formalized. This change is necessary, but over time the structure becomes rigid and inflexible, creating more "make-work" and impeding innovation, and turning the focus inward instead of outward, to the customer and the marketplace. This structure leads to inefficiency and lower productivity.

Work-Out reverses this process by forcing the organization back to an earlier stage, where greater speed, flexibility, innovative spirit, and communication across levels previously existed. It breaks down barriers that have slowly and imperceptibly been built up over time, often helping companies save millions of dollars in costs.

It's important to keep in mind that Work-Out is not just a cost-cutting process. It also can help companies grow along five key dimensions: First, it *provides a focus on stretch.* By forcing people to rethink what they are doing, it also encourages them to stretch to a goal or challenge that is significantly beyond their current performance level. For example, the stretch goal might be to cut the time to develop a new product in half, or to reduce the number of customer complaints by 30 percent in the next year.

Second, Work-Out helps companies to *develop systems thinking.* Work-Out encourages people to take a systems perspective because few really substantial changes take place in a vacuum. In the initial design phase of Work-Out, the design team creates a comprehensive map that describes the steps, processes, and subprocesses involved in producing current results. This map enables the team to identify multiple points of focus for the Work-Out. In subsequent sessions, facilitators help cross-functional teams create increasingly detailed process maps that enable participants from different functions to gain a broader systems perspective.

Third, Work-Out *encourages lateral thinking.* With the process map as a starting point, participants brainstorm ways to achieve the goal and sort through ideas, select the best ones, and develop them into recommendations. Work-Out begins by focusing on the *"low-hanging fruit,"* the easy fixes that can be made to virtually any process. Every organization develops clutter or inefficiency over time. Work-Out calls these RAMMPP inefficiencies, short for reports, approvals, meetings, measures, policies, and practices. These are relatively easy to find and remove.

The simple RAMMPP Matrix illustrated below lists each type of clutter and the places where it might exist, such as in your job, your department, group, company, or in external processes. For each RAMMP activity, look for ways to get work out of it. For example, identify any meeting you could eliminate, schedule less often, finish in half the time, hold with fewer people,

THE RAMMPP MATRIX

	CONTROL					Could it be:
	Self	Department	Group	Company	External	1. Eliminated?
Reports						2. Partially eliminated?
Approvals						3. Delegated downward?
Meetings						4. Done less often?
Measures						5. Done in a less complicated/time-consuming manner?
Policies						6. Done with fewer people involved?
Practices						7. Done using a more productive technology?
						8. Other?

or replace with a more productive technology, such as videoconferencing.

In addition to generating ideas, Work-Out encourages *quick but critical analysis of ideas* to select the most worthwhile ones for action. After each brainstorming session, participants use a Pay-Off Matrix, like the one illustrated below, to think through both impact and achievability. It divides ideas by two criteria: "small pay-off" vs. "big pay-off," and "easy to implement" vs. "tough to implement." The point is that an idea that might save millions is worthless if it is impossible to implement. However, an idea that offers a small pay-off can make an impact if it can be put into action quickly.

After lateral thinking, the fourth way in which Work-Out helps companies grow is by *creating ownership.* At the Town Meeting, each team can present a recommendation only if a member is willing to be "owner" of it — to take responsibility for driving it through to completion. The owner mobilizes the resources, puts together a plan that everyone agrees to, ensures that everyone does his or her part, and is accountable to senior management for the success of the project.

Finally, the fifth way that Work-Out promotes growth is through *injection of rapid-cycle change and fast decision making.* Most companies move slowly. Managers insulate themselves from failure by relying on staff reports and analysts for advice and support. For example, at the old Allied Signal Automotive Sector of GE, expenditures over $100,000 required 26 signatures. Each sign-off took an average of four days, for a total of more than 21 weeks. At the Town Meeting, business leaders have to make decisions on the spot, without the usual crutches of time, analysis, staff opinions, and deep consideration. Instead, the business leader must listen carefully, ask questions, solicit views from other people at the meeting, and then make a decision in a matter of minutes, rather than months.

