Reengineering in Practice

Where Are the People? Where Is the Learning?

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Reengineering has attained tremendous popularity for what it promises, but experience shows that its real returns are far lower than expected. This article explores the process of reengineering and suggests that one reason for this lack of results is the traditional technocratic assumptions and practices that underlie the actual practice of reengineering. Based on a field study of a dozen large reengineering engagements, the article suggests that several flawed assumptions about reengineering practice get in the way of producing the desired results. For example, lack of leadership engagement, limited participation, and low commitment to learning all sow the seeds for ultimate lack of results. The article proposes a broader set of assumptions about the process of large-scale change and offers a road map of key processes to guide redesign efforts that engage leadership and employee commitment, motivate employees to change, and set the climate for learning and renewal.

Management fads—and even good ideas—seem to go in 7-year cycles. Their trajectory looks like an S curve: First, there is the discovery of a revolutionary new process, tool, or technique and the presentation of breakthrough results in a few highly

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publicized instances. Then there is widespread acceptance, where the technique sweeps across the landscape, being adopted and used in all sorts of situations that the creators never intended, by leaders who want more results but who are willing to contribute less of themselves to attain them. Next comes disillusionment, criticism at the lack of delivery of promised results. Then, the revolutionary model either disappears or, more frequently, is subsumed under the rubric of the next great step forward. To a degree, this is what has happened with the total quality movement, although its major principles and practices are embedded in many successful businesses.

Corporations have invested billions in reengineering their companies to streamline them into more effective, flexible, responsive, creative entities that effectively utilize the powerful new capabilities of information technology. Yet early returns indicate that, other than temporarily lowering costs, the promised transformation has not occurred very often. The reasons lie in a disjunction between the assumptions that organizations make about achieving change and the nature of the changes they want. They approach change using the mind-sets and techniques of the command-and-control workplace, and it does not work.

We are currently experiencing the disillusionment phase of the cycle for reengineering. This article is presented to try to put reengineering into the appropriate context so that it can be saved from both unsustainable promise and unwarranted rejection. The second wave of books on reengineering, by Hammer (1995) and Champy (1995)—the coauthors of the initial bible—responds to the dismal results of large-scale organizational change efforts.

To salvage their reputations, Hammer (1995) posits that his technique has been used without attending to the imperatives of getting people to change behavior. Champy (1995) contends that after you reengineer processes, you have only just begun; next you must reengineer management itself. But the negative results can be laid on the doorstep of their initial work (Hammer & Champy, 1993) in terms of both its omissions and its promises. In their newer works, they also begin to pull back from the earlier promises, to make it clearer what kind of choice a company makes when it chooses reengineering, and to set some limits about expectations and commitments.

This article shares some assumptions and principles that inform reengineering as it is practiced. Our fundamental premise is that reengineering is running into trouble because people have been attracted by the technical promise and have lost touch with the realities of change. Managers flocked to reengineering in many cases because of the promise of its name—that major changes could happen quickly and effectively in organizations when they reengineer processes. Their organizations needed to change, sometimes so desperately that they felt they had no time to ask permission or get agreement. Instead, they recruited experts to do it for them.

Reengineering’s promise is technical and rational, implying that organizations can be completely redesigned by a group of designers who take an empty sheet of paper and redraw the organization for rational excellence and pure performance. Companies often set off on their journeys in high spirits—the designers engage in a logical process that does indeed lead to a plan for a new organization. However, certain assumptions about implementing change cloud the horizon.
The challenge today, at the height of the demand for major change by organizations, is for reengineering practitioners to look at their work, adopt a reflective attitude toward their results, raise basic questions, and then redesign their work to reflect their new realizations. In effect, they should do what they ask their clients to do and see how well it works.

OUR PERSPECTIVE

We have watched reengineering from several vantage points over the past 5 years. As organization development practitioners, we knew that reengineering emerged from two intellectual parents: sociotechnical systems change and total quality management. Sociotechnical systems change (Pasmore & Sherwood, 1978) posited that organizational change had to affect both the people and the technical elements of the organization. Reengineering also arose when organizations saw the limitations of continuous improvement and total quality efforts to radically transform workplaces. They discovered that such incremental change approached a point of diminishing returns when it came upon the natural limits of the way the system was designed. To get deeper change, the entire organizational system needed to be questioned and redesigned, which could not be done by total quality, continuous improvement processes because they were trying to improve current practices.

