Section 4

Good morning, everyone. In the last few lectures I've been dealing with business finance, but now l'm going to (1) ..... 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 (2) ..... 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. Now, there's been a lot of research into how companies can (3) ....., 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 (4) .... branch banks, retail stores, real estate agencies, factories, call centres... to name but a few.

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 (5) ..... -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 (6) ....., 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 (7) ..... For instance, a lot of details of the system are invisible to managers. Some may be difficult [illegible]

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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.

Now, let's consider two types of mistake that can occur when a manager actually starts to set up a (8) ..... 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 (9) ..... 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 (10)..... 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.

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 (11) .....and there are ways of getting it right. These involve adjusting attitudes, first of all...(12) ....really. Secondly, they involve exerting strict controls on the (13) ..... And this in turn means copying the original as closely as possible. Not merely (14) .... of the factory, but also duplicating the skills that the original employees had. Reliance on a template like this offers (15) ..... built-in consistency.

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