

FROM DIALOGUE TO ACTION IN GE WORK-OUT: DEVELOPMENTAL LEARNING IN A CHANGE PROCESS

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ABSTRACT

This paper provides a conceptual framework to explain the success of General Electric's Work-Out process, one of the most ambitious organization change efforts ever attempted. The authors suggest that at the heart of Work-Out is the concept of "organizational dialogue," a three-stage model for organizational learning. The dialogue model is described and then placed in the context of other OD efforts and the overall evolution of the OD field.

I've worked at GE for 30 years, and this is the opportunity I've always wanted to behave like I'm the owner of the business. Let's not blow it! (GE employee)

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Since Work-Out, my plant tours are entirely different experiences. People hold their heads up, they talk to me, and there's an aliveness that just wasn't there before. Once you let the tiger out, things will never be the same between management and employees. (GE General Manager)

These Work-Out meetings feel really different now than they did at the beginning. It's like people really believe that they can change things—and they really want to make the business better. (GE Manager)

Since January, 1989, the Work-Out process, a radical organization-wide approach to change, has grown and flourished in the General Electric Company—leading to significant bottom-line improvements and the beginnings of far-reaching, sustained culture change. The purpose of this paper is to examine what we consider to be the key, underlying dynamic that fueled this process of change—the development of constructive *organizational dialogue* and its translation into action. We will explore the concept, its operationalism, its evolution, and ways to accelerate its development.

We will conduct this exploration in the context of the organization development field. Many organizations today are experimenting with mechanisms to empower employees, break down communication barriers, reduce bureaucracy, and create less hierarchical and more participative corporate cultures. For example, Hewlett Packard created employee “boards of directors” to cross-fertilize project ideas and speed decision making (Ferguson, 1990). Waterman (1990) cites companies that are using ad hoc teams to solve critical problems on a temporary basis—on issues that previously would have been farmed out to consultants. The purpose of these new forms of teams, projects, and alliances is to reduce decision-making time, increase creativity, and break down bureaucracy (Dumaine, 1991). Charan (1991) characterizes such teams as “networks,” and argues that they ought to be permanently structured.

Given the interest and proliferation of these new organizational forms, it seems timely to examine what is perhaps the largest and most extensive experiment along these lines, General Electric's Work-Out process. By doing so we can gain a clearer understanding of how and why it has so far been successful and we can shed light on the foundation for various other innovations in organizational development.

The observations expressed in this paper are based largely on the author's experiences as consultants and action researchers in three GE businesses—each representing a strategic sector of the GE Company: (1) Lighting, the oldest business in GE, and one of GE's core manufacturing businesses; (2) GE Capital, an amalgam of 20 specialized finance companies, and one of GE's leading service businesses; and (3) Plastics, part of GE's high technology group. Although each of these businesses is quite different in make-up, history, culture, and business strategy—and each formulated a somewhat different approach

to Work-Out—we found that the underlying process and logic of change in each business was the same. In fact, it was the striking similarity of change dynamics in these three quite different settings that reinforced our belief that organizational dialogue—leading to action—was at the heart of Work-Out's emerging success.

BACKGROUND: THE WORK-OUT PROCESS

The Work-Out process was launched by Jack Welch, Chairman of GE, in January 1989. Its purpose was to transform the culture of GE—a 300,000-person, \$50 billion organization with 14 core businesses located worldwide. The initial concept was that Work-Out would focus on eliminating unnecessary work—tasks and activities left over after significant downsizing and structural change throughout the 1980s. Very quickly, though, it was recognized that work elimination was only the beginning. What was needed was nothing short of a fundamental cultural revolution—moving the company away from its long history of fine-tuned financial analysis, time-consuming strategic deliberations, centralized controls, multilevel approvals, and bureaucracy to a culture characterized by “speed, simplicity, and self-confidence,” focused on meeting customer needs and winning in the global competitive environment of the 1990s (Stewart, 1991; Tichy & Charan, 1989).

The Work-Out process that was utilized in Lighting, Capital, and Plastics was typically built around a 2-3 day “event,” usually held off-site. As shown in Figure 1, it consisted of several common elements.

- *Focus on a business issue or key business process.* While some Work-Out sessions, particularly at the beginning, were general discussions about eliminating “junk work,” the majority of sessions took aim at improving a specific business process or issue. For example, in Lighting group-wide sessions were held to accelerate new product development, improve fill-rates (a key customer service measure), improve purchasing practices and costs, and strengthen component and assembly plant integration. In some of Capital's businesses, the focus was on speeding up aspects of deal-flow, or improving key functional support areas. In Plastics, sessions were held to improve quality, decrease cycle time, and increase cross-functional coordination.

- *Multifunctional/multilevel participation.* In all three businesses, all Work-Out sessions included people from various functions, and at different organizational levels. Even when Work-Out sessions were held in one location, such as a plant or distribution center, people from different functions and levels within the location participated.

- *Small-group brainstorming.* At some point in every Work-Out session, small groups met to brainstorm ideas for improvement.

- *Town meeting.* The highlight of every Work-Out session in all three businesses was what came to be called the “town meeting.” This was a plenary session for all participants at which the small groups’ ideas for improvement were presented to one or more business leaders, and then openly discussed and debated. At the end of each discussion, the business leader would make an immediate decision about the idea—either to approve it, kill it, or defer it for further study.

