Reengineering: Plug Into the Human Factor

By Richard S. Wellins and Julie Schulz Murphy

Reengineering is everywhere. But in most places, it's failing. That's because few organizations realize that the key to reengineering is a focus on people. Plug into your people, in six important areas—and watch the electricity flow.

Reengineering. It's hot. It's more popular than ever. And it's here to stay. Predictions are that within the next five years, three-quarters of all U.S. companies will go through some form of reengineering. For some, the benefits will be dramatic.

That's the good news.

The bad news is that about 70 percent of all reengineering efforts are doomed to fail. Why? Because the real key to successful reengineering efforts—the human factor—is neither considered nor understood. Most reengineering attempts focus on the technical side—primarily on process redesign. But they largely ignore—or, at best, underestimate—the importance of the human element. The technical aspect is critical, of course. But without an effective approach to dealing with the people involved in a reengineering effort, the implementation is sure to fail.

If you think this sounds like a broken record, you're right. The same warning about TQM was sounded over and over again in the late 1980s. With reengineering, the stakes are much higher and the implementations far more complex. Ignoring the human and cultural elements of reengineering is analogous to trying to win the Indianapolis 500 with a racing car that is powered by a go-cart engine.

What is reengineering?

In its purest sense, reengineering means starting over. It means wiping the slate clean and beginning anew. It means starting from scratch in designing your core business processes, not spending months analyzing your current ones. It means pretending that no systems or procedures are in place, and asking, "If we were recreating this company today, what would it look like?"

Dramatically different from its cousin, continuous improvement (which aims for small, incremental changes on an ongoing basis),

reengineering involves massive changes of major magnitude—changes that really shake things up. Continuous-improvement strategies are fundamentally sound and effective, but they often lack a sense of urgency and high-impact results. Reengineering, on the other hand, goes for the "gold ring": relatively quick and substantial gains in organizational performance.

To understand the tremendous effects of reengineering, consider a few examples:

▶ GTE decided to reinvent its entire customer-service process rather than continually trying to improve the repair, billing, and marketing departments. GTE customers, it turned out, wanted one phone number to call, any time of the day, to request a repair, question a bill, or sign up for a new service—or all three at once. By breaking down functional walls, enriching jobs, and using information technology, GTE is experiencing productivity gains as high as 30 percent.

▶ Pratt and Whitney abandoned its traditional manufacturing process for such high-volume components as aircraft engine blades and vanes. Product centers are now responsible for the fabrication of entire products. Before, some components traveled 27 miles from the first operation to the last. Now, components travel a few feet in a simple, highly visual manufacturing process. The company has doubled inventory turns, slashed cycle time by 50 percent, and reduced scrap and rework by 75 percent.

▶ Hallmark implemented a new process to reduce the time it takes for new products to reach market each year. The old, sequential, functional process involved more than 20 handoffs; 90 percent of the product's cycle time was spent in someone's in-basket. Now, Hallmark uses cross-functional teams that assume all responsibilities for getting new lines to market. The result: a 200 percent reduction in design time, with more than 23,000 new card lines going to market each year.

▶ In response to the downturn in the world steel market during the last decade, UCAR Carbon initiated an organization-wide reengineering effort that created self-supporting

business units based on the firm's main products. UCAR's reengineering effort, driven by empowered teams, has paid off: The company has reduced cycle time by 40 percent and has cut inventories by half.

Rethinking reengineering: Six connections

Reengineering is as much about people and culture change as it is about process redesign. Reengineering requires new approaches to training, to compensation plans, to performance-management systems, and often to the very core values that guide day-to-day decision making. And human resources and organization development professionals need to lead the charge in those areas—not sit back and resist.

Reengineering is not for the faint of heart. It's hard work. The going gets tough for a while. But in today's competitive market it can make the difference between thriving and not even surviving. As an HR professional, you play a critical role in making your organization's reengineering efforts successful. Look for these six important areas in which to "plug into" your people:

▶ vision, values, and critical success factors
▶ selection
▶ work teams
▶ team training
▶ leadership
▶ performance management.