Although Work-Out involves people in finding problems and fixing them, it is just as likely as any other change program to run into resistance. In the next section, we'll discuss how you can recognize resistance and turn it into support.

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2. OVERCOMING RESISTANCE

Resistance to change is common and understandable. Here are three of the most typical responses:

1. *"Been there, done that."* Most organizations have tried change programs. If this is the problem, try to find rationale for adding Work-Out as a way to create synergy among existing initiatives. Work-Out is not a program; it's a methodology. It is not something you *do;* it's something you *use* to bust bureaucracy, reduce costs, speed cycle times, or attack any other problem that needs to be solved.

2. *"We're fresh out of heroes around here."* Some executives may think they lack the skills or personality to run a Town Meeting. However, there is no "right way" to run a meeting, and no one does it perfectly every time. Remind them to approach Work-Out as a learning experience, one in which they will get better as they go along. If necessary, the CEO can co-lead the sessions for the first couple of managers to serve as a model for all of the others to follow.

3. *"We're too small to tackle such a monster."* If the time and costs involved in scheduling a Work-Out appear to be too expensive, focus on the

PAY-OFF MATRIX

	Easy to Implement	Tough to Implement
Small Pay-Off	Quick Win! (QW)	Time-Wasters (TW)
Big Pay-Off	Business Opportunities (BO)	Special Effort (SE)

pay-off. For example, a GE Capital Work-Out team recommended sending automobile-fleet-leasing customers only summary reports of monthly usage, not all the backup detail. The team calculated the cost savings from paper and postage, computer time, and handling. The total savings amounted to several hundred thousand dollars, which paid for the Work-Out session many times over.

The best way to understand any change process, including Work-Out, is to do it rather than talk about it. One useful, fast, and simple exercise, "Wasteful Work Practices" instinctively appeals to most employees. Each participant is given a worksheet on which to list those parts of the daily routine that don't make sense. Then, small groups are formed where participants share their ideas and generate additional ideas for the Wasteful Work Practices list. Teams then select one or two of the best ideas and present them to the business leader at the Town Meeting. This entire session can be completed in a few hours.

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3. PLANNING A WORK-OUT

Before getting into the specifics of planning a full-blown Work-Out, let's outline the overall process and the key players.

There are three main stages of every Work-Out:

- **Planning** includes identifying the problem, getting upper-level organizational support, organizing a plan

design team, and recruiting a cross-functional team.

- **Conducting** includes brainstorming, idea evaluation, recommendations, and approval.

- **Implementing** includes putting the ideas into practice with follow-up evaluation.

Now let's discuss the key Work-Out roles and the members who perform them. We'll also note which roles are mandatory and which ones are optional.

Among the most important **leadership roles** is that of the *sponsor.* This mandatory role is filled by the senior manager responsible for all the parts of the organization involved in the Work-Out.

The sponsor may also fill the role of the *champion.* As a separate role, it is optional. This individual represents the sponsor at the sessions and takes responsibility for the detailed preparation and follow-up to the session. The champion also organizes the review sessions at 30, 60, and 90 days after the Town Meeting.

The **facilitation roles** include the *Work-Out consultant.* An individual who has experience with the process fills this mandatory role. He or she helps the sponsor make initial decisions about objectives and then works with the sponsor and champion to design the session and organize logistics.

The person who fills the optional role of the *analyst* helps compile and prepare the

data given to team members. People should be trained in Work-Out methods to handle the mandatory role of *facilitators.* Facilitators help the consultant prepare and run the sessions, attend preliminary briefing sessions with the lead facilitator, and meet with team leaders to plan the team sessions.

In addition, two optional roles can add value to the Work-Out process, but are not essential. *Expert resources* are specialists who are available during sessions. The *administrator* organizes the logistics of the event.

Participation roles include team leaders and team members. *Team leaders* are responsible for preparing their team for sessions. They play critical roles in all phases of the Work-Out, providing leadership and communication among teams and team members.