- *Action follow-up.* In each business, a process was developed to implement approved Work-Out ideas, and to follow-up to make sure that the changes were actually put in place.

We have seen the Work-Out process described above applied more than 100 times in Lighting, Capital, and Plastics since early 1989. Unquestionably, it

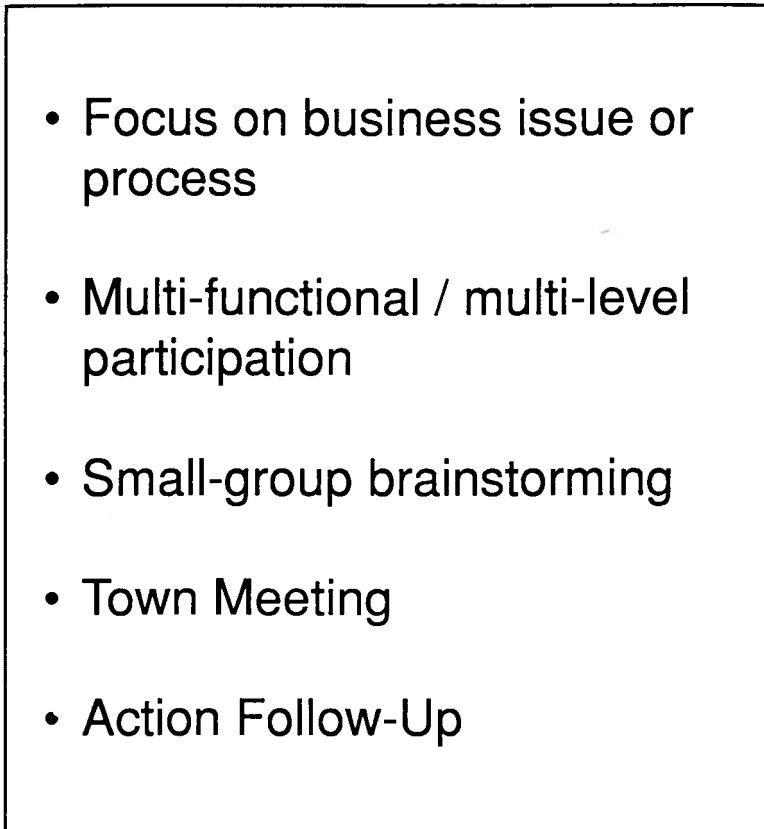


Figure 1. The Work-Out Process

generated impressive business results. For example, in Lighting, over one thousand customers now receive their orders on a fixed, prescheduled basis, set up to coincide with what's best for the customer's receipt and handling practices. This change, initiated at a Work-Out session, not only improved customer service, but also dramatically reduced costs in the warehouses by adding a degree of predictability to staff scheduling. Also in Lighting, one plant reduced its inventory by over \$150,000 through a variety of Work-Out ideas for consolidating inventory categories, selling off unneeded inventory, working with suppliers differently, and tracking inventory levels more closely. Similar results were evident throughout GE Capital and GE Plastics.

Yet the greatest and most dramatic changes took place in the cultures of the three businesses, as indicated by the quotes at the beginning of this paper. Slowly but surely, employees at all levels took greater ownership of the business and aggressively took initiative to foster change and improvement—without waiting for senior management to tell them what to do, or even approve what they hoped to do. For example, a group of Lighting employees in distribution and manufacturing decided, on their own, that significant cost-savings were possible through better packaging and transport of certain product categories. Rather than waiting for senior management to do something, they organized a Work-Out session—inviting all the key people that they thought could make a creative contribution to the issue's resolution.

In one business of GE Capital, which had been characterized by centralized, top-down decision making, an employee described the cultural change this way: "We've been suppressed around here for a long time. Now that management is finally listening to us, it feels like the Berlin Wall is coming down."

ORGANIZATION DIALOGUE—THE HEART OF THE WORK-OUT CHANGE PROCESS

How and why these "walls" came down, or at least were dented, is what must be examined and understood.

At the heart of this change process was the development of what we call organizational dialogue. What do we mean by that? Organizational dialogue is a process by which people in an organization learn how to talk effectively and constructively with each other—across functional and status boundaries—in ways that lead to creative, goal-oriented actions. As with so-called "network organizations," the power to make decisions is based less on hierarchical position and more on expertise and ability (Charan, 1991; Kilmann & Kilmann, 1991).

Organizational dialogue also includes learning how to talk effectively with people outside of the formal organization, such as investors, customers, and suppliers—a capability that many American companies are striving hard to

cultivate (Ashkenas, 1990; Jick, 1990; Peters, 1988). In large, complex, and diversified organizations where no one individual can be an expert on all aspects of markets, customers, technology, economics, and so on, such dialogue is absolutely essential. Without it, decisions are made without a full understanding of the situation, or without the buy-in of the key players needed to implement. Moreover, without organizational dialogue, the creative interplay of different perspectives needed to reach new, more innovative solutions to business problems does not take place.

Organizational dialogue also underscores the importance of examining issues that have broad organizational significance, impact, or causes, and where the learnings of resolution might be transferable and leveraged across the organization. We, therefore, want to differentiate this from both interpersonal dialogue and "local" dialogue such as traditional quality circles.

