

**Remarks by
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- As you might tell from Davida's introduction, I am very committed to improving the quality of education. As co-chair of Boston's Private Industry Council, I work with other business and community leaders to improve the educational system in Boston through efforts such as partnerships between the schools and businesses. I also serve on the board of trustees of some institutions of higher learning, including my alma mater, the University of Rochester.
- Given my strong interest, I am delighted to join you here tonight to discuss my perspectives on the changing business environment as it relates to the education your students need to enter the working world.
- I'd like to talk first about the changes I've seen in the business world and the implications of those changes for my organization, the Federal Reserve Bank of Boston. I'll then talk about the impact on the profile of our future workers, individuals such as your students and the quality program we've implemented at the Federal Reserve. I also want to mention a program involving the Boston Public Schools that we're really quite excited about, and leave you with some information both about that program and a quality effort you may find has direct relevance here in Carlisle. And, finally, if you're still awake, I'd be happy to take questions.

- As you are well aware, the world has changed tremendously, and it continues to change, and to change ever faster each day. The rapid pace of change is a given for today and tomorrow. It is not going to slow down, it is going to continue to accelerate. That has significant implications for businesses. It means that we must change the ways in which we manage, it means we must change the way we hire and train our staff, and it means we must change the culture, or the environment in which we work.

- Let me give you a few examples of some of the changes I have witnessed in the past decade:
 - Technological - Recent technological advances are nothing short of amazing. Look, for example, at the speed with which we communicate. In business we share data and other documents almost instantaneously through internal E-mail systems, the Internet and fax. Not so long ago, overnight delivery of a document by Federal Express was considered top-notch service.
 - Globalization - In part due to these technological changes, and in part due to reductions in barriers to trade, organizations are able to more easily conduct their business across multiple time zones. The result is stiffer competition and intensified pressure to improve efficiency and quality of products and services.
 - Consolidation - Because of the focus on efficiency we've seen a lot of down-sizing, right-sizing and other sorts of

consolidation in industry. Organizations are tighter and flatter, with fewer supervisory staff than before. At the same time, they are more complex, facing issues that cross traditional functional boundaries.

- Diversity - The workforce is more diverse as is the marketplace; this requires attention to diversity issues and education so that we benefit from the best in our work force and provide the highest quality service to our customers.
- The implications for business of these factors are extensive:
 - We need to be good at managing change.
 - We have to be fast, creative and responsive to customers in developing new products and services that meet and exceed customer needs.
 - We have to provide high-quality products and services at the lowest possible cost and we need to continuously improve the products we provide.
 - We need to work smarter and faster, and we need to work across functions.
 - Job security is no longer a given, even in institutions, such as the Federal Reserve, that have traditionally been paternalistic organizations.
 - At the same time, we need to accommodate the changing needs of our staff, and we need to develop our staff continuously and become a learning organization.

- This means that our needs for workers have changed. In general, I think we can say that, at least for the Federal Reserve, we need more highly skilled workers, particularly those who can process information, and we need more knowledge workers. We also need people who are open to change and not afraid to think outside the box. They need to be able to work both independently and collaboratively.

- At the Federal Reserve in Boston, we recently looked at the opportunities and challenges we would face in the next few years and determined what skills we would need in our organization to accomplish our goals. I think you will find the results interesting.
 - We classified our needs into three broad skill sets --
 - analytical and professional skills, skills related to versatility, and management skills.
 - Within analytic and professional skills, we are looking for our people to think logically, critically and strategically about issues and problems, and to develop creative and appropriate solutions and initiatives. They need to be able to develop and maintain strong business relationships.
 - When I say we want people with versatility skills, I mean individuals who are intellectually interested and experienced in a broad range of functions, have in-depth knowledge of our businesses and our customers, are willing to try new things, and are not

afraid of technology. They must get along well with internal and external constituents at all levels and across all functions, and therefore must have strong interpersonal and teamwork skills. They also must respect and actively seek to obtain a diversity of ideas and opinions. They need to be able to listen well to others and to present their ideas clearly verbally and in writing.

- Management skills include the ability to lead and inspire others, as well as to manage people, processes and resources. Those with these skill will be able to break down barriers and create an environment where all employees can maximize their contributions to the Bank.

- I'd like to say that we are fully staffed with all the supermen and superwomen who fit this bill. Unfortunately, however, when we looked at the skill sets of the staff in our organization we found some gaps. As a result, we have enhanced our professional development program to bridge the gaps through education, training, job rotation, developmental assignments and developmental programs such as mentoring. We've made it clear that this program applies to all employees, not just management, and that the employee and his or her supervisors share the responsibility for the employee's development. I think we are well on our way to becoming a learning organization.

- In addition to these three broad sets of skills, we are also looking for certain attitudes and beliefs. There is nothing like a “can do” attitude. Or an attitude of wanting to please the customer. In fact, some companies are now hiring for attitude, not skill. They figure that if they hire people with the right attitude they can teach them the skills. At the Boston Reserve Bank we have institutionalized our attitudes and beliefs through values statements that we discuss regularly with our staff. Our values include: integrity, respect, excellence, leadership, continuous improvement and serving the public interest.

- As we look for new people, we will aim to hire people with these skills, attitudes and beliefs. The more of them you can give your students, the better it will be for all of us.

