

## SECTION 4

Good morning, everyone. In the last few lectures I've been dealing with business finance, but now I'm going to move on to business systems. And in today's lecture I'm going to talk about what can go wrong when businesses try to copy their own best practices.

Once a business has successfully introduced a new process – managing a branch bank, say, or selling a new product – the parent organisation naturally wants to repeat that success, and capture it if possible on a bigger scale. The goal, then, is to utilise existing knowledge and not to generate new knowledge. It's a less glamorous activity than pure innovation, but it actually happens more often, as a matter of fact. However, surprisingly, getting things right the second time is not necessarily any simpler than it was the first time. Q31

Now, there's been a lot of research into how companies can repeat their previous successes, and it certainly hasn't been confined to the United States. It seems that most large industries are trying to repeat their own successes, and manage the knowledge they've acquired – but even so it has been shown that the overwhelming majority of attempts fail. A host of studies confirm this, covering a wide range of business settings: branch banks, retail stores, real estate agencies, factories, call centres . . . to name but a few. Q32

So why do so few managers get things right the second or third time? Let's consider one reason for failure – placing too much trust in the people who are running the successful operation, the 'experts' shall we say. Managers who want to apply existing knowledge typically start off by going to an expert – such as the person who designed and is running a successful department store – and picking their brains. Now, this approach can be used if you want to gain a rough understanding of a particular system, or understand smaller, isolated problems. The trouble is, even the expert doesn't fully grasp the whole thing because when it comes to complex systems, the individual components of the process are interwoven with one another. The expert never has complete access to the necessary information. And the situation's complicated even further by the fact that experts are usually not aware of their own ignorance. The ignorance can take various forms. For instance, a lot of details of the system are invisible to managers. Some may be difficult to describe – learned on the job and well known by workers perhaps, but impossible to describe in a way that's helpful. And there are some things that people know or do that they're not even aware of. Q33

Now, let's consider two types of mistake that can occur when a manager actually starts to set up a duplicate system to replicate a successful process. Firstly, perhaps he forgets that he was just trying to copy another process, and starts trying to improve on it. Another mistake is trying to use the best parts of various different systems, in the hope of creating the perfect combination. Q34

Unfortunately, attempts like these usually turn out to be misguided and lead to problems. Why? Well, for various reasons. Perhaps there weren't really any advantages after all, because the information wasn't accurate. Or perhaps the business settings weren't really comparable. More typically, the advantages are real enough, but there are also disadvantages that have been overlooked. For example, the modifications might compromise safety in some way. Q35

So, what's the solution? Well, I don't intend to suggest that it's easy to get things right the second time . . . it's not. But the underlying problem has more to do with attitudes than the actual difficulty of the task, and there are ways of getting it right. These involve adjusting attitudes, first of all . . . being more realistic and cautious really. Secondly, they involve exerting strict controls on the organisational and operational systems. And this in turn means copying the original as closely as possible. Not merely duplicating the physical Q36

Q37  
Q38

### *Tapescripts*

characteristics of the factory, but also duplicating the skills that the original employees had. Q39 & 40  
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