Our premise is that the development of organizational dialogue is analogous to the development process that individuals go through in learning how to talk. There are predictable stages, visible spurts in capability over time, and there are ways to accelerate or impede progress under various conditions. In this sense, organization dialogue is, for us, a social-psychological construct of how to build a collective capability within an organization—to speak freely, maturely, creatively, and constructively, and then to translate such speech into action.

Cooperrider (1990), for example, stated that "all human systems are conditioned by their internal dialogues." Indeed, dialogue has been seen for years as one potential tool for organizational change. But at GE, organizational dialogue did not mean just "good communication." It implied a much more sophisticated and deeper level of working conversation between individuals and groups. When organizational dialogue is effective, people work hard to understand others' viewpoints; they are able to express emotional reactions as well as analytical insights; there is a freedom of expression that is not constrained by fear of consequences or reprisals; there is a genuinely shared desire to reach conclusions that are in the best interests of the business as a whole, rather than any one constituency; and there is an ongoing capability of moving from talk into action.

The classic example of this occurs often in entrepreneurial start-ups. When organizations are small and people perform multiple functions, organizational dialogue occurs much more naturally and easily. Boundaries are more permeable, and people tend not to get "locked in" to formal and ritualistic ways of getting work done.

As companies grow in size and complexity, however, much more specialization and narrow focus is required. People become experts at their own jobs, but have much less appreciation for others' jobs, or how their work fits into the overall scheme of the company. Boundaries become more rigid, and people tend to identify with their own function more than with the total

company. Moreover, people tend to spend more time looking inward at what they do and how it is measured and rewarded than at what the customer needs, and what the competition is doing. In this classic hierarchical structure, communication typically becomes limited to top-down orders or instructions given, bottom-up responses, and little horizontal communication among co-workers or peers (Book & Associates, 1980). Effective dialogue bogs down and may even dissolve. Innovation is stifled (Kanter, 1983).

This tendency to solidify boundaries, and thus constrain organizational dialogue, becomes even more prevalent during times of rapid change, growth, and stress. Often when companies are threatened, or must respond quickly to changes in the marketplace or the environment, decision making becomes dramatically consolidated at the top levels of the organization. This is especially true when some of the decisions needed are painful, and require resource cutbacks, consolidations, and the like. In these situations, senior managers often decide what to do, with only limited input from other levels and functions, and then give the marching orders. The management of each function then often mirrors this model, and proceeds to implement with little dialogue with the troops. People are told what to do, and performance is assessed by how well these orders are carried out. Ironically, it is often during just such times as these—when organizations are attempting to adapt to a complex and demanding set of external conditions—that open dialogue and collaboration are most needed (Ashby, 1960).

While top-down processes may be required during certain periods of time, the danger is that the constrained and limited dialogue becomes solidified as an ongoing pattern. For example, in Lighting, when senior management clearly needed to downsize and rationalize the manufacturing base, the decision was not open to extensive discussion with people on the factory floor. Yet once the period of downsizing was largely completed in 1989, top-down decision making remained as an ongoing pattern. Senior managers had become used to making all the decisions, and lower-level people felt powerless to take initiative. At the same time, functions had learned to become preoccupied with their own issues, measures, and success—and did not tend to talk effectively with one another.

But this result can emerge from very different precipitants as well. In both Capital and Plastics, the pace of growth and the pursuit of major acquisitions in the late 1980s often mitigated against effective organizational dialogue. People were too busy, negotiations were too secret, and things were happening too fast to involve lots of people in discussion. Furthermore, success bred an atmosphere in which such constrained dialogue became the norm—even when more open dialogue was needed to effectively integrate acquisitions, streamline cost bases, and interact with customers.

By the end of the 1980s, many businesses in GE did not have an effective capability of engaging in organizational dialogue. Functions and individuals

had, in effect, lost their “voice” in the management of the enterprise—such that questioning, discourse, and debate tended to be frustrated or stifled; or when voices were raised, they were so loud and cacophonous that no one could listen. Extra layers of approval, overwhelming bureaucratic procedures, and an over-reliance on complex measures also made free-flowing dialogue difficult. What was needed was a process to restore, in essence, “free speech”—to help a company like GE regain the capability of small enterprises to engage in multifaceted, creative dialogue across the entire spectrum of the organization, as well as beyond its traditional boundaries.

THE ROOTS AND EVOLUTION OF ORGANIZATIONAL DIALOGUE

While the Work-Out process was uniquely constructed to foster organizational dialogue in the special circumstances of GE's business in the 1990s, its roots reach back to previous organizational change approaches of the past few decades. It would be helpful to see how this approach has emerged. We summarize this evolution in Figure 2.

Typically, functions and levels in organizations often converse through reports, presentations, and studies. These are usually presented unidirectionally, followed perhaps by some form of limited “Q&A.” The discussions therefore are limited in depth and in number of participants. We call this classic bureaucratic or hierarchically-based approach, “small group monologues,” and it probably flourished in the 1940s and 1950s.