Team members are at the core of the entire process. They gather data, do some preliminary thinking, and are part of the team that solves the business problem. There are four useful criteria to consider when selecting team members:

1. Is there a need for this particular expertise?

2. Should the perspectives of users, recipients, and customers be built into the team?

3. Who are the potential implementers of recommendations?

4. Will some members benefit from participation?

Identify likely participants by

function or position first, then by individuals whose operational categories are most likely to further the goals of the Work-Out. It often is helpful to provide an organizational map around each problem to identify:

- Underlying processes and business functions it cuts across.

- Related areas that are not currently involved but could be.

- Who will benefit most from achievement of the goal.

- Who else may need to be involved.

The final group who can play a role in Work-Out consists of *Town Meeting participants.* This group includes the senior-level management of key functional areas; it is "optional," but it probably is best to invite them to participate in the meeting.

The figure below gives a sample time line for a full-length Work-Out, and lists which of the participants are involved at each stage.

In brief, the planning stage takes 30 days; the conducting stage requires one to three days; and the implementing stage is spread over 90 days, punctuated by the three reviews.

Now let's discuss the *planning* stage in more detail. Most companies face an identifiable problem with an unidentifiable cause. Once that problem has been identified, a senior leader forms a small design team to agree on key issues to be tackled, identify participants, communicate expectations of what people will do at the event, and prepare business leaders for their roles.

The design team can also pull together data analyzing root causes and quantifying the potential gains in different areas of the Work-Out. If there is good communication among teams, the amount of

advance planning can be minimal, because rapid feedback will enable the teams to adjust their activities as feedback warrants.

An outline of the plan should include a business problem, such as process improvement, and a written goal. It should also describe the estimated impact if the improvements are achieved, as well as several likely improvement opportunities or problem areas. For quick results, the time line for implementation should be 12 weeks or less.

If you do not already know which business problem to pursue, there are five ways to generate a list of business issues:

1. Identify performance gaps in business plans, budgets or other key performance measures.

2. Interview customers, both internal and external, to clarify expectations and identify areas of improvement.

SAMPLE TIME LINE FOR A FULL-LENGTH WORK-OUT

Days

| 1 | 30 | 33 | 60 | 90 | 120 |

Plan Stage (30 Days)	Conduct Stage (1–3 Days)	Implement Stage (90 Days, Punctuated by 3 reviews)
Participants: Sponsor, lead facilitator, champion, others as invited	**Participants:** Sponsor and/or champion (at kick-off and Town Meeting), lead facilitator, team leaders, team members, team facilitators, resource people, administrator, and Town Meeting panelists (Town Meeting only)	**Participants:** Recommendation owners, others recruited to participate in implementation
Goals: Select theme, set date, design session, pick and invite team leaders, team members, team facilitators, Town Meeting panelists, administrator, and resource people	**Goals:** Analyze situation; come up with recommendations; get yes-or-no decisions, approve action plans;	**Goals:** Carry out action plans and get results
		Follow-up reviews should take place every 30 days
		Participants in a Review: Sponsor, recommendation owners, others as invited
		Goals for a Review: Check progress, resolve problems

3. Meet with managers of other areas to review processes that cut across functional boundaries.

4. Benchmark performance against competitors.

5. Ask staff what is limiting business results.

An urgent and compelling issue makes the best Work-Out target. The following are key criteria:

• It is important and urgent, not just "nice to do."

• The topic is broad enough for brainstorming, not a single, well-defined task or narrowly stated problem.

• The objective is an improvement in actual performance, not just an improvement in an area like planning or training.

• Some aspects of the improvement can yield results right away.

The purpose of the planning phase is to answer one question: What is the objective of this Work-Out in bottom-line business terms? For example, "improving customer service" is too vague and unclear. But "implementing the predetermined customer response script" is too narrow.

The criteria for a Work-Out goal can be expressed in a *SMART* goal statement. That is, it must be a *S*tretch goal. It must be *M*easurable, *A*chievable, *R*ealistic, and *T*ime-related.

Here are some SMART goals from a variety of organizations:

• Reduce average costs per repair by more than 10 percent year over year.

• Increase productivity by 20 percent while maintaining service standards.

• Reduce cycle time for client proposals by 50 percent within four weeks.

