Building a problem-solving culture that lasts

Organizations cannot improve unless they consistently seek out and solve their problems. For most, that means undertaking a profound cultural change— which must begin from the top.

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**When a company engages its people
in problem solving** as part of their daily work,
they feel more motivated, they do their jobs
better, the organization's performance improves,
and a virtuous cycle starts to turn. Such an
approach can tap enormous potential for the com-
pany and its customers. At one auto-parts
manufacturer, each employee generates an average
of 15 suggestions for improvement every year.
Over a period of 16 years, these suggestions have
helped secure major advances that reached well
beyond productivity to safety and quality.

So how can leaders unlock their organization's
problem-solving capacity? From our experience
with dozens of companies, a clear message has
emerged. Through a combination of blind spots
and habitual behaviors, leaders can unwittingly
impede the very changes they want to see. In this
article, we look at five common traits that leaders
need to develop in themselves as part of a con-
scious effort to build a problem-solving culture.

1

Openness to talking about problems
On the face of it, talking about "issues" or
"opportunities" rather than "problems" sounds
like a good way to avoid sounding negative or
critical. In practice, though, great problem solving
begins with the ability to acknowledge problems
and a willingness to see them without judgment.
When an organization treats problems as bad
things—as mistakes, defects, or failings—bringing
them out into the open will make people uncom-
fortable. But problems that stay hidden will
not get fixed. And problems that go unfixed keep
the organization from reaching its objectives.

The reluctance to acknowledge problems often
stems from the tendency to personalize them—to
see them as someone's (usually someone else's)
fault. Some leaders are quick to point the finger

instead of taking the time to analyze problems to
uncover their root causes. Looking for a culprit
rather than a cause can be a hard habit to break,
even for those who know how damaging it
can be. One insurance executive was attending a
workshop on creating a continuous-improvement
culture. During a break, he got a call about
a systems foul-up that had triggered a deluge of
potentially confusing notifications to a small
group of customers. Forgetting everything he had
just heard, the executive said, "Who's responsible
for this? Wait until I get hold of them!"

At the opposite end of the spectrum, some people
resort to avoidance strategies, skirting a
problem to keep the peace with colleagues. The
underwriting team at one commercial lender
shied away from discussing a particular problem
openly but told us privately they were con-
vinced it was caused by inconsistent practices
between their department and another. The
reluctance to speak out prevented the issue from
being recognized and studied objectively.

Neither attributing blame nor brushing a problem
under the carpet is helpful. Organizations
that embrace continuous improvement take the
opposite approach. They understand that
when a problem is properly identified, the root
cause usually turns out to be not a particular
group or individual but an underlying factor that
the organization can address, such as a lack of
transparency, poor communication, inadequate
training, or misaligned incentives.

This means that organizations should see prob-
lems as something to prize, not bury. Raising
and discussing problems is not just normal but
desirable and critical to success. As one lean
leader told us, "Problems are gold nuggets we
have to search for. It's when we don't have
problems that we have a problem."

2
Willingness to see problems wherever they may be

Before you can acknowledge a problem, you have to be aware of it. Identifying problems, particularly before they grow into a crisis, is a skill that can be learned. In lean thinking, all problems can be attributed to some form of waste, variability, or overburden. Learning how to spot these factors as they arise is one of the most important skills leaders and their organizations can develop.

Picture a bank supervisor who takes a call from an irate customer demanding to know what has happened to the loan she applied for two weeks ago. What should the manager do? Tell the customer her application is in the system and she should get her decision soon? Track down the application and quietly expedite it? Or go and find out what is causing the delay and whether it is affecting other applications as well? Only the third option will enable the manager to bring the problem's real causes to light and get the team involved in identifying and fixing it.

Problems are particularly difficult to see when they are hardwired into "the way we do things around here." For instance, some organizations place a lot of value on certain tasks that their best employees perform in order to work around uncooperative business partners or cumbersome IT work flows. Yet under closer examination, many of these tasks turn out to add no value as far as customers are concerned.

At one commercial lender, senior underwriters were so inured to complex processes, multiple hand-offs, and long delays that they had come to define their value by their prowess at navigating around these obstacles. Rather than wait for automated updates on the cases they were

handling, they would routinely leave their desks to tap specialists' shoulders for the latest information. The company was so oblivious to the problem that it even began trying to standardize the work-arounds and encouraging others to follow them.

