

IN THIS ARTICLE

Reengineering, Reorganization of Work,  
Organizational Transformation, Competencies

# The Missing Piece in Reengineering

*What's missing*

*in many organizational reengineering efforts*

*is a connection to the jobs people do every day and the*

*competencies they need  
in order to do them.*

*Competency alignment  
puts that missing piece  
back into the  
puzzle.*



BY NICHOLAS F. HORNEY AND  
RICHARD KOONCE

**I**s your organization suffering from reorganization fatigue? Have you restructured, downsized, out-placed, and outsourced until all that remains is a skeleton staff of stressed-out employees and senior executives, still waiting for the promised gains in productivity to materialize?

In recent years, hundreds of business books and management articles have been written about downsizing and restructuring: how to do it right, how to do it well, how to use it for sustainable change, and how to squeeze corporate vitality and productivity gains out of reengineered work processes and a slimmed-down workforce. Many of those articles spotlight the stage-setting importance of energetic CEO leadership and “envelope-pushing” missions and visions.

Leadership and organizational goals are important. But something is missing from the literature. Despite the media attention, the verdict on many reengineering efforts today is mixed at best. In fact, a recent business survey by a leading human resources consulting firm suggests that nearly two-thirds of all restructuring efforts are clear failures.

The reasons vary. Many restructuring efforts suffer from poor planning and have paid only scant attention to the importance of clear, consistent, and ongoing communication as part of restructuring initiatives.

Another problem is that workplaces have dealt inadequately with the “people variables” that are always at play in organizations in times of rapid change. Executives and managers need to pay more attention to the stress and anxiety that people feel during transition.

Still another reason for the failure of many restructuring and reengineering efforts is a lack of penetration to the deepest organizational levels. In essence, these initiatives ignore the issue of how people actually do their jobs each day. In other words, they fail to address one of the key ways for people to become engaged and energized as individual agents of change.

What we call competency alignment is a critical underpinning of successful business-process reengineering initiatives.

At its best, BPR involves a fundamental rethinking and radical redesign

## TWO-THIRDS OF ALL RESTRUCTURING EFFORTS ARE FAILURES



of “core business processes” within an organization. It necessarily implies taking a hard and systematic look not only at the organizational structures, management systems, beliefs, and values that are part of an organization’s culture, but also at the jobs that people do on a daily basis and the systems that support and reinforce them.

Reengineering efforts should be targeted toward the specific goal of changing employee behaviors, processes, and systems at the “transactional” level in an organization (the level at which day-to-day business is actually done, according to change-management consultant and theorist W. Warner Burke).

Unless BPR examines the business at that level, all the CEO exhortations in the world aren’t likely to bring about significant, long-term changes—either in organizational effectiveness or in a company’s financial performance. Unless BPR pays attention to employees’ day-to-day work, people are unlikely to fall enthusiastically into line to support new marketing goals, to work toward achieving the CEO’s heartfelt desire to “go global,” or to pursue more ambitious customer-service objectives.

Most organizations display an implicit (and sometimes explicit) systemic inertia. Systems and people resist change unless an organization addresses barriers methodically and systematically.

That’s why competency alignment is critical. It gets you right down into the heart of an organization. It helps you focus time, energy, and attention

on the details of how people work and interact on a day-to-day basis—with each other, with customers, with other stakeholders, with competitors, and with various human-resource processes and information systems in the organization.

By paying attention to how people interact “transactionally” in your company, organization, department, or work group, you put yourself in a powerful position to make changes that can reinforce reengineering goals or dramatic process improvement.

### **The competency-alignment process**

Coopers & Lybrand’s competency-alignment process, or CAP, involves the systematic study, analysis, and assessment of job functions, tasks, and skills required by an organization that is reengineering one or more of its work processes. It focuses on analyzing, understanding, and optimally deploying people in the reengineered organization, ensuring the best job fit for everyone.

To do that, it methodically examines employee skill sets in order to determine where and when skill gaps exist and what can be done to remedy deficiencies—either through employee training, skill enhancement, redeployment, outplacement, outsourcing, or other efforts.

CAP provides a baseline methodology for retooling work processes at their most fundamental level—the level of the individual and the small work team.

