

Failure can help



JAY BRYAN
ON TURNAROUNDS

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What do you do to fix a faltering company? One surprisingly successful formula involves exposing its employees to yet another experience with failure.

This method, developed by psychologist Lia DiBello, puts key workers through an intensive two-day simulation exercise in which they run a business designed to mimic their real one.

Typically, on the first day of the exercise, they fail, blowing delivery deadlines and losing money just as they had at their own enterprise.

On the second day, they take an hour to spot where they went wrong, using software that tracks the consequences of each decision the day before. Then, with the link between old habits and bad results unmistakably clear, they try again.

The improvement is remarkable. Even more remarkable is how effectively they apply the new behaviours in their real jobs.

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DiBello's results are impressive enough that the National Science Foundation in the U.S. has helped finance a two-year study of her method's impact on failing companies in three different industries.

Results of the study, reported this week in *Science News*, showed that all three companies improved their performance greatly within months. After a year or two, each had returned to profitability.

DiBello says her technique grew out of academic research on cognition at the City University of New York, where she earned her PhD. Only gradually did she realize the business implications of what she says "we had stumbled on."

Today, she runs a San Diego company, **Workplace Technologies Research Inc.**, that markets her simulation exer-

cise.

A key to the simulation's power is that it helps employees, whether executives or production workers, to discard old habits that undermined success. "It triggers the unlearning" of behaviours that don't work, DiBello says.

This unlearning is perhaps the toughest thing to change in a failing organization, says Gary Klein, a consulting psychologist who has written about DiBello's work. People hold tightly to the way they see their jobs, even if it has become dysfunctional, because ingrained habits are invisible to those who hold them.

This helps to explain why management consultants often can't change troubled companies. People rebel against being told to adopt new methods when they've spent a whole career succeeding in a different way.

DiBello's simulation exercise is de-

signed to evoke a very different response.

On the second day of her exercise, participants are given specific outcomes - profit margins and scrap rates, for example - that define the performance of successful companies in their industry. They must achieve these outcomes in the simulation, but are not told how to do this.

"Our methods are kind of counter-intuitive," she says. A management consultant might design how people should do their jobs and "hope the outcome will be better. We design the outcome and let people come up with their own methods." This lets them draw on deep experience in their own industry.

One example is a foundry that was examined in the recent study. When DiBello came in, it was so close to failure that its owner was the bank.

After 50 longtime workers went

through the simulation, the foundry quickly restored profitability. These production workers then bought the company from the bank. None had more than a high-school education, but they had a wealth of knowledge about the foundry business.

Since then, they've cut their scrap rate, a key performance measure, to half the industry standard, achieved 100-per cent on-time delivery and reassigned workers from a customer-service department that atrophied as complaints disappeared.

The company recently purchased a foundry in another state and continues to improve its operations. Says DiBello: "They just needed a different framework for their own knowledge."

jbryan@thegazette.canwest.com

On the net: www.wtri.com