

# Experiential learning: What's missing in most change programs

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Successful transformations demand new capabilities. To build them, experiential learning leverages the intimate link between knowledge and experience.

*There is an intimate and necessary relation between the processes of actual experience and education.*

—John Dewey (*Experience and Education*, 1938)

Leading organizations in every walk of life have already had to cope with more change in this millennium than was seen in the entire second half of the previous century. Most global companies have undergone more than one technological and workforce reorganization in the past decade. Launching one change program after another, they have had to embrace automation and digitization, shared services, lean operations, and other transformative innovations. The prognosis for business planners: more transformative change. On the horizon, for example, is the full digitization of economies on a national scale, with big data, advanced analytics, and the “Internet of things”—where connectivity goes beyond company and consumer, to interactive smart products and services.

Efforts to keep pace have so far had mixed results, to say the least. McKinsey research reveals that two-thirds of business transformations do not adequately meet their objectives.<sup>1</sup> Only one in ten companies actually sustains cost improvements beyond four years. Programs are sometimes mismatched with needs or poorly executed, but in most instances the broken link in the chain has been capabilities. Successful programs are by and large those that create needed capabilities. Transformational aspirations must be adequately supported by a skilled workforce, ready to achieve the change mission.

## Capability building through experiential learning

Our 2014 research results indicate that capability building has become one of the top three priorities of executives around the world. How can these leaders

best address the priority? To begin with, we know that in successful transformations, organizations identify relevant skill gaps and use needed resources to fill them. To sustain the improvement over time, new capabilities have to become the new norm, so learning and development must take place throughout the organization.

Organizations make significant investments in learning and development, but too little of it actually results in behavioral change in the workplace. Like change programs, learning and development efforts can fall short of their objectives for a number of reasons, often in combination. The basis of the effort could have been misconceived: key capabilities may have been overlooked or the skills learned may have few on-the-job applications. Participants may not be sufficiently informed of why the new skills are needed; the learning experience may be overly abstract and unconnected to the actual tasks it is meant to serve. The effort, furthermore, may not recognize the importance of personal motivation or foster a new mind-set.

Cognitive scientists and educational philosophers have long grappled with the concepts inherent in these issues, as they sought to discover how people learn. In the 20th century, insightful educators such as John Dewey and Jean Piaget closely explored a concept known even to the Greeks—that knowledge and experience are intimately linked. They came to recognize that approaches to education must respect this connection and in their writings especially emphasized the importance of experience-based learning.

In the workplace, experiential learning has a long tradition, having proved itself over time to be the

most effective means to acquire skills. It is an essential component in the functioning of society and in economic well-being—as the ubiquity of internships, apprenticeship programs, and on-the-job training shows. When it comes to the systematic acquisition of the knowledge and skills needed to support business transformations, success depends on a combination of intellectual comprehension and hands-on experience. In modern corporate settings, effective capability builders rely on dedicated experiential-learning programs to achieve the results they need. Our latest research shows, however, that too many companies struggle with capability challenges while leaving the path of experiential learning unexplored.

#### An immersive approach

Experiential learning immerses participants in an active and shared learning environment. Practitioners follow a variety of methods that may differ in the details but foster similar experiences and outcomes. Participants explore and analyze content along with their peers in a shared experience, and then individually reflect upon the experience. Conclusions are then reached and the lessons applied in context. The approach thus integrates shared contextual exploration with reflective thought processes—a dynamic combination that amplifies individual and group comprehension. It has been shown to be the most effective method of adult learning, as evidenced in our research and the research and experience of many scholars and educators.<sup>2</sup> A typical staged process in experiential learning can be described as follows:

- experiencing and exploring: *doing*
- sharing and reflecting: *what happened?*
- processing and analyzing: *what's important?*

- generalizing: *so what?*
- applying: *what works for me?*

An experiential-learning program takes participants on a journey through a real-life environment. This environment can be an actual workplace, a purpose-built capability-development center mirroring a work-place setting, or even an ordinary classroom. The program is designed to link participants' day-to-day work to value generation and business impact. The learning experience challenges people to move beyond established work routines into a learning zone. Elements of this immersive experience include role playing, guided discussions, and simulated situations. Participants are asked to work with new tools and methods, practice new skills, and make decisions. Feedback on the effectiveness of the new skills is an important part of the process.

Experiential learning is a preferred approach for building the skills of adults, who are accustomed to learn through action and experience. They especially learn by interacting with peers to acquire new knowledge and skills. The process is designed on these premises, and aims at establishing a friendly space where learners can digest manageable knowledge nuggets, follow their curiosity, and chart their own learning paths. Participants are encouraged to focus on the essential skills, take risks and learn from their mistakes. The experiential-learning environment is meant to be a safe place, where participants are at ease to enjoy their own personal growth process.

We have found that experiential-learning programs are best guided by facilitators with subject-matter expertise and practical knowledge in conducting dynamic, interactive sessions. The programs should be designed to help everyone involved in the change. The facilitator acts as a sensor for the experience of

the people in the program and seeks to guide each participant in their learning journey, opening the doors to learning so that all may enter.

### How do experiential-learning programs work?

We have had more than a decade of experience designing and deploying experiential learning for clients and our own consultants through a network of capability centers around the world, as well as in purpose-built centers at client sites. Here we discuss our experience with programs in lean manufacturing, pricing, leadership, digital marketing, lean IT, supply-chain optimization, and service operations; other programs address sourcing, product development, and energy productivity.<sup>3</sup>

### Lean manufacturing

In a complex model manufacturing environment, participants first observe a typical workflow for the end-to-end production of a pneumatic cylinder, from raw materials to quality-tested finished products. The simulation takes place on the shop floor of a model factory. The production line includes a machining center and an assembly line with several work stations. Participants can map the entire value stream in the model factory and identify sources of waste. The hands-on environment of the model factory allows participants to understand the principles of lean manufacturing from the ground up and end to end. They see before their own eyes how lean tools and methods can bring about significant change in the manufacture of products. They also learn to build the necessary capabilities and create the right company culture to lock in sustainable results from lean manufacturing.