In the 1960s and 1970s, the conversation “mode” changed as personal growth and development were emphasized in organizations. During this era, much of the emphasis in the field of organizational change was on fostering people's appreciation of their own and other's needs and perspectives. Various approaches were developed to help groups and individuals learn “where each other is coming from.” Once this was learned, the proper response was “I hear you.” To a great extent, this was a bottom-up type of understanding; there was often an assumption that once senior management understood the needs and issues of the work force, they would then be able to make more effective decisions. But this understanding of each other did not include coming to grips with reconciling of differences—only with sharing them. Thus many of the technologies employes such as T-groups, diagnostic surveys, and intergroup exercises suggested that nonevaluative understanding was the key. Somehow, change would occur if we all understood each other. Thus emerged “small group dialogue.”

A latter day version of this in the late 1970s and early 1980s was quality circles which became a popular mechanism for organizational change. These circles were intended to allow for dialogue to occur within task teams, limited

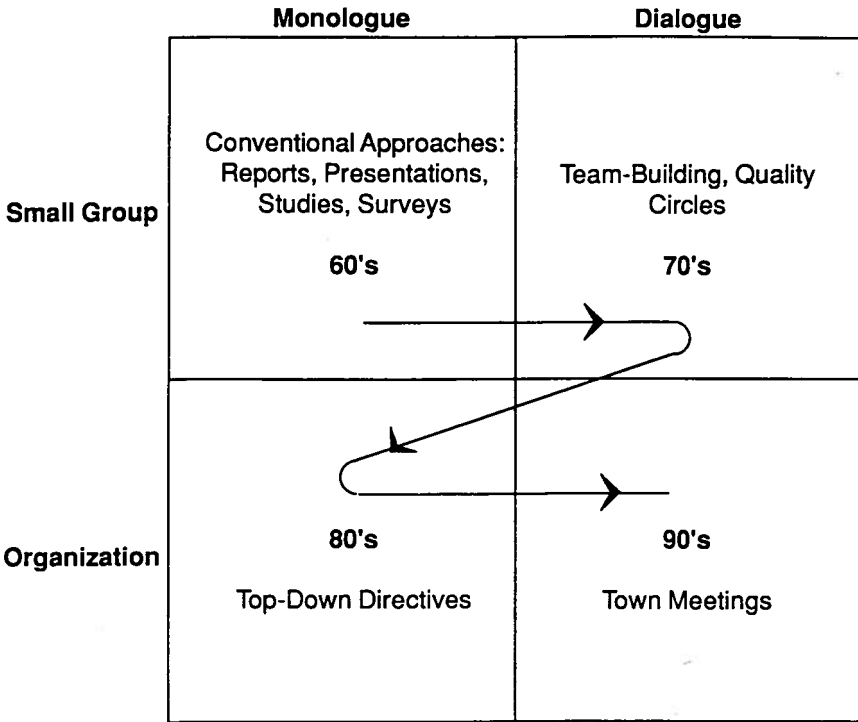


Figure 2. The Evolution of Organizational Dialogue

to issues within their control. Thus QCs tended to be self-limiting and, although certainly important to the work lives of participants, rarely would get at fundamental organization-wide causes and issues. Moreover, many companies implemented circles in a haphazard way, assembling groups but failing to give them the power or the voice to effect change (Mirvis, 1990). Thus this approach, too, while encouraging dialogue, did not have the wider impact.

While organizational development approaches in the 1960s focused on personal growth, and the 1970s highlighted job and team design, the buzzword of the 1980s was “culture” (Mirvis, 1990). Now, instead of trying to alter an organization by means of individual or small group change, companies honed in on the beliefs and values at the heart of organizations. This discussion, in many cases, focused on exposing harmful aspects of the existing culture and on creating systems and behaviors to encourage “better” beliefs. An organization-wide dialogue such as Work-Out did not immediately emerge, as economic conditions overtook all else.

Late in the 1980s decade, as global competition heated up, many industries and organizations faced a rude awakening and needed to consolidate, downsize, and completely reassess what was needed to survive. The result, in some cases, appeared to largely undo much of the progress in organizational development and dialogue that had occurred in the previous three decades. Many organizational change efforts in these challenging times were aimed simply at re-establishing top-down authority. In order to make their companies lean and mean, senior managers concentrated less on understanding where their people were "coming from," and more on telling them what was needed. The prevalent method of organization change, then, was "organizational monologue."

Perhaps as a backlash to the one-way communication of the 1980s, and despite continuing economic difficulties, organizations like GE came to understand that the approaches of the past 30 years each had missing ingredients. A much more sophisticated and multidimensional pattern of dialogue and interaction was needed for companies to be successful. Although senior management understood the need to establish tough goals and challenge the organization, that would not be enough to ensure results. The challenges were too complex, sensitive, and unstructured to be mandated. Instead, the nurturing of dialogue and other OD efforts would have to include the individual, the company, and even the industry (Beer & Walton, 1987). Every employee would need to feel ownership for reaching the goals, and would have to have creative input into how best to reach them. Different functions would need to collaborate with each other in ways that went far beyond what they had ever done before (Waterman, 1990). And vendors and customers would have to be brought in as partners in the process of change, rather than as passive recipients (Ashkenas, 1990; Jick, 1990). This latest evolution in organizational change and effectiveness is where organizational dialogue emerges.