A reliable way to help individuals learn to spot problems is to make the ideal outcome for their work as obvious and easy to follow as the lines between spaces in a parking lot. In one disability-claims organization, claims managers were given a brief list of questions to resolve during initial phone calls with claimants. By providing an easily understood target, the list ensured that the claims managers probed for critical information, and it helped managers coach their team members toward ideal performance.

Organizations can often achieve significant improvements simply by exploring what is preventing them from applying current best practices consistently across the entire workforce. Once they reach stable performance at this level, raising the target creates a new gap to be explored.

3
Understanding that small problems matter

Most large organizations design their processes for managing big, top-down strategic interventions—reorganizing, migrating to a new IT platform, or outsourcing a process. They have well-honed routines for handling them: appoint a manager, set objectives, and check progress at regular intervals. If the effort fails to move in the right direction or at the right speed, leaders intervene. Leaders themselves, having grown up in this kind of environment, believe that implementing these big strategic projects is central to their job—and perhaps their next promotion as well.

However, this view misses an important truth. Businesses don't stand or fall by big projects alone. Small problems matter too and are often more critical to great execution. A well-designed application form and a well-oiled hand-off between sales and underwriting can reduce rework and stress for employees and give customers better service. Conversely, a lack of flexibility in accommodating varying levels of demand can create backlogs in new-business processing and trigger follow-up calls from salespeople and their customers.

Monitoring issues such as these requires constant effort and a systematic method for bringing them to light. The project-based approach used to manage major interventions is ineffectual at such a small and fragmented scale. Even so, it may end up being used by default: we have seen more than one organization introduce a new IT system to "solve" multiple small problems that the organization hasn't properly defined or understood.

Leaders carry the responsibility for modeling coaching and analytical problem-solving behavior and ensuring it is adopted at all levels of the organization.

If a project-based approach doesn't work, what will? In fact, the only way to manage these small, everyday issues is to detect and solve them as they arise (or even before). That calls for leaders to shift their dominant mind-set from that of "knowing the answers and directing employees" to "learning from and coaching the people who are closest to the problems." Solving hundreds of small issues each year—as opposed to managing a dozen big projects—requires an organization to develop a more distributed problem-solving capability. Leaders carry the responsibility for modeling coaching and analytical problem-solving behavior and ensuring it is adopted at all levels of the organization.

It can take years of practice for this way of working to become truly ingrained, but when it does, organizations see the results year after year. The ultimate goal is for everyone in the organization to take the initiative to solve the problems that are most relevant to them. For instance, while a frontline team at a bank is working to revamp an account application form to prevent customer error, a manager might be reviewing capacity management across the branch network or tackling a persistent overtime issue, while a senior leader might be exploring what new product areas offer the greatest opportunity to meet the institution's growth aspirations.

4
Commitment to approaching problems methodically
Most of the leaders we meet pride themselves on their problem-solving ability. But when we watch how they work, we often see them behaving instinctively rather than following a rigorous problem-solving approach. All too often they fail to define the real problem, rely on instinct rather than facts, and jump to conclusions rather

than stepping back and asking questions. They fall into the trap of confusing decisiveness with problem solving and rush into action instead of taking time to reflect.

Why does this happen? Following a systematic problem-solving process takes discipline and patience. There are no shortcuts, even for leaders with a wealth of experience. An organization that consistently uses a single, simple problem-solving approach across its entire enterprise can achieve more than just greater rigor in asking the right questions—it can create a new "shared language" that helps people build capabilities more quickly and collaborate across internal boundaries more effectively. But to do so, it will need to avoid getting caught up in sophisticated problem-solving techniques until it captures all that can be learned from the simple ones. The main objective is to uncover problems, ask the right questions, engage everyone in the problem-solving effort, and develop the organization's problem-solving muscles. An effective process for identifying and solving problems involves five steps:

1. Define the problem. Clarify what should be happening and what is happening. The gap

between the two is where the problem lies. Defining the problem well ensures that the team has a shared understanding of the real issue.

2. Identify root causes. Learn as much as possible about the problem, preferably by observing it as it occurs. This step is often skipped, but it is essential; without it there is no way of knowing whether you are solving the real problem.

3. Develop a solution. Crafting a good solution rests on distinguishing cause from effect. A solution that tackles the root cause will eliminate the symptom that the problem causes; if the root cause has truly been found, removing the proposed solution will lead to the symptom's return.

