

The Human Side of Re-engineering

Radical change is radical. It cannot be done painlessly, without questioning the organizational culture, and changing the way leaders and employees work together.

by Dennis T. Jaffe, Ph.D. and Cynthia Scott, Ph.D.

Metropolitan Hospital (not its real name) was in trouble. With more than 100 years of success behind it and an outstanding reputation in the community, it was running a multimillion-dollar deficit--and realistic projections showed that it could only get worse. This teaching hospital had to change quickly.

So top management engaged a leading re-engineering firm and agreed to a fee that was based in part on the cost savings that would be realized in their re-engineering plan. The firm's consultants set to work with hope and optimism. They mobilized a dozen multidisciplinary teams of hospital personnel, each charged with the task of redesigning one service area. The whole process was under the direction of a steering committee, representing top management and key functional areas like nursing, finance, human resources and administration.

The teams worked for six months with creativity, urgency and a sense of mission. They presented their plans and the projected cost savings to the steering committee within the allotted time frame.

Then the process hit some snags. The hospital was dissatisfied with the consultants because they had pushed the process along without sharing enough of their experience for the internal leaders to fully understand the process. The consultants were perceived as numbers oriented, isolated, working on a theoretical level and failing to understand the realities of the hospital. Once they had achieved the redesign plan that was contracted for, the consultants left.

Now the process slowed drastically. The leadership team stalled in deciding how to cut one-third of their middle managers. This created uncertainty and led to rumors. The leaders were widely perceived as failing to change their own behavior of command and control. The physicians, who were both managing the hospital and customers of it, were not asked to change their own behavior.

Finally, as the design teams disbanded and there was no clear process for implementing the changes, idealism and urgency declined, and fear and anxiety took their place. Slowly, some services implemented far-reaching changes, and others did not.

Costs did decline radically, due to the elimination of redundancies and the reduced head count, but the realization grew that the hospital itself was not looking at its mission--that it was not rethinking how it worked or what it did. Moreover, the vast majority of its employees did not really understand why or how they were changing.

The hospital is more cost efficient now, but questions remain, two years after re-engineering: Have we really changed radically? Are we really a more effective institution in achieving our missions of community care and service, or are we just doing what we have always done more cheaply?

The healthcare industry is still transforming itself, and the hospital can depend on having to initiate many changes in the future. The top managers feel that they are only marginally more able to lead these coming changes. These equivocal results are the norm in re-engineering efforts.

The experience of Metropolitan Hospital provides an archetypal example of both the promise and the unintended failures of re-engineering. Like any radical change, re-engineering is more difficult to achieve than many leaders would like. They want to do it quickly and easily, and therefore they ignore or neglect the human dimensions of the process.

But people cannot change quietly or without conflict. After most re-engineering programs, there will be fewer people in the organization. In this game of musical chairs, nobody wants to be the one without a chair.

To change, everyone in the organization--leaders as well as other employees--needs to shift his/her mind-sets, his/her way of seeing the organization and their established roles, and take on new, sometimes highly threatening and unfamiliar activities. They need emotional support to change, and support in learning about the new ways of working and relating. If the change leaders do not face up to this, re-engineering will run aground.

The foundation of effective re-engineering is the involvement of everyone in the organization in changing and learning. It requires a radical change in the way both leaders and employees move the organization forward, the way they see their work and how they relate to each other. This cannot happen unless the whole community is involved in the design and implementation of change.

Re-engineering is a deep challenge for a hospital, because it is not a familiar, comfortable or easy process to undertake. Because it is so demanding, it should probably be used more judiciously than companies are using it. Those that do

choose to use it need to thoroughly understand what it will take to engage all of the very human people who will be undergoing the change.

"I'd rather be dead than empowered"

In asking people to commit to a redesigned organization, we are really asking them to sign up for an entirely new way of working. But managers resist giving up or redefining their power, and employees are often afraid to take up their new responsibilities. As people leave the organization, more responsibility falls on the shoulders of those who remain. They aren't immediately happy with this, and there is resistance at all levels.

For some employees, strong needs for structure, identity, defined roles and limited risk-taking were met by the traditional organizational structure. These employees have also become comfortable in blaming management as a means of managing anxiety. As one such employee stated, "I'd rather be dead than empowered."

Neither cultures nor individuals are designed to be easy to change. The process of maintaining integrity of boundaries-- homeostasis-- means that people and organizations resist attempts to change them. They have learned how to operate and succeed with the old, familiar, comfortable ways. They fear the future, in which new demands, new skills and new outcomes create more uncertainty. How can they be expected to welcome change, when everything that they value is called into question?