However, in the evolution and translation of reengineering, certain practices that undermine its radical aspirations have crept into its actual process. We were asked by one of the Big Six consulting firms to conduct an assessment of its change management efforts. We also partnered with other large consulting firms in reengineering projects and with companies that are conducting reengineering on their own. This article contains our observations of reengineering in practice and of successful reengineering efforts where broad employee involvement and learning were in the forefront.

UNITED HEALTHCARE

United Healthcare (not its real name) is an archetypal example of both the promise and the unintended failure of reengineering. After more than 100 years of success, and with a tremendous reputation in the community, this teaching hospital was running a multimillion-dollar deficit, which could only get worse. United Healthcare had to change quickly. It was acquired by a health care hospital network. As part of the acquisition, the network engaged a leading reengineering firm and set a fee that was based in part on the cost savings that were realized in the reengineering plan. The firm began with hope and optimism and mobilized a dozen multidisciplinary teams of hospital personnel, each tasked with redesigning one service area. The whole process was under the direction of a steering committee representing top management and key functional areas such as nursing, finance, human resources, and administration. The
teams worked for 6 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.

So far so good. Then, the process hit some snags. The hospital was dissatisfied with the consultants because they had pushed the process along but had not shared enough of their experience for the internal leaders to fully understand the process. The consultants were perceived as results oriented, isolated, and working on a theoretical level rather than understanding the realities of the hospital. The consultants left because they had achieved the redesign that was contracted for.

Now the process slowed drastically. First, the leadership team stalled in deciding how to implement a cut of one third of their middle managers, creating uncertainty and leading to rumors. Second, the leaders were widely perceived as not changing their own behavior of command and control. Third, the physicians, who were both managers and customers of the hospital, were not asked to change their own behavior. Finally, the idealism and urgency declined, and fear and anxiety took their place as the design teams disbanded and there was no clear process for implementing the changes. Slowly, some services implemented far-reaching changes, whereas others did little. Costs did decline radically, due to eliminating redundancies and lowering head count, but the realization grew that the hospital itself was not looking at its mission and was not rethinking how it worked or what it did and that the vast majority of its employees were not really understanding why or how they were changing. In fact, after the initial “vision” sessions, the issue of vision in relation to radical change in how they served their stakeholders was almost never mentioned.

The hospital is more cost-efficient now, but the questions remain, 2 years after reengineering, whether it has changed radically and whether it is really a more effective institution in achieving its missions of community care and service or just one that does what it has always done more cheaply. Looking ahead, many more changes in the health care environment lie on the horizon, and the hospital can depend on having to initiate many changes. The top managers feel that they are only marginally more able to lead the coming changes than they were before reengineering. These equivocal results are the norm in reengineering efforts.

Who are the winners and who are the losers when reengineering fails to deliver on its promise? One set of winners are the consultants who offer their services to all comers. The winners sometimes are the companies that invest wisely in experienced reengineering practitioners and that make careful, well-qualified, and informed contracts with them. The losers are the companies that want things to be easy, that want a technique or program to stresslessly resolve deep and fundamental issues inside the organization. They unwisely pin their hopes on the process, implement it poorly or not at all, or pull back in midcourse, and then are stuck with the bill and the poor results. However, they are not the only losers. Another loser is the beleaguered middle manager who is looking for a road map or a compass to manage the vast changes, who is intrigued by the promise of the new way, and who is trying to sift myth from fact. Fact is very hard to come by in this process.
TECHNOCRATIC ASSUMPTIONS THAT DERAILE RESULTS

The definition of reengineering is so familiar that clients can recite it in unison: the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed (Hammer & Champy, 1993). This is powerful medicine for ailing organizations.

Several assumptions that are made at the start of reengineering lay the seeds for the ultimate limitation of results. It is hard to see whether these assumptions originate in the client company or in the consultants, but clearly, if they originate in the company, the consultants have not questioned or challenged them adequately. They all stem from a traditional technocratic model of change: Experts make the plans, and the people affected are told to implement them or lose their jobs (or sometimes both). If these assumptions are familiar, it is because they anchored the rise of the modern bureaucratic organization. It would be very surprising if radical change could really result from these assumptions about people and organizations.