4. Test and refine the solution. The solution must be tested to ensure it has the expected impact. If it solves only part of the problem, further rounds of the problem-solving process may be needed before the problem disappears completely. For validation, conduct a final experiment without the solution to see if the problem recurs.

5. Adopt new standards. The last step is to incorporate the solution into standards for work, with training and follow-up to make sure everyone has adopted the new method. That should eliminate any possibility of recurrence; moreover, sharing the solution more broadly across the organization allows others to glean insights that might be applicable in seemingly different scenarios.

Although easy to understand, this process is hard to master. In our experience the first two steps are often skipped, so the third step becomes weak—and it's far from unusual to see the last two steps skipped as well.

5
Recognition that observations are often more valuable than data

Most organizations are good at gathering and analyzing financial and accounting data for reporting purposes. The average executive is inundated with management information on revenues, cost of sales, valuations, variances, and volumes. However, this information is geared toward financial outcomes, not operating processes, and works like a rearview mirror, showing where the organization has been, not where it is heading. It is of little or no use for identifying operational problems and uncovering root causes or helping leaders and frontline teams do their jobs better. Instead, organizations struggle to understand basic questions about their capacity and level of demand. How many transaction requests did we receive today? What was our planned capacity? How many trans-actions did we complete? What was the quality of the work?

Why don't organizations have this information at their fingertips, as they do with financial information? Probably because they have never asked these questions or understood how the answers could help them improve the way they work. Once they appreciate how useful the information could be, they tend to assume that some kind of IT solution must be put in place before they go any further. But the cost and time involved in application development can be enough to stop the problem-solving effort in its tracks.

There is another way. Taiichi Ohno, the executive often cited as the "father" of lean manufactur-ing, noted that while data are good, facts are more important. When operational data are not routinely available, teams can often find what

they need not by commissioning new reports but simply by observing team members as they work and talking to them to find out exactly what they are doing and why. Observation and questioning provide a powerful and immediate source of insights into processes, work flows, capabilities, and frustrations with current ways of working. Teams can typically get the information they need within a week, sometimes sooner.

Consider a team that experiences substantial variability in the time people take to complete a common task, such as initiating a mortgage application. A capable and experienced associate can complete the work in 30 minutes, but some associates take 40 minutes and a few need 60 minutes. The company could spend a long time researching how many associates complete the task at various speeds. For the purposes of making improvements, though, it is enough to know there is a difference of 100 percent between the fastest and slowest speeds. The team needs no further data or reports to begin narrowing the gap. By codifying how the top performers are doing their work and replicating their practices for the rest of the team, the employees themselves should be able to bring the gap closer to 10 percent. At that point, the whole process will reach a level of stability and predictability that will lead to significant additional improvements, both now and in the future.

From problem solving to continuous improvement

Executives are often amazed at the sheer number of problems their organization is able to identify and fix in the first few months of a lean transformation. Some wonder whether it can last. But the good news is that in our experience, problem solving is immune to the law of

diminishing returns. Quite the opposite: problems never cease to arise. One company we know has been on a lean journey for 20 years without seeing any letup in the flow of improvement opportunities. Year after year it surprises itself by managing to achieve yet another 10 percent increase in productivity and speed.

Building a problem-solving culture that lasts is not about fixing particular problems but about always striving to do things better. Eliminating long-standing niggles and introducing more efficient ways of working are not the only gains; companies with a well-established problem-solving culture also benefit from the strength of the capabilities people develop and the engagement and enthusiasm they bring to their work. These give organizations the means and the momentum to sustain their performance in the future.

Frontline employees come to see their job in a different light. They are no longer hired hands doing their superiors' bidding; now their role is to improve the way they work and own the processes they use every day. Their job becomes a series of experiments: If I approach this

task in a different way, will it be easier or better? Taking part in team problem solving gives people's jobs more meaning and creates the foundation for an ethos of ownership, pride, and trust. What might an organization achieve if everyone from the front line to middle management to the executive suite routinely dedicated an hour a week to problem solving?

To help create this kind of environment, leaders must themselves change, respecting the expertise of the people on their team and finding ways to support them. No longer pretending to have all the answers, they should focus instead on defining targets, creating a safe environment for raising problems, ensuring people have enough time for problem solving, and helping them develop their skills. Adjusting to this change in role can take time for leaders accustomed to being the "team hero." But by learning how to help others participate to the full, they can find a new identity and an even more powerful way to add value to their organization. ○

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