From the study of trauma, and of people's response to disastrous change, we discover several principles:

- * Change is deeply disruptive and upsetting.
- * People will get worse before they get better.
- * Some people are never going to change.
- * When forced into a crisis or trauma, people frequently regress and tilt toward stereotyped, rigid and unproductive behavior.

With all of these consequences, we can expect that change in organizations will not produce the desired work family of high performers without a lot of help and patience. Yet that is precisely what companies expect, and try to make happen.

Increasingly, we hear that loyalty to the organization is frayed, even among the people who survive these major changes. This is because the people who remain are often shell-shocked, hurt and angry, although they are so afraid of the future that they do their best to hide this.

The way downsizing is handled, or the confusion about what is being done and why, leads to a mixture of fear and anger that diminishes performance and commitment. Leaders are often willing to go along with the charade of avoidance, because they too fear the feelings they are having about change. In this context, the restoration and rebuilding of loyalty and commitment are difficult to imagine.

To begin to build a new kind of loyalty and a new kind of commitment based on a new set of expectations, an organization will have to challenge its most basic assumptions about the nature of real change and the relationship between change leaders and those who change.

The changers and the changees

Several assumptions often made at the start of a re-engineering effort plant the seeds for ultimate limitation of results: (1) Experts know what to do because they have seen it all before, (2) experts make the plans and (3) the people affected are told to implement them or lose their jobs. These assumptions all stem from a traditional technocratic model of how to conduct change. (If these sound familiar, it is because they anchored the rise of the modern bureaucratic organization.)

But re-engineering is not the application of a standardized or traditional technology. It requires a discovery of new ways of thinking and working by the people in the organization. It requires open systems and the sharing of full information across boundaries--not limitation of information by level and need to know. Re-engineering models actually hold these principles. Difficulty arises when the pressure of artificial deadlines, or the need for immediate cost savings, lead companies to stray from these principles.

True re-engineering is built on the cooperation of people representing different roles, responsibilities and tasks in assimilating change. The people in each role have a different relationship to change. Successful and deep change, however, comes about not from one group changing on its own, or one group changing another, but from an interaction of each of these different groups.

Broadly speaking, people play one of two major roles in change:

1. Leaders make change happen, or agree to it, but are often not directly part of the groups that change. They often think of themselves as the changers, not as people who also have to change.
2. Partners are asked to change, or are affected by changes. They are emotionally affected by the change, and must come to terms with it before they can meaningfully participate in it.

Eventually, partners need to come on board and join the leaders in commitment to the changes, and the leaders have to see that if they are to change others in the organization, they will also have to change themselves. At the end of successful change, there is much less distinction between the changers and the changees than there was at the start.

It starts at the top

Top leaders often believe that sponsoring change means making the decision, hiring a consultant, signing the checks and giving a pep talk. But no deep change is successful if the leaders are not deeply involved in the effort. People who have invested many years in a set of expectations of stability and continued employment in a large company are not easily enticed to get up and change. This observation, usually made about the rank and file, is equally true of leaders. Here are a few suggestions for change leaders:

Start with yourself. If you are leading change, the first changes have to take place in your own behavior. You have to begin by changing how you lead before others will follow.

In the midst of a troubled re-engineering process, we met with the executive group and asked them how they were re-engineering their own roles and responsibilities. The question hadn't even come up. Yet throughout their company, the managers most involved with change were quite aware of the lack of change in the top team, and they took that as the real message.

If you don't change then how can you expect others to change? If you don't change, can the organization really change?

Leave your guns outside the door. Leaders are closely observed by the rest of the organization for signs of political discord, inadequate commitment or ambivalence about the change. For every leader whose message of change is believed, there are several whose message is doubted, because people do not see real commitment.

So put aside your own turf battles and political squabbles, to demonstrate alignment with change. One large company was facing grave difficulty in changing because the old-guard CFO was visibly not in agreement, and he was undermining the process. Until he was given a clear message to get behind the change, the next two tiers of management could not believe in the program.

Be visible, open and direct. In one plant that was being closed, people were angry and confused about what was happening. They felt diminished by the

business decision to close the plant. When the CEO showed up to talk to them about it, the courage and directness of his explanation spread through the whole company quickly.

Too many leaders want to be absent when difficult messages are conveyed. A message from a real person is easier to hear than one from a memo, or one relayed through a chain of command.

People are emotionally as well as rationally involved in their work, and the change process has to address them on both these levels. It has to address people's underlying concerns about what will happen to them, and what the organization expects. To do this, leaders must be visible, clear and direct, or people will assume the worst.