CAP is an ideal mechanism for bringing employees into closer alignment with strategic organizational goals and objectives—a key success factor in creating a high-performing, improvement-driven organization, according to a recent C&L survey.

And it provides a means of refining and recalibrating that alignment over time—as job requirements change, as the structure of work within an organization changes, as production or manufacturing processes incorporate new technology, as employee skill sets age, and as external factors come into play.

A systematic and methodical approach can help you implement competency alignment in your own organization as a component of other



reengineering efforts you are planning or implementing.

Where does competency alignment fit into the reengineering process? Think of it as a critical subset of larger-scale business-process redesign or reengineering efforts that are in the works or recently completed. It should be a part of any BPR initiative—whether the goal of the reengineering is to redraft your organization's entire mission or to overhaul one key business process such as research and development, marketing, manufacturing, or product distribution.

For many organizations, competency alignment has been the missing element or link in reengineering efforts. Even if it fell through the cracks in years past, it still may have influenced the outcome of productivity-improvement and change-management initiatives.

Nowadays, organizations can't afford to ignore it. The costs of employee recruitment, training, turnover, retraining, and poor job fit have become so high that they are clearly driving the need for organizations to get the most out of their BPR efforts, at a minimal cost.

### Four stages of CAP

An important outcome of completing competency alignment is the identification of current employees the organization can successfully place in new jobs or on new teams, as part of reengineering a key business process. Doing so takes great care, careful planning, and systematic implementation.

Most organizations should implement CAP in four stages: assess, deploy, learn, and align.

In stage 1, the assessment, it's important to conduct a task analysis of the reengineered process to determine the knowledge, skills, abilities, and competencies people will need in order to be effective contributors. You also will examine the suitability of current job holders to do that work.

A critical outcome of stage 2, deployment, is the identification of people's skill gaps. With this information, you can begin to make decisions about which employees to retain in their current functions and which to slate for outplacement or redeployment elsewhere in the organization.

Stage 3 of any CAP initiative deals

with learning. This stage involves the development of skill-acquisition plans (such as training, outsourcing, or recruiting) to fill the skill gaps identified in stage 2.

You might, for example, decide to institute new training programs to help retained employees work more effectively in teams. You might also decide to import at least some new talent from outside the organization through targeted recruitment efforts. Or you might choose to outsource certain tasks that the organization no longer considers essential core functions.

Stage 4 of CAP is alignment. It focuses on developing and aligning an organization's human resource systems (such as the performance-appraisal system and the compensation system) to sustain the performance of people in the newly reengineered process.

Following this road map can help you ensure successful implementation of competency alignment in your organization. Now, let's take a detailed look at each of the four stages, which are summarized in the figure.

### Stage 1: Assessing the process and the people

This stage is divided into two parts: assessing the competencies that the newly reengineered processes will require, and assessing the competency of existing employees to carry out the processes.

#### Process competency assessment.

Let's say that your company or organization has decided to reengineer. You might be planning to reengineer your entire organization as part of a comprehensive change-management initiative (one that involves the systematic reengineering of all business processes, your business strategy, and your information-technology capabilities). Or you might plan to redesign only selected departments or work processes.

In any case, you'll need to get a clear bead on the kinds of tasks that will need to be done. And you'll need to know which skills and competencies people will need if they are to do the work in the future, after reengineering efforts are fully implemented.

### The Four Stages of the Competency-Alignment Process

#### Stage 1: Assess

- ▶ Assess your process.
- ▶ Assess your people.
- ▶ Determine necessary tasks.
- ▶ Determine necessary skills, abilities, and competencies.
- ▶ Create a gap-analysis matrix.

#### Stage 2: Deploy

- ▶ Develop skill, ability, and competency profiles.
- ▶ Use the profiles to deploy people into reengineered jobs, to redeploy them elsewhere in the organization, or to outplace them.

#### Stage 3: Learn

- ▶ Create training and career-development plans for employees.
- ▶ Explore the use of different training approaches, formats, and methods.
- ▶ Outsource non-core functions.

#### Stage 4: Align

- ▶ Align HR systems, including reward and recognition, compensation, and performance appraisal.
- ▶ Conduct pilot tests.
- ▶ Review, assess, and revise as appropriate.