To double-check your SMART goal, estimate its business impact. This is an estimate of the bottom-line impact of your goal. For example, if the goal is to reduce average costs per repair by 10 percent, the business impact can be calculated as follows:

1. Determine the average cost per repair.

2. Determine the average number of repairs per month.

3. Multiply these two numbers by 12 and get the average repair costs per year.

4. Take 10 percent of this number.

This business-impact number provides motivation and excitement for Work-Out participants. It helps them see that they are not just engaging in an exercise, but helping to put some real money on the bottom line.

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4. CONDUCTING A WORK-OUT

Now let's discuss how you can conduct a Work-Out. There are five basic steps in this stage:

1. The ***Introduction*** at the opening session includes a welcome by the lead facilitator, an overview of the methodology and the business issue to be addressed, related background information, and a warm-up exercise intended to lighten what can become a tense and anxious atmosphere. The key ground rules and principles include "no sacred cows," "no turf battles," and "no blaming or complaining."

2. The ***Small Group Idea Generation*** phase focuses on initial brainstorming. The teams identify the topics or opportunities the session can address by developing a list of top 10 ideas or possible opportunities for achieving the assigned goal. Once the ideas have been written down, ideas can be categorized and prioritized using a Pay-Off Matrix, a powerful tool for prioritizing ideas. As we've already discussed, this matrix allows you to compare ideas based on whether they are easy or tough to implement, and whether the pay-off is small or big.

3. The ***Gallery of Ideas*** step takes place when each of the small Work-Out teams share their preliminary ideas with the rest of the group at the session. Each team lists its top 10 ideas on a wall of the meeting room. In the team presentations, the spokesperson explains the rationale for each idea. This should take about 10 minutes, followed by a 10-minute question-and-answer period. As teams' presentations are made, participants should resolve any

duplications or overlaps. Then the group votes on the ideas. Participants use dots or stickers to vote for the top four ideas from each team.

4. The *Action Recommendations* stage occurs next. For the balance of the time leading up to the Town Meeting, the teams work to develop the four ideas that received the most votes. The teams can do "dry runs" of their presentations to anticipate the tough questions and challenges they will face about the risks and payouts. During this phase, the team should consider the following questions to strengthen each recommendation or action plan:

   • What is the probability of success? Are there other ways to increase it?

   • Can the plan be tracked and measured?

   • What are the likely objections?

5. At the *Town Meeting,* each team will present its recommendations and action plans to the sponsor, champion, and other key business managers. The sponsor will then make decisions on the spot. The presentation includes the recommendation, the business issue that it addresses, the financial pay-off and other benefits, the risks, the way that the results will be tracked and measured, and the action plan for implementing the recommendation. The action plan should include the name of the person on the team who has volunteered to "own" the plan. At this point, the sponsor and other managers should ask clarifying questions as needed to ensure that they understand what change is being recommended, and to ensure that the team has explored all the available options. The sponsor then has to make a yes or no decision on that recommendation. If the sponsor says no, he should explain the reasoning behind his decision to the team. Occasionally, the sponsor may need to ask the team to do more research before receiving an unqualified yes. If this is the case, the sponsor must set a specific, short time frame for completing the work and making a final decision. This is not an excuse to put off a decision for months. The sponsor might say, "I want to say yes, but we really need the financial implications to be spelled out more clearly. Get the numbers and let's meet tomorrow at 8:00, and if they look good, my decision will definitely be yes."

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5. IMPLEMENTING WORK-OUT RECOMMENDATIONS

Let's assume that you've held your Work-Out and you've approved an ambitious list of recommendations. This is not the end of a successful Work-Out; it's the beginning. The power of Work-Out lies in taking the ideas unleashed in the Town Meeting and translating them into real organizational change and real results.

Four elements of Implementation will produce success:

First, *make accountability stick.* This means immediately confirming who will be responsible for implementing each recommendation at the grass roots level. It also means pulling together the team — the champion, team leader, and recommendation owner — that will be on the hook for the recommendation for the next eight to 12 weeks.