Begin with a top-down, centrally controlled process with a small number of participants. This assumption reflects the typical process of creating change in the traditional hierarchy: command and control. Reengineering is assumed to be the top changing the bottom, not the whole organization changing itself. The top leaders do not include themselves in the process, and they do not intend to change their own behavior. The consultants often collude with this leadership by not challenging it, even exhibiting a fear of the top leaders that mirrors the fear of them found in the rest of the organization. Top leadership assumes either that the process will become chaotic if too many people are involved or that only a few people are capable of making the changes that are needed.

Yet, over and over, we see that in the case of process redesign efforts, the people at the top know less about the processes they want to change, and how they work, than do the people who are closest to those processes. Top leaders do not get the benefit of the best information or really develop creative redesigns. They end up designing for their own comfort. And commitment to any change diminishes the longer it takes for people’s ideas and involvement to be solicited. You keep people in the dark longer, and you may form your plan more quickly, but it will take more time to implement, and it has more chance to fail to fulfill its promise. Yet companies continue to make this traditional and somewhat self-serving assumption.

The leaders of change do not really challenge how they do things. The proposed changes are not radical but incremental. They do not challenge essential strategy assumptions or the basic beliefs about the organization and how it works. The effect of not really confronting these issues is that a real and deep change is not made. Although the organization does some things differently, it avoids deep questions that have much to do with its current difficulties.
Reengineering is presented as a technical process change, not as a deep shift in the organization’s culture. When this assumption is made, the reengineering process may begin with a blank sheet, but a very small blank sheet that covers only a very narrow slice of the organization—how it approaches a technical task such as its claims-processing or service center operations. The major assumptions about strategy or about what the organization is doing are not often challenged. For example, if you reengineer the customer service function, without questioning why the service or sales force is not charged with some of this responsibility, you will be reengineering a part of the organization rather than the whole. Although this is a violation of the major thrust of reengineering, more often than not reengineering is mistakenly applied to a part rather than the whole, thus failing to question some of the basic operational assumptions made by the organization. Second, the process that is being changed is often bracketed, cut off from other processes, or limited in what it can consider. For example, when it started to reengineer, the staff of a hospital was told it could not reengineer anything about the relationships with physicians or its connection to the medical school.

In many cases, the changes clearly are not radical but only incremental. What does it matter? If the organization or the leadership thinks it is doing a radical change but really is only performing an incremental shift, it may save some money, cut out some redundancies, but do little or nothing to maintain its competitive advantage. It has done the task but lost the spirit. People know and will react to the incongruence between the talk about radical change and the reality. This sets a lower standard for all subsequent improvements as well as tending to inflate the actual reality of what is happening in the organization.

The basic beliefs about the organization and how it works are not challenged. For example, employees’ beliefs, such as that leaders tell employees what to do or that there is a distinction between management and employees, or concerning how work is managed or performance is judged, are never brought under the microscope. These core beliefs are so much a part of the landscape that people do not see some of them, or if they are seen, people do not have the ability to envision what would happen if the beliefs were different. It is here, with the process of challenging such deeply held, often unconscious, beliefs, that consultants can be most helpful. The old assumptions have a way of creeping into the behavior even as it changes.

For example, a division of a high-tech company reengineered, creating a strategy council to oversee and integrate its process operations and business teams to oversee each emerging business that company pursued. After a year, at a large retreat, the group discovered that although they had overthrown the hierarchy in their model of change, they had re-created the hierarchy in the way they used the new strategy council. They spent time planning snazzy presentations to the council and saw the council as the place that had to okay every business decision. They had re-created the hierarchy in their use of the new business model.

Reengineering is seen as cutting jobs and costs while people continue working in traditional ways, roles, and mind-sets. The boundary between reengineering and
simply cutting is rarely clear. Cutting jobs is almost inevitably part of reengineering. Many times, the cuts come first, and feelings and confusion about them inhibit the ability of the remaining people to focus on the task of change. Sometimes, reengineering should be done prior to cutting because the real task is for employees to learn new ways to work. If they can add value, they may not have to leave. Yet, many reengineering projects drift toward cost cutting as their rationale. First, they are measured against reductions in cost, not by efficiencies or growth. Second, people find it easier to work on concrete measures of head count than to grapple with the more difficult task of visualizing a new way of working. In asking one company to measure the radicalness and creativity of the plans of its dozen reengineering subgroups, the consensus was that only one or two of them met that standard.