In years past, you might have used job and task analysis to get at the heart of productivity problems or to understand better the different elements in a work process. You might have asked job holders to provide the following information:

- ▶ the core knowledge, skills, and abilities necessary for doing their jobs
- ▶ the amount of time spent each day or week on specific tasks
- ▶ ratings of tasks, in terms of relative importance.

That approach to job analysis was valuable in the past. But it becomes difficult to do when you are in the middle of reengineering a core business process—primarily because you don't yet have job holders or "incumbents" in the reengineered process. Instead, you'll need to use subject matter experts within the organization to help identify tasks and to describe the knowledge, skills, and abilities that are likely to be required of job holders once a map of the new process is fully developed.

SMEs can include current job holders, "process owners," key line managers, and others you deem to have broad knowledge of organizational goals as well as of specific processes and work content.

Now let's imagine that you are reengineering your company's order-management process. A key objective in stage 1 of CAP is to develop a process description, showing how work is performed now and how it will be done in the future. So you'll need to break the process down into individual tasks (for example, planning, order generating, scheduling, and shipping) and ask SMEs to identify the competencies people need for each task.

Initially, what you come up with may resemble a step-by-step view of the order-management process, with lists of specific skills tagged to each of the principle steps or tasks.

Next, work with members of your reengineering team and with the SMEs to map out the way in which work will be done in the future. Ask such questions as these:

- ▶ What additional skills and competencies will people need to have?
- ▶ Will people work together differently than they do now? (For instance, will they spend more time in teams and on collaborative decision making?)

### **Job Tasks for Bank Employees, With Related Skills and Competencies**

#### **Tasks**

- ▶ Gather closing information.
- ▶ Identify, read, review, and interpret loan documentation.
- ▶ Identify legal issues.
- ▶ Review and interpret loan histories and amortization schedules.

#### **Knowledge and Skill Requirements**

- ▶ reading comprehension
- ▶ knowledge of loan-servicing systems and loan documentation
- ▶ knowledge of asset types and loan-classification schedules
- ▶ knowledge of loan documentation, ranking and legal issues, terminology, and definitions.

#### **Required Competencies**

- ▶ detail orientation.

- ▶ What new technology will be integrated into the way work is done?
- ▶ What new skills will the technology require of workers?

To get answers to those questions and others, try conducting focus-group sessions, using groupware technology to catalog and organize peoples' responses. See the accompanying box, "A New Kind of Tool for Groups" (page 42), for a discussion of groupware as a means for facilitating group sessions and collecting and analyzing data.

What typically emerges from an in-depth focus-group process is a detailed list of tasks, skills, and competencies that will be part of employees' work in the future.

A groupware session with subject matter experts will probably yield a sheet of formatted information that looks something like the table shown on this page. This example was developed as the result of some work with a large financial institution to determine its employees' work tasks, knowledge and skill requirements, and competencies.

What also frequently emerges from such data-gathering sessions are broad themes that suggest how much the nature and structure of work is changing.

For example, nowadays everyone from the boardroom to the loading dock needs hands-on familiarity—and preferably, a high comfort level—with computers. And today's workplace requires many people to have specific experience with such relatively new technology as local-area networks, "shareware," the Internet, and Windows applications. Such competencies will be even more essential in the future.

Another competency that people increasingly need in the workplace today is the ability to work effectively in groups. Since more and more work is team-based, you'll want to make sure that subject matter experts in your focus groups fully map the constellation of team skills and competencies that work will require in a newly restructured area of your organization.

By the time you've done all that, you'll have a clear handle on the competencies people will need for doing their jobs in the context of a reengineered work process. And by eliciting comments from process owners, supervisors, and others who are familiar with current processes, you create strong buy-in for the important employee-deployment decisions to come.

At the same time, you may acquire a sense of the work that lies ahead of you in actually implementing competency alignment in your organization, and of the tactics and strategies you'll need to use.

For example, say you oversee training and development programs in a craft environment (such as a tool-and-die manufacturer) where the tradition and emphasis has long been on individual skill. Now, such factors as speed-to-market and concurrent engineering (the simultaneous development of a product and of the process for developing it) have emerged as critical to success.