Second, at the end of the Town Meeting the sponsor needs to *move immediately into work planning* and to confirm assignments so that there is one individual accountable for each idea. All of the action steps must be assigned and given deadlines. All recommendation owners should have a stake in the business issue being addressed. At several GE units, a two-hour work planning session takes place immediately after the Town Meeting — before people can get back to their offices or run to airports. Anyone who cannot stay is given some brief instructions about putting together a work plan with an assignment that is due in 24 hours.

The third aspect of implementation is the challenge of *managing the organization's cycle of energy.* People will encounter all forms of resistance to change, some subtle, some not, as they set about their assignments. Sponsors and champions should support and coach recommendation owners through these difficulties.

Finally, the fourth element is

to **provide management oversight and support.** Some goals have a clear scope and narrow focus. Others don't and, instead, involve making major progress on a complex issue in a short amount of time. For example, a program suggested at Armstrong World Industries was far too large to be implemented on a nationwide basis within 12 weeks. Instead, the sponsor suggested that the recommendation owner focus on one or two major metropolitan areas first, and get the program up and running there.

To implement the recommendations, you also need to select the implementation team members. The team needs people who:

- Are close enough to the front line to understand the technical aspects of the subject matter.

- Have the potential to challenge the status quo and be innovative and creative.

- Are likely to participate actively and effectively in a team without trying to dominate it.

- Are strongly oriented towards action and results.

Setting up the action plan involves all of the usual procedures. Assign accountability for each step, determine the time frame for each activity, and test the plan for completeness. Then the recommendation owner reviews the plan with the champion and, if necessary, enlists the champion's help in smoothing the way for implementation. During the reviews, at 30, 60, and 90 days, each recommendation owner reports on his progress to the champion and the sponsor. If any obstacles have emerged, they can be removed before the project stalls.

The implementation phase is the key to the success of Work-Out. No one will want to do another Work-Out if the recommendations approved at the Town Meeting are not implemented successfully. When all of the participants perform their roles well, the company begins to develop a sense of infinite possibility.

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6. CUSTOMIZING WORK-OUT FOR YOUR ORGANIZATION

Of course, not every company is like GE, so it is essential to customize Work-Out to your own organization, situation, and problems. This entails considering several key variables and deciding how to make constructive adaptations.

One variable is *time.* Some problems are too complex to be handled in a three-day session, much less a one-day blitz. In such cases, an "extended" Work-Out may be used. GE Lighting used this approach to reduce product breakage.

The problem was that nobody really understood the problem of breakage or how well the potential solutions would work. Thus, the first stage was a one-day "getting organized" Work-Out. Cross-functional teams, each focused on a product category, met to review existing data and discuss possible issues. The recommendation was to develop a specific work plan for the next few weeks on how to find out what was really going on.

Teams went about researching the breakage situation. The second Work-Out session identified several solutions over two days, among them the recommendation to use inflatable airbags to fill the spaces between boxes that caused loads to shift and bulbs to break. Relatively simple changes in pallet configurations — to make them conform more to the configuration of forklifts — also were recommended to reduce breakage. In all, the teams identified millions of dollars worth of savings at the concluding session and then implemented them over the next several months.

Another key variable is *distance.* One example is from SmithKline Beecham, which had several locations scattered across the U.S. and the U.K. The issue was structural reorganization after a merger. The first stage consisted of a two-day session of the top 25 managers. A number of possible organizational designs were considered, and the team approved one overall design. Stage two was a virtual Work-Out in which people were solicited for their ideas on organizational design and how that design might reduce costs. Each unit in the overall group was given a month to accomplish this. At the end of the month, each manager froze the local Lotus Notes used for the virtual session and developed a set of recommendations about next steps.

Besides time and distance, the third major way to create variations on Work-Out is to *"flex the focus."* That is, shape the process around three different types of topics and goals:

1. Bureaucracy-busting.

2. Process improvement.

3. Strengthening the value chain.

Despite the logical appeal, it isn't always clear that busting bureaucracy has a measurable pay-off. By "dollarizing" bureaucracy — including some time to assess bottom line impact — you can select ideas that make a real cost-cutting contribution.

Bureaucracy is often the result of the addition of hundreds of small procedures that drain time, energy, and profitability. By "blitzing" — encouraging lots of ideas for small improvements that can be evaluated and implemented easily — enormous savings and efficiencies can be realized.