Avoid sending double messages. One of the most frequent reasons for cynicism in a changing organization is the incongruity between what the change leaders say and what they do. For example, they may talk about radical change but limit the authority or the scope of the change project. Or they may fail to listen to the people who have the most information about what can be changed. Or keep the change process secret, then expect people to go along with the outcomes. Or invite people to share ideas and become empowered, then try to micromanage their behavior. People believe behavior more than words.

Learn to let go. Change in leadership often means letting go, not knowing what to do. Letting go is not the same as delegating and then stepping aside. In fact, letting go of responsibility to others requires a highly demanding and active leadership role. It means visibly supporting the process and setting the ground rules and expectations consistently and repeatedly.

How change happens is more important than what is changed. Change leaders set a context for change, a container in which the organization goes about changing itself. They do not tell people what to change; they just set up the apparatus for change. If you set up a good container--a good climate for reflection, learning and design--the change process will be well grounded.

If you want to tap the creativity and knowledge of your workforce, you cannot micromanage the change process. The more you manage, the more you give others the message that their ideas are not wanted. Indeed, the greatest difficulty facing people who are committed to real change is the tendency of their leaders to want to do it all.

No experts need apply

The most unique and radical element of every re-engineering process is the appointment of a dedicated and diverse team of people, representing different functional areas and even levels of the organization, to undertake the task of designing and implementing change. This is like convening a constitutional convention and designating a group of citizens to rethink the nature of governance. The people chosen are ordinary people, not the highest leaders, but they are also people who have special qualities of leadership.

In an organization, an appointment to the change team is an affirmation that this person has the kind of skills and attitudes that the organization will value in the future. It sends a message that the changes expected will not be tied to established entities or leaders--and it is very threatening to the adherents of the status quo.

The change team is a temporary organization with real responsibilities and accountability. The enterprise of change stands or falls with the capabilities and actions of this group. They are faced with two charges: (1) to stand in for the leadership in designing change, and (2) to represent and communicate with the many constituencies of the whole organization as they go about their work. Yet they have no special training or much background in leading change.

How to deal with this challenge? The quick and easy way out is for the consultants to lead the team through a process, without really teaching it what to do. In some cases, the consultants even do the team's work for it, and then ask it to endorse the results.

The more difficult but more productive path is for the consultants to help the change team develop its capability as a change leader by treating it as a learning group. Before the team begins, it goes through a deep personal and organizational learning process about how to do its work. The consultants take time to develop skills and capabilities in the change team. This becomes especially helpful when the change team in turn delegates some of its work to sub-teams, and then brings a change process back to the organization.

The change team's initial investment in learning will be the measure of the future willingness of other managers, and of the whole workforce, to invest in learning. The value that the organization places on learning-- the assumption that real change involves adding learning to people, rather than just taking "surplus" people away--is one of the inner values that guide real transformation.

If the change team does not learn deeply about its new role, the products and process it produces will be limited. How can a person who has never imagined a

different kind of workplace, and who has never seen people manage themselves, create a new form of work team?

Challenges for change teams

The processes that engage a change team are less about what it does, and more about how it goes about doing it. Change teams face several key challenges. They must:

Set the scope and direction of their activity.

The way the change team is chartered--the arrangement and the handoff of role and responsibility from the leadership group to the team--is the first step. There are limits and boundaries to what they are asked to do, but in an organization with effective change leadership, the limits will not be set rigidly, and the leaders will make it clear that the team can set the scope outward, and not be timid or limited in their interpretation of the task.

Then the team must spend time stepping back and moving toward a new picture and possibility that reflects the best thinking of what is possible, not what is easy. It is important not to reach closure too quickly. It needs special help in conducting this process, involving all relevant groups.

The other pole of its work lies in its definition of the organization's real problems and dilemmas. Many change processes miss the mark because they change a symptom of a problem rather than the real problem. Before it begins to redesign systems and processes, the change team will have to look clearly at the difficulties and challenges the company faces, and make a model that looks at the root causes of things.

Combine learning with doing. An effective change team builds learning along with doing at all times and in all its activities. It spends at least as much time in its own learning, as in coaching other key managers and people in making change. The whole organizational community will be involved in learning new skills and a new mind-set about what they are doing together. People must come to understand that they are free to speak up and act to change things, within certain limits.

Build whole systems engagement. The greatest danger for a change team is to become isolated, to lose touch and end up proposing solutions without getting the people who will change to be part of the process. The change team has to be a model of the kind of change it is advocating, not of the traditional leadership.

It undermines the core of re-engineering when the change team acts like the traditional management group, which plans for others and then lets them know

what it has decided. Successful change involves periodic reports and exchanges with all of the people who are going to be affected by the change.