Work-Out then aimed to create organizational dialogue—sophisticated, mature interaction between all parties of GE's organizations—and to translate it into action. But to understand how this emerged, there is a need to view the creation of organization dialogue as an evolving process. Thus we will next examine the development of organizational dialogue through Work-Out and see how the capability to engage in such dialogue can be accelerated and stimulated. In essence, Work-Out was like injecting growth hormones into GE's businesses—accelerating the pace at which creative, action-oriented dialogue, suited for success in the 1990s, would be achieved.

STAGES OF ORGANIZATIONAL DIALOGUE

As discussed earlier, old, large, highly-stressed and bureaucratic organizations often lose their "voice." People forget how to engage in true dialogue across

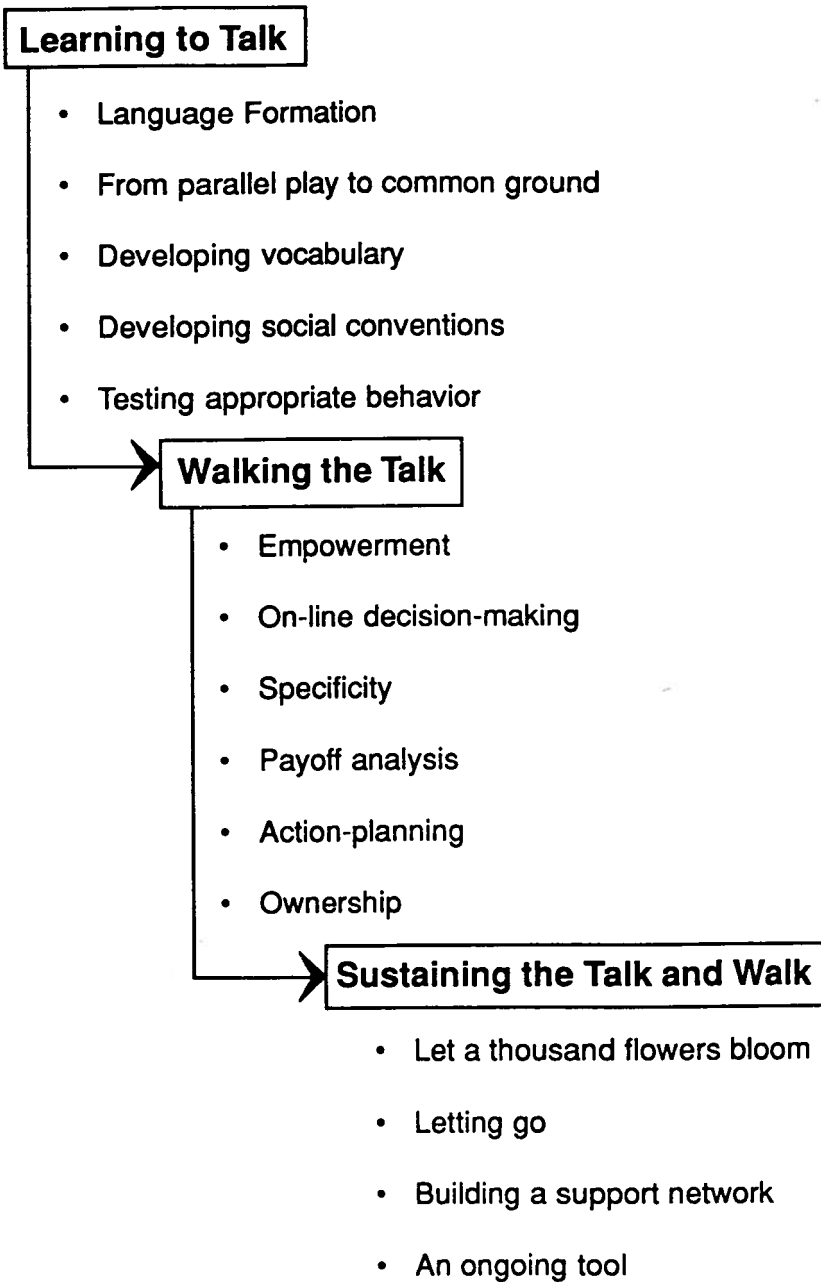


Figure 3. Stages of Organizational Dialogue

functions, levels, and boundaries without fear, information constraints, posturing, distortion, denial, and a host of other dysfunctional behaviors. To regain the ability to conduct mature, constructive result-producing dialogue is a learning and development process which proceeds in stages over time. Work-Out is aimed to accelerate the development of dialogue, and/or to launch this process in organizations that have become "stuck" in a pattern of unconstructive dialogue. This development process, it should be noted, is interactive and continuous. As organizations change, grow, and mature, there is always a need for further learning (Lundberg, 1989), so, in essence, Work-Out created a continuous learning and improvement process. We have broken this process into three distinct stages, as summarized in Figure 3.

Learning to Talk

The first stage in the development of organizational dialogue is what we call "learning to talk." In this stage, people in different functions or at different levels begin to develop a common language that provides the initial foundation for dialogue. Like young children, organization members learn common words, sentences, and meanings which enable them to interact.

In the Work-Out process, this often occurred in the small group sessions (or in preparatory sessions prior to Work-Out) when people from different functions joined together to map out a common business process that cut across organizational lines. During this period of time, people had a chance to hear, often for the first time, what other people do, how they spend their time, and so forth. Interface issues often were identified here as well, as people began to realize how their work affected other functions and vice versa. Most importantly, however, a shared view of the overall process began to develop.