Process improvement Work-Outs go very nicely with bureaucracy-busting because the rationale is that the company's people must continue to think about how they can do things better. That's process improvement, which can come in "big ideas," but most often come in small increments of continuous improvement. The Work-Out can be designed around the process and, by extension, the steps in the process. Further, certain

aspects of a business require some processes to run parallel. New product introductions are an example. The processes can be mapped to show points of convergence and divergence and critical points along the way.

The teaching of process mapping and process thinking can be handled by incorporating a tutorial on how to do process mapping into the agenda. An example of a process map for buying a car is shown below.

As process thinking becomes embedded in your company, the natural next step is to consider the overall context in which processes occur: the value chain of suppliers and customers. Value chain Work-Outs can be organized by:

1. Sketching out the key constituents in your value chain. Who are the most critical suppliers and significant customers?

2. Selecting a few partners with whom you can start a dialogue.
3. Listening to their concerns and understanding their perspective.

4. Creating a joint team with a few people from each company.

5. Holding the event and starting the process.

6. Reviewing initial efforts jointly and keeping the process going.

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7. LONG-TERM PAY-OFF: CREATING THE LEADERS AND THE CULTURE

Transforming an organization to make it more competitive, productive, or innovative in any way means having better leadership. Those who have leadership roles in an organization need to step forward and start a creative chain reaction that gets more and more people to change as well.

The starting point is to create the "leadership brand" — the expectations of what leaders should achieve and how they should do it. At GE, the conversation began about "speed, simplicity, and self-confidence."

To give the brand clear definition, a series of leadership-assessment and development programs was developed. The GE Capital program, called "Leadership Challenge," was based on a one-day workshop and an assessment instrument that translated the GE motto into 20 specific behaviors.

During the meeting, managers were given the results of the assessment by subordinates, peers, and bosses. This process gave senior leaders a sharper picture of the brand and what they needed to do to realize it. You can use four steps to replicate the GE success in leadership brand-building in

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PROCESS MAP EXAMPLE: BUYING A CAR

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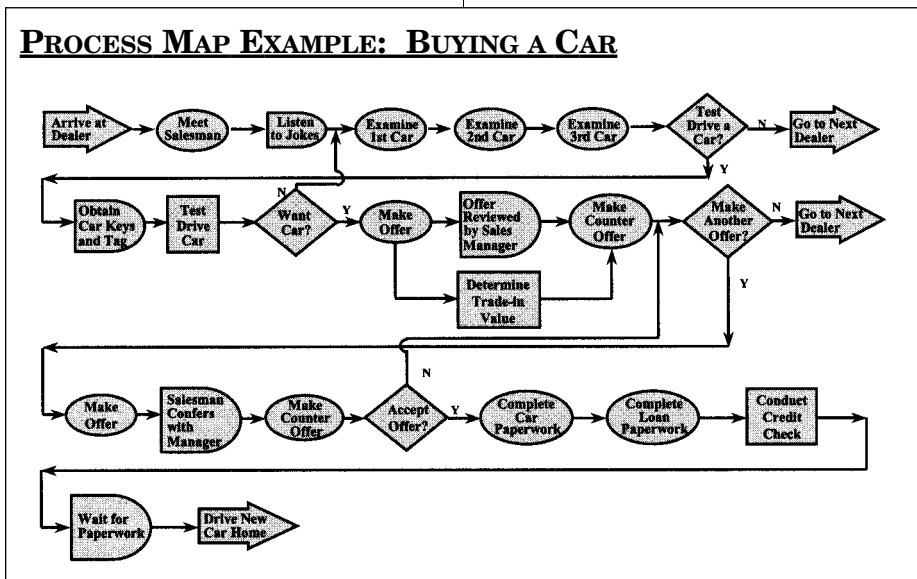
your own organization:

1. **Define, clarify, and communicate the leadership brand to everyone within the firm.** Make employees aware of what they should expect from their leaders.

2. **Assess managers against the leadership brand.** Identify the gap between actual and desired performance.