Confusion between the plan and the actual change. Organizational leaders think the problem is getting a good plan when the real problem is getting people to commit to the plan and do what it takes to make it happen. It is as if a good plan is the major part of a change, and making people enact it is a footnote. A noted reengineering leader, echoing the views of his colleagues, noted that the planning process, the technical task, was the difficult part of reengineering. Implementing it represented a lower level of capability and accomplishment. His responsibility was to deliver a good plan, on time; the company was responsible for making it happen. He assumed that the company's problem was to discover the right way to change, when in truth, the problem with most companies is not a lack of good ideas but the inadequacy of the organization's internal mechanisms to adopt them.

In fact, when there is a plan, an organization has only declared an intention to change; that is what it starts with. The real change lies ahead. For example, organizational politics and resistance lie low during the planning phases as executives guarding their turf assume that change will never be implemented. They appear to go along with or support change until it is ready to happen. Many consultants do not stay around to see change but sit in their offices and blame their clients for not taking their advice. Two large consulting firms noted that only about a third of their designs were implemented. They saw this as a failure of the client companies, not of the methodology. They never faced up to issues of how difficult it is to create real change, although they sometimes wonder why their clients do not call them again.

The leaders believe that change is a technical challenge with one right answer, which will on its face be so persuasive that it will win people's commitment. Leaders act as if the future is something that can be clearly predicted and as if the best pathway for reaching it can be mapped out. That assumes the territory is known and that the outcome is clear and precise. It also assumes that once the change has been achieved, there will be no further need for drastic change. A related assumption is that the change target is something that can be achieved in one design process. In fact, the reality is that the future is uncertain and change is ongoing; reengineering must be somewhat continual, a capacity that the organization will have to develop. It is not a one-time event.
For example, consider a service company reengineering its customer response center. It conducts its design process in a context in which new technologies such as imaging, computer access, and just-in-time data are in flux. If the company comes up with the best process design right now, this will not forestall the possibility that its competition will pass it simply by adopting the next new technology that comes along. But neither can the company afford to wait, as customers are frustrated right now. The company needs a drastic response now, but it also needs to be capable of the next adjustment, or major shift, when it becomes necessary.

People in organizations are persuaded to change their behavior by data, which will be so persuasive that it will win their commitment. Would that this were so. This is one of the great technological myths, and it has no relation to reality at either the top, the middle, or the bottom of the organization. In fact, people only change when they want to, and they are persuaded not by data but by the experience of a need to change.

Organizations want to measure what is available and easy, like costs, rather than what is important. The easiest to measure is costs; the hardest to measure is learning. The selection of measures is one of the most consequential decisions in reengineering. Although costs may be important, lower costs do not necessarily lead to greater earnings, and they certainly do not connect to future growth and development. A variety of measures must be selected that consist of a mixture of short-term and long-term effects of change.

Leaders outsource responsibility for change to consultants instead of taking up the role of leading themselves. This is due to their discomfort and unfamiliarity with the role of the change leader. Increasingly, the pressure of keeping up leads companies to hire consultants and then to delegate the responsibility for change to them. This has many effects. First, although people may change their behavior, they do not learn to change or even the meaning and intent behind the change. Therefore, they feel little commitment, accountability, or confidence in the change. This leads to changes being undone by erosion or by active desertion. By taking the easy way at the beginning, in order to speed a change, the process ends up taking longer and costing more or having more limited effects because the time was not taken to build knowledge, capability, and commitment in the workforce. Costs are transferred downstream where they are correspondingly greater.

Leaders believe that experts can deliver best practices to their organizations. There is a fascination with best practices, as if a practice can be disassociated from the context and the people who deliver it. A great executive development process can deliver incredible results for a high-tech company that has people who are ready to learn but will be next to useless at a traditional company whose managers have thrived by not changing. The myth that there is a single best practice in every area is one that leads companies to reengineer by adopting as a whole other people's designs.

Now, this is not to say that the process of looking at what other companies are doing is unimportant in discovering what is possible in an organization. For example, leaders
at a telecommunications company that had no experience with self-managed teams and that had a culture that saw people as needing to be controlled and managed visited the GM Saturn plant. The members of the telecommunications change team were amazed at what they heard from the GM workers and the effects of trust and empowerment on results in a union environment. The power of their learning was not that they saw a best practice but that their assumptions about what blue-collar employees actually are able to do had been shattered, which led them to question some of the ways they were going about change in their own company. By contrast, if this telecommunications change team simply had been told about self-managing teams as a best practice, it would have had no meaning to them.