Let's consider each area of connection in detail.

The vision, values, and critical-success-factors connection. Reengineering must begin with a clear vision—your organization's ideal future state. You simply won't get where you want to go, as the saying goes, unless you know where you're going.

A good vision is not only a "correct" vision (that is, the right direction for your business); it also serves as a rallying point for the workforce. The vision provides an end state, or a target for everyone to shoot for. It's a light at the end of what could end up being an awfully long tunnel. Equally important to a clear vision is a strong set of guiding values—beliefs about how the organization wants to achieve its vision.

For example, Ameritech reengineered its business to create a new architecture for the telephone industry. It totally reorganized, while simultaneously seeking a new regulatory framework in which to operate. Ameritech recognized the need to change its culture and values, as well as its operations, as part of the reengineering effort.

"This isn't a reorganization; it is a transformation: rebuilding from the ground up," says William Weiss, the chair and CEO of Ameritech. "Ameritech must place customers at the center of its culture, its values, and every facet of its operations." (Weiss's comments were recorded by Charles Mason and Richard Karpinski, in the April 19, 1993, issue of *Telephony.*)

Values become crucial during a reengineering initiative for the following two reasons:

● Reengineering can be complex, scary, and difficult for everyone involved. Strong values provide guidelines for how you expect people to behave toward one another during the transition.

● Reengineering often leads to enhanced workforce empowerment. People need to be able to make day-to-day decisions based on values—not on extensive rules, policies, or management sign-offs.

Many organizations overlook the identification of critical success factors, but these factors are really the end goals of a reengineering initiative. They define the changes in organizational performance you expect to realize eventually (for example, "cut by 50 percent the time required to introduce new products"). Without critical success factors, organizations tend to lose sight of the key business levers that will drive future competitive performance.

As an HR person, you play a crucial role in helping an organization lead through vision, values, and critical success factors. For example:

● Take the lead in guiding top management through a process that develops your company's vision, values, and critical success factors.

● Design and implement strategies to increase the level of involvement in clarifying and articulating the vision, values, and critical success factors throughout the workforce, in order to build commitment.

● Make sure the organization's systems, such as compensation, are aligned to support the vision, values, and critical success factors.

● Design a system that periodically assesses the degree to which internal and external associates believe the organization is living its values. This can be done with surveys, interviews, and focus groups.

● Continuously work on identifying and closing "culture gaps"—those areas in which a significant difference exists between actual behavior and the expressed vision and values.

The selection connection. Associates in a reengineered company require a different set of job skills and motivations than those in a traditional organization. And this can mean going through a process of identifying new job competencies for newly designed
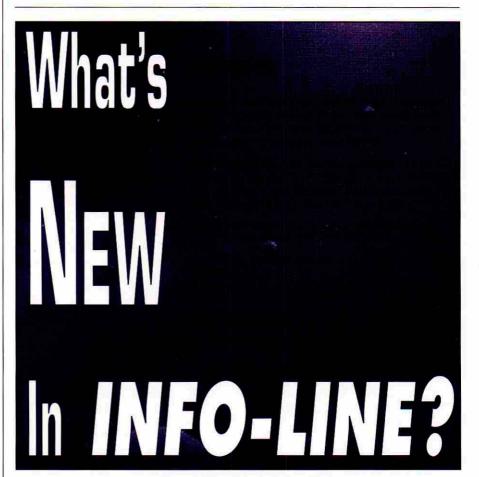
jobs and developing new selection and promotion systems that reflect those competencies.

For example, Hill's Pet Foods, a division of Colgate-Palmolive, recently opened up a new high-performance plant that has many redesigned manufacturing processes.