Another element of Work-Out that fostered common language was an up-front presentation by the business leader about the strategy of the business, the key challenges facing it, and how each function needed to contribute to meet those challenges. While many people had a broad sense of their business's strategy, they often did not realize the role that each function or piece of the organization needed to play. Without this common understanding or common language, much of their functional activity becomes analogous to the "parallel play" of toddlers—with each function "doing its own thing" without really interacting. Only when functions "bump into each other" does interaction occur. But the dialogue in such cases is argumentative, emotional, and narrow—like young children fighting over a toy. The common language that Work-Out began to provide offered a way of raising the quality of such interfunctional dialogue.

An early Work-Out session illustrated this process. During a session focused on improving the new product developmental process, it became clear that the production and engineering functions were often engaged in "parallel play"

during the hand-off of new equipment. At such times, production which was highly focused on cost goals, refused to allow any plant people to begin running new equipment until it was fully operational or "turn-key." Yet engineering, which was primarily focused on meeting project deadlines, could not make the equipment fully operational without the involvement of production people in the plant. The result was usually a stand-off, delayed introduction of new equipment, and an escalation of the issue to vice-presidential levels for resolution. The value of the Work-Out session was to help both functions step back and view the entire process, and then, with this common view, to develop more constructive means of arranging the hand-off.

Sharing the same context, (i.e., sharing the same understanding of the business process and the business goals and strategies) is a critical part of learning to talk. In addition, however, there develops a shared understanding of *how* to talk to each other about these and other issues. One of the first steps in most Work-Out processes was the identification of problem-solving do's and don'ts. Whether developed by the group itself or "announced" by a facilitator, these guidelines symbolically and pragmatically instilled a sense that "we will be talking to each other in a new way."

In one GE business, a nominal group technique was used in many town meetings that formats how to gain maximum dialogue, how to ensure conflict resolution, and how to ultimately gain commitment to any decision that is reached. Groups which utilized these ground rules tended to be more effective and comprehensive in their problem solving than most which initially did not.

Finally, learning how to talk involves a new vocabulary. Words like "empowerment," "culture," and "Work-Out" itself were repeatedly used and became part of a new common parlance that shaped thinking and interacting. For example, the phrase "in the spirit of Work-Out" was used to bolster a point of view, provide common ground, and motivate people to problem-solve different issues.

As functions and levels in the organization begin to develop common language, organizational dialogue begins. At first, however, it is a tentative, fragile, and somewhat limited dialogue. People are unsure of how much they can say, what's appropriate and what's not, how much information really can be shared, and how much trust can be placed in the other parties. In essence, the organization starts to function like adolescents who are constantly learning social conventions, and testing the limits of acceptable behavior.

This "testing" period manifests itself in a number of ways. For example, in the early stages of the Work-Out process, participants at the town meeting were insistent that the functional vice-presidents did not attend the sessions or become part of the dialogue, for fear that they would "punish" people for raising questions about how functions were managed. Similarly, in another instance, an early town meeting was severely inhibited by a group of senior functional managers who sat at a side table and "put down" virtually every suggestion made by the group.

The development of appropriate conventions is a difficult period for all parties to the dialogue. Many business heads that ran town meetings remarked that the most difficult part for them was learning how to say “no” to suggestions in a constructive way—without dampening people’s enthusiasm and openness. Senior functional managers seemed to have difficulty “letting go” of various control mechanisms—reports, measures, approvals—and often struggled with appropriate ways to talk about the implications of “letting go” for their own jobs. People at all levels struggled with how to express their suggestions in ways that did not appear to “attack” other functions or certain managers. In short, the dialogue was often dicey, immature, and fraught with emotion.

In order to make it through this stage of the process successfully, it became critical for the business manager running a town meeting to model appropriate behaviors and give people a sense of what constructive organizational dialogue really meant. Without effective modeling, the development process often slows, or even regresses. A major part of the modeling behavior needed is to assure organizational members that it is safe to bring up tough, emotionally-charged issues, even if they are not always resolved to everyone’s satisfaction. For example, here is a dialogue from one town meeting.

Group member (presenting a recommendation):

“Let’s eliminate the regional manager’s signature on all the paperwork when we have to liquidate an asset coming off lease... We can let the branch manager sign off. It takes an extra 30 minutes for the regional manager to sign all the papers for each unit. It’s at least 40 hours per month for each regional manager—not to mention the slow-down of our processing”

Business leader:

“What value does the regional manager’s signature add?”

A regional manager (perhaps threatened by loss of control):

“There are some cost considerations here regarding the price for liquidation. It’s got to be a management-controlled decision.”

Business leader:

“Do the regional managers pay any real attention to what they are signing? In other words, do they ever not sign, or change the price, or anything?”

Another regional manager:

“It’s basically a rubber stamp. We never look at the numbers, we just sign.”

Business leader:

“Let’s do it!”

Group: (Loud cheers)

As a result of this experience, future discussions became more honest and a new norm had been created.

Translating Dialogue into Action: Walking the Talk

Once the organization has “learned how to talk,” the development process moves on to the next major stage: Walking the talk. In this stage of organizational development, people in the organization begin learning how to translate discussions and agreements into tangible actions that affect the business.