You may face tough challenges if you intend to introduce team principles or large-scale, technology-assisted design into a manufacturing process in a traditional environment. Employees may be unfamiliar with (and even hostile to) new technology. They may lack an understanding of teamwork principles; they may have no interest at all in working on teams.



The people-assessment process that makes up the next part of stage 1 addresses such concerns by giving you tools for appropriate selection and retention of employees. It will also help you determine an individual employee's motivation to do new work, so that you can assess his or her suitability for working in an environment of changing norms and expectations.

**Employee competency assessment.** At this point, you've inventoried the skills and competencies people will need once a work process has been reengineered. So you have a road map with which to assess the suitability of current job holders to perform future jobs in your organization.

Your goal now is to assess the individual skills and backgrounds of current job holders.

Start by developing an assessment tool that looks at their interests and skills in the key areas you identified in the process of competency assessment.

A helpful tool at this stage is a 360-degree survey that lets supervisors, co-workers, and subordinates provide input on job holders. The responses will form accurate profiles of individual employees and their suitability to fill new jobs in the reengineered workplace.

Many of the questions to ask at this stage are specific to the process being reengineered. Others relate more generally to the work values and work styles of employees and to how well specific people are likely to perform in a reengineered environment. Still others seek to assess peoples' compatibility with, interest in, and motivation to do tasks in the reengineered job context.

For example, you might ask supervisors, co-workers, and subordinates to rate a person's ability to work with new technology, to think creatively, to deal with new situations, to handle stress, to solve problems, to work as part of a team, and to lead a team.

Some traits tend to predict success in almost any job—especially in organizations that are in states of constant reorganization. See the box, "How Do You Spell Success in a Reengineered Workplace?" for a rundown.

The outcome of assessing employees' backgrounds and skill levels is a gap-analysis matrix that includes each

### How Do You Spell Success in a Reengineered Workplace?

So, you've been charged with leading the effort to assess current employees' suitability for working in a reengineered job context. Surveying those who work with the employees in question can give you a 360-degree view of worker competencies.

Of course, many of the questions you'll ask are specific to the job you have in mind. But several factors tend to predict excellent performance in any job. To be successful in a job today—particularly in organizations that are undergoing neces-

sary internal change and process improvement—a person typically must display the following traits:

- ▶ the skills and abilities to do the actual work
- ▶ the inclination or inherent ability to learn and adapt to a changing environment over time
- ▶ motivation to do the work
- ▶ compatibility with the organization's overall operating and management style
- ▶ a sense of self-confidence about her or his ability to perform in the job over time.

person who is involved in the work process as it stands before reengineering begins. The matrix covers a spectrum of skill areas that earlier steps have identified as important to the work process in question. For each competency, indicate whether each employee's skill level is weak, moderate, or strong.

### Stage 2: Deploying people in a reengineered workplace

In essence, the matrix you created at the end of stage 1 enables you to assess the range of peoples' individual and aggregate abilities across a typical profile of what you need from an employee—both as an individual contributor and as part of a team.

You've now provided people with an overall "rating and ranking"—comparing their strengths and weaknesses with those of their co-workers, and taking into account the skills that are critical to the reengineered jobs. Armed with that information, it's possible to determine each person's suitability for training, for redeployment elsewhere in the organization, or for outplacement.

Determine people's scores on the matrix by taking the responses gathered from their supervisors, co-workers, and subordinates. Subject those responses to computer analysis that gives weighted averages to different skills and to the relative skills of one person compared with those of his or her co-workers.

That information will help you make the tough decisions about where and how each employee can

best contribute in the reengineered work environment.

### Stage 3: Creating the means for learning

You've determined the competencies people need for success in performing newly reengineered tasks. And you've profiled current job holders to assess their individual skill levels and their skill gaps.

Now you're in an ideal position to create training and career-development plans for employees, using the information you've collected. You also have the information you need for developing a plan to outsource specific tasks and functions that can now best be done outside the organization—for instance, benefits administration and payroll.

People from human resources, training and development, and various line operations should work in tandem to create training plans for employees. Those plans can be regularly updated and revised as needed. For instance, the introduction of new technology might necessitate additional training. So might the implementation of new work practices, whether they are specific to a single process or common across the organization.