- I’d like to turn now to my experiences with quality management.
 - The Federal Reserve Bank of Boston has a long history of quality; really, since our inception in 1914. In 1980, however, we began to focus on quality in a different way. That year, legislation was passed that required all Reserve Banks to offer our payments and information services to all depository institutions, not just those who were our member banks. At the same time, we had to price our services, not offer them free to offset the balances our member banks held with us. Suddenly, we were in a whole new world where we had to think of banks as customers,

and even more novel, customers who had other choices for service providers. We needed to take off our regulator hats and learn to focus on our customers. In the mid 1980's that became our quality focus. We learned to focus on our customers and to listen to their needs. That served us well for a number of years.

- In 1992, largely because of the environmental changes I mentioned earlier, we knew we had to focus even more intently on quality. We wanted some tools to help us become a more efficient and effective organization that still focused on our customers. We decided to learn more about total quality management, or TQM. Our senior management team went for six full days of training in total quality management philosophies and methods. We dedicated two people to help us establish an infrastructure that would allow us to integrate the philosophies and tools we learned into our existing culture.
 - Our quality philosophies include four components.
 - Customer focus -- that is, ongoing focus on our stakeholders, internal and external, and doing what is best for them.
 - Continuous improvement -- to our processes and services.
 - Total participation -- that is, involving all staff on a daily basis in improvement work.

- Societal learning -- that is, sharing what we learn with each other and with other organizations.

- Buy in to our quality program has been mixed, as it is in most organizations when you are trying to make a cultural change. But, we have had some good successes that are giving us momentum. We have used the tools with great success in developing new products and services, such as new accounting systems to accommodate interstate banking and new electronic payments services. We've also used them to help analyze and improve a broad spectrum of processes, including our budget process, our entire purchase-to-payment process, our job posting process and our external customer training process. We've also used them to identify and correct problems in a more structured way, and to reduce errors and waste.

- In addition to these results, this work has helped us develop some of the important skills I mentioned earlier. For example, many of these improvement projects have been done with cross-functional teams. This experience has enhanced the ability of many of the team members to work well in teams, which means good communications, conflict resolution and negotiation skills. It also has enhanced their analytical skills, including the ability to define issues, gather

appropriate data, analyze it and develop recommendations. It has also given them more experience in preparing clear documents and making presentations.

- You may have noticed by now that I have focused a lot of attention on the learning that takes place at the Federal Reserve Bank of Boston. As I noted earlier we consider ourselves a "learning organization" constantly evolving to better operations and policy formation. I've told you the new skills we need from our employee base--and frankly the best way we've seen to get those skills is either to train employees, or to hire new staff who've had these experiences before.
- That's why we've been particularly excited about a relatively recent program in Boston called School-to-Career, that is the joint responsibility of the Boston Private Industry Council--of which I am co-chair--and the Boston Public Schools
- Boston Compact - background - if you educate them, we will employ
- School-to-Career makes the linkage between the classroom and the employer for hundreds of Boston public high school students. The program orients the high school around major career areas--not jobs but careers--such as the health care industry, financial services, travel and tourism. It involves change --for the student whose school and work experiences are linked --for the school, which must orient itself around industry

"pathway" and typically develop smaller learning environments --for the employer who is asked to develop a work plan for the student and evaluate his or her skill level and achievement.

- We've seen this program as very powerful in helping us develop entry-level employees from the Boston public school system. We've also seen that students do better when they're in S-T-C programs--drop out less, get better grades, and, gradually, do better on standardized tests.
- This is not a panacea either for us or for the Boston public school system, but it is a program that works.
- I'm also going to leave you some information on other programs that seem to work. A few years ago, the Center for Quality of Management -- a group we joined to learn about and share our experiences in quality management -- published some articles and case studies on the application of total quality philosophies and tools to improve education. You may already be familiar with the Kenmore-Tonawanda or Mount Edgecombe school improvement programs. If not, I have with me copies of the articles, which I found very interesting.
 - The articles suggest that the four philosophical components of quality management -- customer focus, continuous improvement, total participation and societal networking -- are well suited to education.
 - They also suggest that many TQM initiatives in education fail because of a lack of infrastructure to support the program. The authors recommend that schools adopt a

seven-element infrastructure model to implement their improvement efforts.

- **I know that tonight you are working on a vision for your school community. That is the first element of the infrastructure -- goal setting. Doing this collaboratively, as you are here tonight, is especially important to obtain the best results and to gain the widest acceptance.**
- **There are six other elements that you might want to consider, if you haven't already done so, as you continue with your improvement activities.**
 - **Establish your organizational structure -- who is responsible for what and who makes what decisions related to your improvement activities.**
 - **Establish a plan for ongoing training in improvement philosophies and tools.**
 - **Plan how you will promote your improvement activities.**
 - **Plan for the monitoring of your progress and diagnosis of problems.**
 - **Plan for recognition and reward for team achievements.**
 - **And finally, plan for communication of your results. This apparently is especially effective in the educational field, as so much of what is**

learned is transferrable across classrooms,
schools and school districts.

- A large body of literature exists on this topic, as I am sure you are aware. I urge you to continue to learn more about others' experiences with school quality improvement, and to learn from their successes and problems. The work that you are doing here is so very important to the future of our country.
- I hope my thoughts related to the business world will help you tonight as you create your vision for the future of education in Carlisle. I will be happy to take any questions you may have.
- Thank you for the opportunity to speak with you tonight, and good luck with your important work.