### B2B pricing

The experiential-learning journey to build sustainable pricing capabilities is set in a realistic industrial environment. A workshop addresses pricing-excellence practices for top managers, including CEOs and business and commercial

unit heads. The full program involves sales heads and reps, as well as managers from key functions. The program addresses pricing as a process, from finding opportunities to setting prices to excellence in execution. Participants build expertise by analyzing pricing scenarios, studying large transactional data sets, and identifying areas for pricing improvement. Opportunities are sized for value and captured using key pricing levers that have an immediate bottom-line impact. Participants can use their own company's datasets and apply knowledge and tools directly to their own situations. A "train the trainers" program helps the new pricing experts learn how to transmit their capabilities quickly to an entire organization with hundreds of sales reps.

### Performance leadership

The learning journey for executive leadership strengthens key leadership skills, building capabilities for leading successful transformations and sustaining performance improvements. In workshops, participants work in pairs, small groups, and larger plenary meetings. They explore problem-solving and communications methods that simplify and resolve daily problems as well as help surmount the challenges of more ambitious projects. In a realistic yet risk-free environment, leaders can adopt and practice different mind-sets in the settings that matter to them: the boardroom, the shop floor, or meetings with customers or clients. They also acquire crucial capabilities of self-reflection and the use of delegation and coaching to magnify their leadership leverage. The journey has many dimensions that can be tailored to address the needs of top executives, functional managers, and project leaders and teams.

### Digital marketing

In an experiential-learning simulation, participants act as chief marketing officers (CMOs) of an e-commerce start-up: a real online wine store

offering 4,000 different wines, ordered online and delivered within 48 hours. These CMOs enter a step-by-step training session covering all elements of digital marketing. Participants are immersed in a lively simulated business environment and given the opportunity to acquire and retain knowledge and develop skills. They quickly appreciate the relevance and dynamics of the digital marketing. They learn to choose the appropriate tools and channels, plan their own digital-marketing strategies, conduct digital campaigns, and measure outcomes and success. They can then drive digital transformation within their own companies, enabling optimally profitable digitization.

#### Lean IT

This experiential simulation combines learning and doing in another realistic working environment: a software-development company. Participants are responsible for handling customer orders, gathering customer feedback, and testing their IT products. Participants learn to identify sources of waste in IT development environments and measure the amount of rework these inefficiencies cause. Another focus area is the active management of demand for finite IT resources. Participants learn to triage IT work so that requests essential to the business are handled first and quickly. Performance dialogues are used in a risk-free setting, as participants develop and test the future state of the IT system. To do this, they evaluate the different dimensions of a lean IT system and experience how the improvements work.

#### Supply-chain optimization

In this simulation, participants become supply-chain managers operating a control tower at a virtual company with an extensive supply chain. Operations are improved by improving the information and material flow for the company. Interactive sessions define the agile supply chain,

implement an integrated planning process, and launch a best-in-class supply-chain operating system. Participants become familiar with the latest trends in supply, optimally adapting them to serve their companies. The array of skills and knowledge acquired includes the latest thinking and industry-specific insights in supply-chain management. Participants ultimately learn to use the supply chain strategically as they achieve excellence in integrated operations.

#### Service operations

The approach focuses on improving performance in a variety of service environments and back-office operations. The point of departure for several experiential-learning journeys is a non-optimized setup in a realistic bank environment. In the “lean branch” journey, for example, participants become skilled in such lean principles and techniques as process observation, performance management, and value-stream mapping. They study branch “choreography” to learn how to free up and structure time so that customer interactions are optimized to improve sales effectiveness and customer satisfaction. Daily banking operations are experienced through simulations and role playing, as participants take the perspective of the customer, tellers, financial advisers, and managers. Lean tools such as customer observations are used to analyze the branch’s current state; participants then design and implement the future state, and are coached in the new way of working.



Experiential learning to build capabilities is one of the most important elements of a successful company transformation. Our experience has taught us that to ensure success in any industry or functional area, leaders must put a few things in place: resources sufficient to gain momentum and

achieve rapid progress, clearly defined pivotal roles and responsibilities, and fully engaged employees and leaders. Employees need to be drawn in with clear and open lines of communication. Leaders must take an active role in designing the changes and modeling results in their own conduct. Change is challenging, but successful companies know how to achieve it. So can you. ■

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<sup>1</sup> Research used in this article can be found in Richard Benson-Armer, Silke-Susann Otto, and Nick van Dam, "Do your training efforts drive performance?," *McKinsey Quarterly*, March 2015, [mckinsey.com](http://mckinsey.com); Richard Benson-Armer, Silke-Susann Otto, and Gina Webster, "Building capabilities for performance," September 2014, [mckinsey.com](http://mckinsey.com); and Scott Keller, Mary Meaney, and Caroline Pung, "What successful transformations share: McKinsey Global Survey results," March 2010, [mckinsey.com](http://mckinsey.com).

<sup>2</sup> In addition to the research cited in note 1, see Nick van Dam, "Inside the Learning Brain," *TD Magazine*, April 2013; and K. G. Diem, *Leader Training Series: The Learn-by-Doing Approach to Life Skill Development*, New Brunswick, NJ: Rutgers Cooperative Extension, 2004.

<sup>3</sup> Further information on McKinsey's capability network can be found at [capability-center.mckinsey.com](http://capability-center.mckinsey.com).

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