3. **Invest in development processes to help managers learn to live with the brand.** Set out goals and a time line for each manager's development program.

4. **Reinforce the leadership brand.** Clear rewards and clear consequences reinforce the brand. Promote people who demonstrate the brand and fire those who do not.

In addition to creating leaders, Work-Out can also change your company's culture to one that is driven by speed and innovation. Here are the 12 steps that you can use to embed the Work-Out process into your culture:

1. **Approach Work-Out as an adjective rather than as a noun.** As Work-Out moves from pilot to program stage, remember that it is not a business goal; it is a better and faster way to reach your business goals.

2. **Stack the deck for success.** Begin at a comfort level that will enable you to demonstrate the benefits to be gained. Often that means starting with a pilot test at a site where you can start right away. The site should also be isolated from the rest of the business, so that leaders have the authority to enact recommendations and see the results clearly.

3. **Use facilitators to show the way.** Three different kinds of facilitators offer an unbiased view of progress. External facilitators bring a constructive perspective from outside the firm, cross-unit facilitators bring the perspective of different disciplines, and internal facilitators are leaders within the firm.

4. **Build in enough support.** Work-Out teams need political support to work across functions and boundaries. They also need administrative support to handle details like scheduling conference rooms and setting up travel arrangements.

5. **Help managers get ready to deploy Work-Out.** Executives need training to be able to coach, mentor, and make decisions in the new Work-Out environment.

6. **Set specific delivery goals.** Work-Out moves fastest when the CEO lays down a goal for it, such as "You will run five workshops this month," or "You will spend 10 percent of your time in Work-Out activities."

7. **Publicize the successes.** The best way to get buy-in from skeptics is to prove how well it works. Jack Welch highlighted his commitment to Work-Out in annual reports, speeches, media interviews, employee videos, and so on.

8. **Align your actions with your commitment.** As a leader in the Work-Out initiative, make sure your actions demonstrate the high level of your commitment. Passing the program off to someone else won't work.

9. **Reach the tipping point.** Critical mass occurs when enough employees — typically 3 to 5 percent — have experienced Work-Out so that the ideas become embedded in their words and deeds. It is not a matter of the CEO's personal beliefs; it's the instinctive response of employees that this is now "the way we do things."

10. **Resource your Work-Outs.** Give the sessions the kind of resources they need, such as facilitators; travel, meals, and facilities; and enough time for participants to be away from other work projects.

11. **Share the knowledge you gain.** The purpose of Work-Out is to generate new and better ideas — innovative methods, ways to increase productivity, cut costs, and so on. These ideas might be useful to other parts of the organization that did not participate in the Work-Out. One firm created a Web site to post the ideas from all of its Work-Outs for everyone in the company to read.

12. **Apply Work-Out to other programs.** When

management shifts to other initiatives, Work-Out's approach to engaging employees should be used to make the new changes happen. For example, when GE launched Six Sigma, it implemented the new tools and disciplines faster because employees and managers were already comfortable with discussing ideas and making quick decisions.

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As we've discussed, Work-Out is based on a remarkably simple series of steps that can yield some extraordinary results. You can easily get started without lots of planning and structure.

Just bring people together to work on a common problem. Then, allow them to recommend specific changes to make their jobs easier. Share the ideas with a leader who makes decisions on the spot. Then appoint owners for each idea to make sure that that the decisions are translated into action.

Stay focused on business goals, ensuring that Work-Out is a means to those goals, not an end in itself. Expect resistance, and turn it into support. Over time, Work-Out will no longer seem new. GE has used Work-Out for more than a decade, and it is a core part of its culture.

Moreover, with every Work-Out your company completes, it will become clearer that it is not a business fad. It is a set of principles, tools, and actions that helps managers reach their goals faster by engaging employees. It can be the foundation of some of the most exciting and positive experiences that you will have in your company, and it can provide the cost savings that ensure your business will survive any competitive threat.

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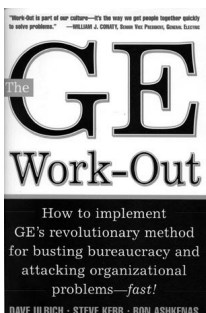
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