The new work contract

The nature of work and the "glue" that connects the person to the organization is changing. In the past the employee would often expect guaranteed employment, regular promotions and a continuing need for their skills. Today's organization cannot make such guarantees.

Getting through deep and fundamental organizational re-engineering entails employees building a new type of relationship with the organization, a relationship that involves (1) new expectations of what employees need to give and what they can get from the organization, (2) a new understanding of the nature and scope of work, (3) a new willingness of everyone to do what it takes to achieve success.

We call this the new work contract. It is not a legal document but the implicit, understood, often unarticulated set of expectations and understandings that lie beyond the specific task responsibilities and work role. This work contract has been shifting to correspond to a new set of expectations and style of work.

The new work contract represents a shift in the employee's role and the company's assurances to him or her--a shift away from dependency and entitlement, from the expectation of security, and toward a more conditional relationship based on mutual maturity.

To remain with the company, the employee, no matter what his or her job or function, has to take on a larger, more responsible role. In the re-engineered workplace, the organization asks every employee to be an active participant in a climate in which he or she will have:

- * greater decision latitude, more need for individual judgment, fewer established policies as guidelines.
- * broader job descriptions, more strategic responsibility.
- * individual responsibility to solve customer problems directly.
- * responsibility for continuous improvement of processes.
- * the need to demonstrate team and interpersonal skills.
- * less certainty and more ambiguity because change is part of the reality.

The new contract is not just for employees. If the organization expects employees to act in new ways, it must offer something in return. In the re-engineered workplace, both employee behavior and employer expectations and rewards will shift.

This broad shift of roles and responsibilities may seem far afield from the behavior changes of re-engineering. But in re-engineering, people are asked to shift more than their jobs and their responsibilities. They are asked to change their relationship to the organization. Too often, this change is assumed by the consultants and top leaders, but unclear to the change partners.

Now every employee must not only do his or her job, but also take on some responsibility and involvement in the process of change. Even line workers, customer service representatives and claims agents must make major decisions about how they do their work and what they do for customers, and become involved in continuing change of how they do their job.

How to reset expectations

Re-engineering fails to deliver when it changes activities but does not help people to change and accept the new work contract. People need help to adopt new work orientations, and they have to be absolutely sure that the organization's leaders really mean what they say.

People are confused and upset about how and why the company has changed and about its demands that employees change. They need policies, actions and processes that increase their willingness to connect to the organization. To achieve fundamental change, organizations will need to employ a variety of initiatives and processes to redesign the traditional work contract and reset the expectations for working together. Here is a sampling of such initiatives:

1. Support people through the emotional phases of transition. Change is a great upheaval, and change initiatives need to deal with the struggle of every person to deal with change. Change strategies at this level include individual support processes like employee assistance programs and outplacement workshops, as well as workshops and team meetings that recognize and address the deep struggle of change.

2. Teach new skills/roles for managers, employees and teams. To succeed in the new workplace, people need to work by new rules and learn new roles, new competencies and a new set of work responsibilities. Workshops and learning activities can help people learn and practice these new skills. But if people are to adopt new roles in the workplace, they will need more than just a training workshop. The new behaviors need to be reinforced and supported in action by the policies and values of the organization.

3. Create new human resource partnerships. The infrastructure of work values, compensation, incentives, training, employee and career development and supervision will have to shift from the traditional perspective to the expanded work roles. Managers need to become change leaders, coaches who develop and motivate their people. Interventions on this level focus on supporting new organizational roles and values through organizational policies about recruitment, training and development, performance evaluation, supervision, career development, promotion and succession planning.

The promise and the possibilities of re-engineering are exciting and monumental, just as the early writings suggested. But to remain vital, the process of re-engineering must rethink and re-engineer itself, taking a close look at how the process of implementing it has led it astray. Radical change is radical. It cannot be done painlessly, without questioning the organizational culture and changing the way leaders and employees work together. It is a threat to the status quo, and that inhibits many organizations from really doing it. They invest in 21st-century information systems, but are content to install them in 20th-century bureaucracies that use 19th-century views of human nature. The result is that the organization denies itself what it needs most: the possibility of remaining competitive through major transformation.

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Shifting expectations in the new work contract

For employees For the organization

Challenge reality, let go of old ways. Offer participation in overcoming challenges and discovering new ways.

Look at the big picture. Provide full information about what is happening.

Share what you know with everyone Provide opportunities for self-development.

Take up self-development, learning opportunities. Support emotional upheaval of change.

Strategically redefine your work. Respect employees as people.

Recommit to team. Implement changes with credibility, honesty and fairness.

Seek personal meaning in work.

--Dennis T. Jaffe and Cynthia Scott

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