



Learning from rapid results

Small, controlled successes is the best way for companies to learn what it takes to achieve their vision.

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Companies need to experiment and make mistakes in order to learn, as suggested by Paul J.H. Shoemaker and Robert E. Gunther in their article for HBR, “The Knowledge of Deliberate Errors” (August 2006). But in many cases, the experience would be better if firms would learn via small, controlled successes.

The main problem in experimentation for many firms lies in their leaders: they must create the appropriate environment for the organization to experiment, in a way that allows it to achieve tangible results. But the majority of leaders, seduced by the prospect of big results, normally opt for mega solutions—large-scale reorganizations, wholesale firm acquisitions, ERP systems or mass Balanced Scorecard implementations, for example—at the expense of obtaining smaller results. Nevertheless, because they require too many changes at once, large-scale solutions usually exceed the organization's capacity to implement them. In fact, it has been shown that more than half of all large-scale change efforts are aborted.

On the other hand, focusing on small, quick results would help in understanding how to obtain them at a micro-level so that they can be scaled later on. By starting with a smaller risk, a leader would be more willing to try new ideas. The point of departure should be a clear vision of the destination.

The experience of Banorte is a good example. Several years ago, the Mexican bank attempted to increase the level of service of its network of 2,500 ATM machines from 95% to 98%. This would mean more transactions and greater commissions. During some months the level would increase by 1% and later drop, unable to sustain its growth. Consultants, software and equipment providers, technicians and more technicians all came and went, but the level of service was not improving. When Banorte focused on only 44 machines in Mexico City, it achieved its goal in less than 30 days. At the same time, it learned how to involve all of its parts in the development of new working methods. Using what it learned, Banorte targeted an additional 400 machines over the next 90 days, achieving more than 98% of the desired service level. The final stage involved applying what it had learned to the more than 2,000 remaining ATMs dispersed throughout the country in approximately 90 more days. In other words, in only 200 days Banorte was able to gradually increase the efficiency of its ATMs by 3 percentage points, after years of not being able to maintain a growth of 1%. These “small” successes accelerated the process that had cost it so much and increased commissions on larger transactions.

The force behind this success was the company's leader, Prudencio Frigolet, now director of technology of the financial group, who, contrary to all conventional wisdom on the subject, recognized that he ought to try new methods to achieve results and create an environment in which his people could offer ideas and apply them successfully in prudent stages. Banorte used this approach to increase the profitability as well as the level of service of some of the bank's financial products. The immediate objective was to generate preliminary results in a very short time that would show the viability of the strategies, in order to later apply them at a national level. Other leaders followed suit and took on similar tasks, such as reducing authorization times for personal and business loans, reducing issue resolution times at its call center and reducing costs and time for company payroll processing via electronic methods. In a period of nine months of successful preliminary results, the benefits to the bank grew to nearly US\$7 million in profit.

In simple terms, this focus is based on achieving results very rapidly, in 100 days or less. It begins with some projects designed not only for achieving tangible results, but also for developing skills and new ways of working. Each new project generates results and develops abilities to implement more changes on a grander scale, making change simpler and faster each time. This approach has proved to be successful for three reasons:

- Given its organization in cycles of 100 days or less, the "learning cycle" between planning, action and results is accelerated. In this way, leaders are challenged to adapt and refine their implementation plans based on what does and doesn't work in practice.
- Making the most of their creativity and skills, it helps teams implement changes in the organization and overcome the natural inertia that complicates tasks.
- It provides a structured methodology for developing and practicing management principles necessary for successful implementation. These principles are crucial to efforts requiring collaboration among different functional areas.

Other companies around the world have employed the approach. In Latin America, it was used by Cemex to accelerate the development of its executives' management skills; by the Lala Group to increase sales in its traditional distribution network; by the Saltillo Industrial Group to accelerate the integration of a recently acquired firm; by Guatemala's Superintendence of Tax Administration to improve efficiency in the collection of taxes; and by the World Bank to increase agricultural production in Nicaragua through the Nicaraguan Institute of Agricultural Technology.

If your current course of action is not bringing you results, try a few projects aimed at achieving results rapidly. As in the case of Banorte and other firms, you will learn much in the process.

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