LEARNING ABOUT IMPLEMENTING REENGINEERING

Reengineering—radical change—is more difficult to achieve than many leaders would like to believe. They want to do it quickly and easily, and therefore they ignore or neglect the human dimensions of the process. To change, everyone in the organization—leaders as well as other employees—needs to shift their mind-sets, their ways of seeing the organization, and their established roles to take on new activities that are unfamiliar and sometimes highly threatening. They need emotional support to change and to learn about the new ways. If the change leaders do not face up to this, reengineering will run aground.

The foundation of reengineering must rest on all people changing and learning, which means that everyone in the organization must be engaged in the process. Leaders and employees must radically change the way they 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. Reengineering is not the application of a standardized technology. It requires a discovery by the people in the organization of new ways and open systems—a sharing of full information from customers, the environment, and across boundaries—not the limitation of information by level and need to know. Reengineering models hold these principles. Difficulty arises when the pressure of artificial deadlines or for immediate results in terms of cost savings leads companies to stray from these principles.

Reengineering is a deep challenge for an organization because it is not a familiar, comfortable, or easy process to undertake. Because reengineering is so demanding, we find that it should probably be used more judiciously than is the case with most companies. Deep change poses several challenges for the organization.

1. Achieving critical mass. It is not easy to get people to be different. Many companies confuse coercion, however benevolent, with commitment. Companies get people to do some new things, but inwardly, the employees neither understand what they are doing nor why they have to do it. When the new behavior does not get the desired results, they shrug their shoulders and blame the plan, the executives, or the designers. It is not their fault.
When National Semiconductor needed a drastic turnaround, it brought in a new CEO, Gil Amelio (who next became CEO of Apple Computer), who worked with the top executive team to create a draft vision for that company (Amelio & Simon, 1996). Then, despite the urgency at National, Amelio took the time to create a dialogue and learning process called "leading change." In small groups, over the course of 18 weeklong sessions, the next tier of 600 managers were introduced to the core concepts of how people change, why change was needed, and how to become leaders of change. The core activity for the week was for the group to respond to the draft vision in any way they wanted, in a half day, completely free form, including dialogue with the CEO. Only after all of this feedback and exchange had occurred was the company ready to release and implement its new vision and strategy. The result of this process was a high commitment to the vision and strategy on the part of middle management. The next step was to continue to cascade this vision to the next tiers of several thousand managers throughout this worldwide company.

2. Remaining open to discovery and learning. Reengineering is a major risk, moving forward into uncertainty, and is not something that can be done cautiously. To cut jobs and costs while maintaining people working in similar ways, with similar roles and mind-sets and in similar structures, is the antithesis of reengineering. In many organizations, managers want to avoid risks and to keep things safe. This conservative strategy can work for a large organization with a sustainable competitive advantage in a world of slow and evolutionary change. However, it does not work in a world of fast change. Avoiding risk is a losing strategy in a shifting environment.

Many organizations undertaking change, if pressed, would note that getting people to change does not necessarily involve learning or that it only involves learning at a very rudimentary level. Hurst (1995) suggests, paradoxically, that organization is the past tense of learning. If you stick to what you know, the changes you produce will be very limited. If you try to move into new territory, then you will have to learn as you go. You cannot specify the end point at the beginning. Leaders are like generals who are always fighting the last war. They face a fundamentally changed world with the tools and practices that made them successful in the past. Past success is confused with wisdom. Leaders talk about change but act as if change is the last thing they can accept.

One of the most common effects of reengineering is that when the plan is implemented, unintended effects or difficulties show up. Yet, often, the pressure for results, for keeping on schedule, leads the reengineering leaders to not want to face the unexpected. They define the difficulty as resistance to change, and they force compliance. The people who are taking the risk of bringing up difficulties learn that, as in the traditional workplace, their real job is to shut up and do what they are told. This only postpones the awareness of needed changes.

3. Reengineering is the enemy of hierarchy. Change is the enemy of the status quo, the stable organization, the hierarchy, and the political organization. If you have an organizational core that wants to maintain power, perks, or precedence without regard to performance, then you have difficulty changing. Reengineering is political in that it will upset power relationships and frustrate people who operate by virtue of their
history and authority. These people are frequently the most influential people in the company.

Many companies do not understand that the main reason they are not responsive to customers is that the people in the organization are not allowed to do what is right. They talk about flat or horizontal organizations, about breaking down the silos, and about responding to the customer, but all of their behavior reinforces the fact that the people at the top are in control. If the people designing or implementing the change are not able to let go and create some fundamental changes in the hierarchy and in the authority relations, then they will get change but no learning.