From the beginning, Hill's leaders placed a high importance on selecting the new workforce. They opted to place a premium not on previous manufacturing experience but rather on the ability to learn the nontechnical dimensions—initiative, flexibility, and teamwork. An entirely new assessment process—using tests, interviews, and simulations—was developed to evaluate potential applicants. Today, the plant is one of the most productive in Colgate's manufacturing network.

A rethinking of the way selection is approached applies not only to new hires but to promotions as well. In traditional organizations, promotions are based on past job performance—sometimes with disastrous results. But reengineered organizations promote people based on their potential and ability to do the new job—not the old job. For example, at Progressive Insurance Company, there is a clear top-down message that associates are promoted based on potential, not past performance.

HR plays a huge role in helping to design and implement new selection solutions. Specifically, strive to accomplish the following:

▶ Identify new job dimensions needed by leaders and team members in order to perform successfully in their new roles. Make sure that everyone in the organization understands the new criteria and why they're important.

▶ Design a comprehensive and fair selection/promotion system that reflects the new dimensions and competencies. Make sure that the individuals involved in making selection decisions are trained in the use of the new system.

▶ Be sure that all selection decisions reflect not only individuals' job skills, but also their potential to model and support the company values. This sends a powerful message throughout the organization of what's really important.

The work-team connection. A frequent result of reengineering is a shift from a highly functional, layered organization to a flat, team-focused organization.

For example, Texas Instruments and UCAR Carbon are restructuring work so that each of the newly formed groups performs an entire process. The teams are responsible for significant segments of the production process—not just single, repetitive tasks. The teams are often self-directed; they function with a minimum of direct, formal supervision.

All team implementations are a tricky business. But in reengineered environments, the risk seems to

REENGINEERED ORGANIZATIONS PROMOTE PEOPLE BASED ON THEIR ABILITY TO DO THE NEW JOB—NOT THE OLD JOB

increase, because people are learning to cope with new structures, altered processes, and the concept of teamwork—all at the same time. Some common traps include unclear team missions and boundaries, conflicting reward systems, lack of training, and interpersonal conflict.

Self-directed teams, often a consequence of massive reengineering, present their own special problems. In particular, they face the challenge of establishing clear roles and expectations among team members and their leaders.

It's also important to point out that reengineering itself is often accomplished through the use of cross-functional process-redesign and implementation teams. For example, to reengineer its core business processes, NYNEX formed dozens of teams that are now in the process of implementing more than 300 reengineering initiatives. Reengineering

teams, such as those at NYNEX, are as susceptible to problems and traps as are the more natural work teams that often evolve from reengineering itself.

Once again, your involvement as an HR professional is key. Help your teams prosper in the following ways:

▶ Assist each team through a chartering process.

▶ Encourage team members to gain the skills they need to be successful.

▶ Encourage team leaders to provide the time and resources necessary for the training to be successful.

▶ Periodically help teams assess their "team dynamics," and provide expert facilitation to get troubled teams back on course.

The team-training connection. In a reengineering effort, almost everyone's job changes, meaning that people at all levels require new skills. Our job-analysis research in companies undergoing reengineering reveals the skills and abilities—such as initiative, problem solving, communication, teamwork, and customer orientation—that are becoming increasingly critical.

In addition, a key principle of many reengineering efforts is multi-skilling (combining many job categories into one), which involves extensive technical crosstraining.

Training (and a lot of it) in those key areas is imperative, if reengineering is to succeed. For example, at NYNEX, UCAR, and Pratt and Whitney, leaders are strongly committed to putting thousands of employees through 20 to 40 hours of training in many of the areas mentioned above. Training not only prepares people for their new roles, but also helps support the new values and behaviors that underlie the reengineering. It also sends a strong signal about the importance an organization places on its human resources.

As an HR expert, spearhead your organization's reengineering training efforts by following these guidelines:

▶ Identify the critical skills your people need to be successful in their new roles. You can do this through a job-analysis and needs-analysis process. Remember to keep the analysis focused on the future state, not the present situation.