While this translation takes place throughout the Work-Out process, it is particularly evident at several key points. It begins during small group, individual and informal discussions when people realize that they are doing things that they can either eliminate or modify, on their own, immediately. When these realizations occur, other group members often encourage the person who can act on the change to “just do it.”

For example, in a meeting of systems people it was discovered that a mainframe operations group was generating a series of weekly control reports (several feet thick) for their own function that nobody used. A young woman in charge of report printing and distribution was then asked to stop producing and sending this report. She responded, somewhat incredulously, “Can I really do that?” When the group insisted that she could indeed act on their suggestion, she was thrilled, although still unsure that she had the power to make change happen. “What if somebody complains?” she asked. Again the group reassured her that there was little risk in not producing the report, and that the data remained in the computer anyway. Finally she said, “OK, I’ll do it!” and the report was killed. Translating organizational dialogue into action had begun.

Learning how to move into action was reinforced with the town meeting format. In these meetings, the business leader was required to assign a disposition to each Work-Out suggestion. By deciding, on-the-spot, how to handle each idea, the business leader was modeling the translation of dialogue into action. S/he was demonstrating, in effect, that the purpose of the dialogue is purposeful action for the betterment of the business—and not just conversation for its own sake. S/he also demonstrated that when dialogue is effective, open, and energetic, business solutions can be put into effect quickly, without a lot of study, posturing, reporting, analyzing, and so on.

The town meeting also brought out a series of more subtle learnings about how to translate dialogue into action. The most important of these was that certain types of organizational dialogue were more likely to lead to action than others. Specifically when ideas were presented that were focused and tangible, they were much more often accepted than vague and general recommendations. For instance, an early Work-Out session produced a powerful presentation about the need for the business to develop a “customer service obsession.” Participants were enthusiastic and genuine about the need for this change—but were unable to specifically define what managers and employees should do differently. Consequently, little if any action resulted. Months later,

however, as people learned how to increase the chances for change, suggestions about customer service improvement were much more focused and doable—involving changes in problem-resolution procedures, speeding delivery cycles, and better packaging.

Payoff analysis was another learning that occurred during this stage of the development process. When people were just learning how to talk—sharing ideas and problems—they generated lots of suggestions without a sense of the payoff. Often their ideas were important to them, or to their function, but may or may not have had an overall benefit to the business. During the Work-Out process, organizational members began to learn how to assess the payoffs of change-ideas from a broader perspective, and then to assign priorities. At the town meeting, people were able to present their views of the payoffs, and talk it through with a business leader. Significant learning then occurred as everyone began to get a sense of the tradeoffs involved in running a business. The following dialogue from a town meeting illustrates this point.

Group member (presenting a recommendation):

“We propose that the business allocate \$380,000 to purchase this equipment so that we can significantly improve the quality of our monogram and identification markings on (certain) products.”

Participant (not a member of the team);

“We need to grapple with the payoff from such an investment. We don’t have that large a margin on these products.”

Business leader:

“There’s also a question of loyalty with the customers that buy these products. We could make the changes and they might still switch to other brands...but yet we do want to make a forceful statement about quality.”

Participant:

“Maybe we need to look beyond just these customers...isn’t there a matter of the image we want to convey in the marketplace with how we mark our products?”

Functional manager:

“How does this quality problem rank in the list of other quality issues that we have?”

Participant:

“It’s sixth in my channel.”

Participant:

“It’s higher in my marketing channel.”

Functional manager:

“The question is in which order do we take on these quality issues...so I guess that you’re arguing that we move this one higher on the list.”

Participant:

"It's hard to dollarize the impact, but we think it's important."

Business leader:

"Well, I can see that this is a real issue, but one that can't be justified just by dollar payoff alone. It will have to be based on our conviction about what's right to do in the marketplace. So we'll definitely do it, but the question is when. So let's put this one on the "further study" list—but what I'd like to see is what are the quality issues that are higher on the list than this."

The final aspect of "translating dialogue into action" involved the actual implementation of Work-Out ideas. Our experience was that a great deal of learning and development was required in order to ensure a fairly high rate of successful implementation. In some cases, this issue was attacked directly, by holding specially designed "action-planning" sessions after the town meeting. At these sessions, participants laid out the specific steps needed to carry out their Work-Out recommendations, assigned responsibilities, and sketched out the timing. Lots of dialogue occurred here as to the best way to go about making things happen, that is, how to communicate change, how to deal with politics, how to anticipate and overcome resistances, and so on.

Organizational dialogue around these issues was often enlightening to Work-Out participants. Many people held the naive belief that if the business leader gave approval to something, that it would almost automatically happen. It was important for people to learn that this was rarely, if ever, the case. For example, in one instance, steering committee members were often assigned to follow up on recommendations or to review progress. They came to appreciate over time how fragile the translation could be from "dialogue into action." As they became more sophisticated about what it took, they were more helpful to subsequent teams about the perils and pitfalls.

The final learning in this stage concerns ownership and empowerment. With almost every Work-Out recommendation we found that successful implementation required a single individual to drive the change through the organization—to mobilize the resources, line up the required political forces, track progress, and keep the issue alive until it is successfully resolved. Without this kind of focused commitment, we found that even the simplest ideas could become buried under busyness, bureaucracy, inertia, and disinterest. In its simplest form, then, "translating dialogue into action" means that individuals in the organization accept that change is their responsibility, and they are truly empowered to make it happen. When this begins to occur, and a critical mass of organizational members start to initiate and drive the change process, then Work-Out starts to take off.