4. Overcoming resistance. Organizations and people are designed to resist change, not to embrace it. Change is more difficult to achieve than many leaders would like to believe. They want to carry out change quickly and easily, which leads them to ignore the human dimensions of the process. To change, people need to shift their mind-sets, their ways of seeing the organization, and their established roles to take on new and unfamiliar activities that may be highly threatening. They need emotional support to change and to learn about the new ways.

Change is an emotional process that involves fear, anxiety, anger, disruption, and upheaval. Employees at every level have lots of familiarity with the traditional ways but very little notion of what really is possible, especially possibilities that are very different from the current ways. It is impossible to see how a new change will work, especially when people have only seen and experienced the traditional way. Therefore, there will be skepticism, fear, and difficulty envisioning how things can be done differently. This cannot be avoided. People have to be allowed to discover that change works; they cannot be forced to change. Over time, as they learn and become comfortable with the new ways, they can understand how the change is possible.

This is the source of an organization's stability and continuity. Organizational members try to avoid change as long as possible, and despite all the rational reasons for changing, people often prefer to deny the need to change, even when change is in their personal and organizational self-interest. People and organizations are often more interested in maintaining what is and in saving face than in changing and admitting that they need to do so. If organizations acted in rational self-interest, there would be much less failure, politics, ignoring of bad news, and refusal to change.

Many organizational leaders see change as something that can be announced and then implemented without much difficulty. They still are operating on a 19th-century view of human nature, where people are motivated by appropriate reward and punishment. Commitment is irrelevant. Such leaders do not recognize the tremendous internal struggle, the emotional dynamics, the upheaval, and the nature of the learning process that organizational shifts pose for individual employees. Ironically, we find that many of the actions of top managers actually increase alienation, anger, and frustration among employees and add to the confusion.

People react like they just do not want to change. This in turn leads frustrated leaders and consultants to become demanding, coercive, manipulative, or angry. Long ago, this was labeled blaming the victim. If you are not successful at getting people to
change, you blame the people for not changing, for not being motivated, for adhering to the status quo. In fact, resistance to change is natural and inevitable. The process of implementing change is the process of moving beyond resistance, not dismissing it.

There are several good reasons why people resist any change, even the best intentioned and the most critical change:

- fear of the unknown,
- threat to job security,
- loss of the familiar,
- uncertainty about where they stand in the new order,
- lack of understanding of the change or its rationale,
- threat to vested interests and current perks,
- skepticism that the change will lead to success, and
- uncertainty about the future and therefore about whether the change will succeed or make things better.

Change is not smooth; people cannot change quietly or without conflict. After most reengineering, there will be fewer people left in the organization. As in the game of musical chairs, nobody wants to be the one without a chair. The first question people ask about a proposed change is, "What will happen to me?" The organization needs to set the ground rules on how change will affect the individual and to offer some basic protection and security. How will decisions be made? When? People respect honesty, and in most cases, they are aware that head count has to decline for the company to remain competitive. The company that supports people by offering them resources to manage their emotional responses to change and that offers resources to help them become more employable will gain more respect and commitment from employees than will the company that ignores these issues.

CRITICAL ELEMENTS FOR SUCCESS

To end on a positive note, we now focus on some of the conditions and processes that are present when reengineering has been successful.

Fully engaged top leadership. Top leaders often believe that sponsoring change means making the decision, hiring a consultant, and giving a pep talk. However, it is clear that no deep change is successful if the leaders are not fully engaged and deeply involved in the effort. In fact, leaders must discover that they too will have to change. An effective change leadership team must engage the change process through several activities.

Leaders set a context for change, providing a container in which the organization goes about changing itself. They do not tell people what to change but set up the apparatus for change. If they set up a good container—a good climate for reflection, learning, and design—the change process is well grounded. They 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.

Change leadership often means that leaders must let go and not decide what to change or how. Letting go is not the same as delegating and stepping aside. In fact, passing responsibility downward still involves a very demanding and active leadership role. The leader must visibly support the reengineering process and set the ground rules and expectations consistently and repeatedly. To tap the creativity and knowledge of their workforce, the leaders need to understand that they cannot micromanage the process.

If you are leading change, the first changes have to take place in your own behavior. In the midst of a troubled reengineering process, we met with an executive group and asked them how they were reengineering their own roles and responsibilities. The question had not 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.