▶ Develop and implement a plan for

addressing key training needs at all levels. The plan should reflect a long-term commitment to training (in other words, training should be spaced over time), and it should attempt to schedule training as close as possible to the time people will need to use the skills on the job.

▶ Involve all levels of the organization in implementing your training plan. Some of your best and most credible trainers might be team leaders or team members.

▶ Consider training a process in itself. Understand the needs of your internal customers, and be sure to assess the value of the training you are providing.

The leadership connection. Look at a failed reengineering effort, and you're likely to see managers who failed to change.

Autocratic leadership is out. Even participative management has become passe. What's in is what *Fortune* called "post-heroic leaders" in an August 23, 1993, article by Thomas A. Stewart. These leaders build trust and strong partnerships. They coach for success. They manage through vision and values. And they focus on process and people.

For most leaders, the transition is a difficult one. Obviously, training is an essential ingredient.

GTE, for example, is putting its leaders through an extensive leadership development process to prepare them better for their roles as reengineering "champions." But training is only one part of the total picture. Leaders need to be reinforced and supported from the top. Reward systems need to focus on new behaviors and values, not just on output. We must enlist our managers as partners in the reengineering change initiative, as opposed to perceiving them as enemies.

To help leaders acquire the new skills they'll need to be successful in a reengineered organization, HR specialists can focus on the following:

▶ Provide leaders with 360-degree feedback to help them identify their developmental needs and strengths. Focus on skills and behaviors that are necessary for success in the reengineered culture, such as facilitating change and leading through vision and values.

▶ Implement an ongoing curriculum in high-involvement skills, to help build critical leadership skills. Such skills include leading through vision and values, building trust, facilitating team performance, facilitating learning, building business partnerships, and providing individual or small-group support to help leaders deal with their fears and ambiguity about the change.

▶ Align organizational systems (such as compensation and performance management) to support and reinforce expected changes in leadership behavior.

▶ Make sure senior managers model and support the leadership behaviors that they expect from others.

The performance-management connection. As a company reengineers, performance management should play a lead role from two perspectives.

First, new value systems, new structures, and new roles translate into new accountabilities and new skills. An effective performance-management system can serve as the driver of a reengineering process because it translates reengineering plans into actions and accountabilities, helping everyone march to the same beat.

Second, and perhaps even more important, a reengineered company requires a new approach to what most people view as their judgment day—the time of the annual performance appraisal.

For example, the traditional boss/subordinate relationships must change. In the reengineered organization, people will most likely be working with multiple associates, inside and outside the organization. So performance evaluations must come from multiple sources, including team leaders, customers, peers, and team members.

The job of the leader becomes one of helping people collect and interpret appraisals. Leaders play a far less significant role in actually judging performance. And evaluations must emphasize skills, style, and development, while also focusing on numbers. The "hows" are as important as the "whats."

The HR function can help make sure that your organization's performance-management system works for its reengineered workforce. Here are some strategies that can help:

▶ Develop a new system that is aligned with the organization's values and strategic objectives, that incorporates feedback and data from multiple sources, that reflects both the "whats" (concrete objectives) and the "hows" (expected behaviors or dimensions), and that puts the team and team members—not the boss—in charge of the system.

▶ Ensure top-down training in the new system. Everyone must use the performance-management system if it is to have the desired results companywide.

Call to action

The six reengineering connections point to the importance of human resource practices as an integral part of any reengineering effort. But line managers and reengineering czars are apt not only to ignore the importance of the human element in reengineering, but also to leave HR staff sitting on the sidelines watching the game. We'd like to see a shift, in which organizations come to view HR professionals as partners, initiators, and coaches in helping their organizations change for the better—not as observers or, worse yet, resisters.

When all is said and done, reengineering is about successful change. And successful change is about people. Your key role as a human resource professional is to make sure your people are plugged into your organization's reengineering plans. Play that role well, and it can make the difference between a successful reengineering effort and an unsuccessful one. ∎

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