Continuing the Process: Sustaining the Talk and Walk

The purpose of Work-Out was not merely to create a series of recommendations and subsequent actions—but rather to fuel a process of continuous improvement and change. That is the goal of the third and final stage of organizational dialogue, which we call “sustaining the talk and walk.”

In order to create a sustained, continuous improvement process where organizational dialogue takes place every day, GE's organizations have needed to learn how to expand and deepen the Work-Out process. This has taken place in a number of ways so far and is continuing to evolve. For example, at the beginning of 1990, every function in a number of GE's businesses was asked to create its own Work-Out process. Thus every plant, every distribution center, every sales office started to get involved in the Work-Out process and set out to learn how to strengthen dialogue.

To make the “let a thousand flowers bloom” expansion strategy work, each senior manager was held accountable for continuous improvement and the development of organizational dialogue. For some, this was an easy and natural assignment. For others, it involved a real dilemma. On the one hand, they were well-versed on how to drive the mechanics of the process—that is, to make sure that Work-Out sessions took place. Yet once set in motion, they had to learn how to back off, let go, and allow their people to push forward without controlling every step. This was an entirely new level of learning for many managers in GE—learning how to allow organizational dialogue to flow freely without their control.

Expanding in this way also required the organization to create some different kinds of support networks. In various functions and businesses, Work-Out design teams or steering committees developed. A role of “Work-Out coordinator” or “program manager” began to emerge. Cadres of internal facilitators, trained to assist people in learning how to develop effective dialogue, arose. All of these support roles were relatively new, and much organizational learning was required in order to learn how best to use these people, and for these people themselves to develop the right kinds of skills. In addition, many people within the businesses had to learn how to accept help in facilitating the dialogue.

“Sustaining the process” also involved expanding and applying organizational dialogue to more and more issues—indeed, viewing Work-Out as a key, ongoing tool for managing a wide array of business plans and procedures. Some businesses began to use Work-Out sessions for strategic planning, or for identifying new product possibilities.

Organizational dialogue, in its most “mature” form, begins to reshape fundamentally the roles, responsibilities, and focus for organization action-taking. The following is a list of indicators of significant progress in this direction.

1. Employees, supervisors and managers become indistinguishable from each other. Idea generators, problem solvers, and action-takers are found in all “ranks.”
2. Dialogue and debate flows freely at the lowest level of the organization and resolutions are more long-lasting. Moreover, this occurs in the daily life of the workplace (not limited to off-site “events”).
3. Managers push “empowered” employees to go into issues more deeply and take actions more quickly, instead of being the traditional constraints.
4. A steady stream of creative, profit-generating business solutions start to impact the bottom line.
5. Productive dialogue occurs even when Work-Out “leaders” or senior managers are not physically present.

Sustaining dialogue, of course, is a never-ending stage in the process. Once a business has unleashed the potential of its people to contribute, and opened up the organizational dialogue, it becomes difficult to close it off without a great deal of disruption and pain. The challenge, though, is to nurture and sustain, so that the dialogue becomes ever richer, more creative, and more self-generated at all levels.

IMPLICATIONS FOR ORGANIZATIONAL DEVELOPMENT

As Work-Out demonstrates, organizational dialogue can be a very potent tool for system-wide change. Organizational dialogue, for example, increases the upward flow of communication, one indicator of a high-involvement operation (Lawler, 1991). Best (1990) stresses the importance of forging organizational partnerships that go beyond follower and leader to include labor-management, supplier-customer, and government-industry partnerships—again, similar to GE’s efforts to extend its organizational dialogue beyond the company’s borders. GE’s program also meshes well with Sherwood’s (1988) description of high performance-high commitment work systems whose defining characteristics include such Work-Out mainstays as teamwork across boundaries—exemplified by the cross-functional, cross-level groups at GE; delegation—embodied in GE’s efforts to allow workers to take action on issues that concern them without undergoing a lengthy approval process; and a shared sense of purpose—attested to by the quotes at the beginning of this paper.

Finally, Work-Out embraces the need for—and importance of—organizational learning. As outlined by Lundberg (1989), organizational learning is typified by three characteristics: it allows organizations to better understand both the internal and external world; it stresses the importance of

environmental adaptation; and it both influences and is impacted by the environment, and by organizational structure, strategy, and culture. From our GE observations, we believe organizational dialogue is a particularly effective method for achieving organizational learning. Dialogue serves as a bridge to learning not only between different groups and levels within the organization itself, but also between the organization and the outside world (see Ashkenas, 1990; Jick, 1990).

In his review of recent developments in organizational change and development, Woodman (1989) summarizes three possible scenarios, advanced by Sashkin and Burke (1987) for how the field of OD is likely to evolve: first, that OD will experience stagnation and retrenchment; second, that it will remain stable, with slow but steady growth; or third, that the field will branch out in exciting new directions. Woodman concludes that the third and most optimistic scenario may be the most likely. Although the Work-Out experience at GE is still in its infancy, its strong attempt to transform a whole system in a way that benefits both human and system effectiveness would appear to give credence to this optimistic conclusion.

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