Change leaders are visible. In one plant that was being closed, the 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, although they did not like the message, 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 is one from a memo or one relayed through a chain of command.

Change is not about a few changing the many; it is about many people agreeing to change together. The former is the way organizations have traditionally managed change—the few leaders told the rest what to do. Consultants in turn told the leaders what to do. The rest of the organization was told what to do. The problem with change is that when people merely are told to change, they change only their external behavior; they do not fundamentally change how they see the organization. They try to do different things with the same attitudes and mind-sets. In reengineering, the leaders may know very little about the exact way the organization must change. Leaders need to listen to and learn from their people—at much lower levels than is customary in traditional change—and models from other companies.

*Clarifying the new work contract.* In asking people to commit to a redesigned organization, we ask them to sign up for an entirely new way of working. But managers resist giving up or redefining their power, and employees often are afraid to take up new responsibilities. In addition, as people leave the organization, more falls on the shoulders of those who remain. The continuing employees are not immediately happy with this. Reality shows that there is resistance at all levels. For some employees, strong needs for structure, identity, defined roles, and limited risk taking are met by the traditional organizational structure. Some employees have become comfortable in blaming management as a means of managing anxiety. As one such employee stated, "I'd rather be dead than empowered!"
The study of cultures produces several insights that bear on this dilemma. Cultures and individual people are not designed to be easy to change. The process of maintaining the integrity of boundaries—homeostasis—means that people and organizations resist attempts to change them. They like the familiar, comfortable ways in which they have learned how to operate and succeed. They fear the future, where new demands, new skills, and new outcomes are more uncertain. How can they be expected to welcome change when everything that they value is thereby called into question? 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. Although this insight is usually applied to the rank and file, it is equally true of leaders. Sometimes everyone talks about change, but nobody really wants to see it happen.

As you move down the organization, radical change becomes more threatening, more consequential, more difficult, and more upsetting. In fact, major organizational change is frequently experienced as a highly traumatic event, as severe as a divorce or a death in the family. Losing a job one values is a deep loss that wounds self-esteem as well as social standing. From the study of trauma and of people’s responses to disastrous change, we discover several principles (Jaffe, Scott, & Tobe, 1994):

- 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.

Deep and fundamental organizational reengineering entails employees building a new relationship with the organization. Some of the qualities of this new relationship include achieving new

- expectations of what you need to give and what you can get from the organization,
- understanding of the nature and scope of work, and
- 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 is the implicit, understood, often unarticulated set of expectations and understandings that lie beyond the specific task responsibilities and work roles. Not everyone is able or willing to enter into these new agreements. The organization must make sure that the best people are those who stay on after reengineering. Often, this is not the case; frequently, the best people, who are the most job mobile, are the first to leave an organization undergoing change. The people who feel they have no choice but to stay are not ready or willing to make the new commitment; they just go through the motions. They are afraid to leave and afraid to admit that things have changed. They live in denial or perpetual resistance.

To really reengineer the workplace, both employee behavior and employer expectations and rewards must shift in the directions shown in Figure 1. In the reengineered workplace, every employee must not only do his or her job but also must take on some
responsibility for 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 they must become involved in continuing to change how they do their jobs.

Reengineering fails to deliver when it changes activities but does not help people to create and accept the new work contract. To achieve fundamental change, organizations must redesign the traditional work contract and change work relationships through a variety of initiatives and processes.

*Broad, whole-systems involvement.* The stakeholders, people who are affected in some way by the changes, form a series of concentric rings around the core process of change. The stakeholders include groups inside and even outside the organization (customers, suppliers, alliance partners). For example, in the design of its new 777 airplane, Boeing invited its key customers to be part of the design process. The degree to which all stakeholders are part of the whole process will determine whether the process orientation takes hold.

When a company or business unit reengineers, the dividing line between the group and its stakeholders is thin. If existing functional groups are being broken up and people are encouraged to work across boundaries, then a broad circle of people across the organization must be involved in the change process. The degree to which stakeholders are affected by the change represents the degree to which they can undermine it.

Working with stakeholders is more than informing them; it is tapping their wisdom and getting them involved. This often works through *large-group events,* involving several stakeholder groups. These gatherings bring together all who are involved in a given process to view the plan, give feedback, and develop commitment. Such events produce deep understanding of various stakeholders' perspectives, generate a common view, develop cross-boundary relationships, and create a deep sense of participation and commitment. These events also identify problems and produce real-time change.

*Jacobs (1994)* and *Emery and Purser (1996)* suggest that using large groups to create real-time strategic change is a revolutionary technology that can speed up reengineer-
ing by several magnitudes. Instead of having a semi-isolated design team operating on its own, soliciting input, generating new ideas, and creating a plan, the design team convenes a series of large-group events where a hundred or more people from everywhere in the organization and even outside it get together to assimilate information about change and to design key elements of the change.

A mass of material is surfaced by these events, which must be distilled into a workable plan. There are several payoffs for such a process.

- Because everyone participated in the process, they are committed to the resulting plan, even if it does not include all of their ideas.
- More accurate information about difficulties is surfaced and shared by everybody than could be obtained in other ways.
- The process is quicker and leads more quickly to implementation.

If a large-group process cannot be convened, it is critical that stakeholders be represented on a stakeholders council, which is given up-to-date information about what will change and which ensures that their ideas, concerns, and input are solicited before the plan is made.

Many reengineering efforts include elaborate communication plans to inform people throughout the organization about changes, but few of them include two-way dialogue about change. The difference between telling people they will change and asking them for ideas about a plan and listening to their perspectives is the difference between passive acceptance and real commitment to change.

*Building capability to sustain change.* There is not much in the reengineering literature about the period just after the change. What has been said takes one of two forms. First, we get scorecards of the results, most frequently in terms of cost savings, efficiency, or customer satisfaction. These are important because they are what reengineering has been about. But they do not really tell us whether the organization is stronger and more capable as a whole. In fact, the most tangible benefits, those easiest to measure, tell us the least about what is important in the change. Just because profits go up does not mean that the organization has been fundamentally changed.

In change initiatives, we more often face something like a bell curve, where results go up at first due to the immediate cuts and then go back down again. Or we hear that the effort has failed or has not achieved what was projected or that the plug has been pulled after huge expenditures and expectations. The drift of long-term results back toward the old status quo is one of the unspoken secrets of reengineering. Over time, costs and head count rise, bureaucratic procedures get reinstalled, promising new ways lose their vigor, and people forget their new, activated roles.

Sustaining change demands more than just crisp execution. By the time of implementation, people frequently are overwhelmed, tired, discouraged, and frustrated as much as exhilarated. Some people are angry, embittered, confused, or numb. Thus, initial visible results are not enough. We hear very different things from clients, especially the employees who have been "changed." We hear about being tired,
overwhelmed, or frustrated by what has been done in the name of reengineering. We see people withdraw, pull back, even feel like undermining the organization. We see people who still do not understand or who do not believe in the changes.

During reengineering, people cannot be allowed to withdraw or to rest. Rather, emotional and organizational energy needs to grow by engaging people. To build a learning environment and to build change capability, every team and cross-functional group throughout the organization (with the visible participation of leadership) must go through a reflection process. This process helps everyone look at how they are doing in terms of the effects that are expected from the changes implemented and helps explore the nature of the gaps. Many things seem reasonable but do not work in practice. Other initiatives simply are not implemented effectively, though their rationale is sound. The only way to decide whether a change is off course is to convene the people who are changing, along with the people who proposed the change, to explore what is happening.

Such learning groups often convene in a crisis and also can be used as a method of innovation. In large-group gatherings, such as the Work-Out process originated at GE, everyone who is part of a process gets together in a free-form and open-ended meeting whose outcome is a change that everybody commits to. The learning or reflection group comes together after the crisis or the implementation to focus and solidify the learnings. Sometimes, such a large group can move the change even further. This also builds a connection to the next wave of change by noting what is on the horizon that needs to be attended to.

**CONCLUSION**

The promise and the possibilities of reengineering are exciting and monumental, just as the early writings on it suggested. But to remain vital, the process of reengineering must rethink and reengineer itself to look at how the process of implementing it has often led it astray. The power of this approach can be released only when a company embarks on the process with courage and with a willingness to set sail into unknown territory. The engagement of an experienced consultant can make this venture easier, but it does not remove the risk, the uncertainty, or the struggle that the company must undergo to consciously and radically change itself.

Radical change is radical change. It cannot be done painlessly, without questioning the organizational culture, or without 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 those systems in 20th-century bureaucracies that use a 19th-century view of human nature. The result is that the organization denies itself what it needs most—the possibility of remaining competitive through major transformation.
REFERENCES