This may also be the time to develop jointly a new learning philosophy for your organization—a philosophy that specifically supports job-redesign and process-reengineering priorities. For instance, you may want to inaugurate just-in-time training, computer-based training, distance learning (if



you serve multiple geographic sites), or other training strategies to help support continuous-improvement efforts, whether they are process-specific or people-specific.

BPR presents an excellent time to develop, pilot, and roll out new training initiatives. They are another way to reinforce new work requirements and performance expectations in the reengineered environment.

What kinds of training do employees need to receive?

In addition to process and task-specific training, it's likely that your employees will need to develop better teamwork and communication skills. They may need updated management skills, or training in new technology.

In all likelihood, CAP will by this time have fully delineated the kinds of training you need to offer. Indeed, you may see a "before" and "after" picture emerging—one that gives a clear view of the skills that served

employees well in the past, compared with the ones they now need to learn. That picture can point you in the direction you need to go in order to give employees the highest possible skill levels for performing reengineered jobs.

See the figure on this page, "Moving People Into the New Workplace," for an example of changing skill and knowledge requirements in a reengineered workplace.

#### **Stage 4: Aligning the support systems**

Clearly, no amount of job reconfiguration is going to work unless you put systems in place to reinforce new behaviors and help support the design of new functions. Key systems include the reward and recognition system, the compensation system, and the performance-appraisal program.

That's why stage 4 of the CAP process must deal with building the right kind of infrastructure to support newly designed jobs.

You'll need to develop new philosophies and policies for performance appraisal, compensation, rewards, and incentives. Your reengineered environment probably includes more collaborative work, so the new systems should use measurements that are more team-based than in the past. You may need to retool your systems to reflect critical success factors such as customer-satisfaction levels, cycle time, quality improvement, and team performance.

But you'll also want to leave room for some measurements that key into individual contributions and effort on the job. For instance, what criteria will you build into your performance-appraisal process to recognize and acknowledge individual initiative?

In the Coopers & Lybrand survey of improvement-driven organizations, respondents from high-performing organizations in both the public and the private sector said their workplaces put a lot of stock in recognizing and rewarding individual as well as team efforts in the workplace.

In those organizations, quality-improvement accomplishments figure prominently in people's annual performance reviews. Job empowerment is a key operating philosophy. You might want to build such objectives

#### **A New Kind of Tool for Groups**

Groupware, or electronic meeting-support, is a kind of software that organizations are using more and more often in brainstorming, data-gathering, and focus-group situations.

Groupware technology can help you electronically capture and catalog large amounts of participant input, typically gathered in classroom sessions or through teleconferences. Usually, participants use laptop computers or keypads to input their answers to questions. The technology provides an accurate and quick way to capture data, compile statistics, set priorities for goals and objectives, and build action plans.

When using groupware with focus groups, you may find it helpful to ask participants to review an existing list of tasks, developed

ahead of time by the reengineering team. Have focus-group members verify that the list is complete and that it accurately reflects all the transactions likely to be required as part of implementing a new work process.

Once participants have signed off on the list, group the tasks and "subtasks" together in clusters. From those clusters, the focus-group participants can determine what knowledge, skills, and abilities people will need to have in order to perform future tasks in the organization.

One common groupware feature, rank-order voting, may be especially useful in helping focus groups to determine the relative importance of various tasks, skills, and competencies.

#### **Moving People Into the New Workplace**

##### **In the past, employees...**

were familiar with mainframe computers and individual PCs

worked as individual contributors, performing jobs defined by formal written job descriptions

dealt with very little change in their jobs

did what they were told, each person reporting to one boss who acted as a supervisor.

##### **Now, they need training in...**

use of local-area networks, Windows, Lotus Notes, and other advanced computer technologies

how to work cooperatively on teams to perform project-driven work assignments; conflict-resolution and project-management skills are a must

how to deal with constant technological and organizational change

serving many different "customers," both inside and outside the organization.



into your own performance-appraisal process, as well.

To undergird your competency-alignment, you'll need to field test the HR systems you are putting in place. Fully test each separate system (such as performance appraisal and measurement, compensation, or recognition) in a trial-period shakedown. Testing can help you ensure that each system is performing to expectations and is helping to reinforce the new work norms.

After you conduct separate tests of the different systems, evaluate the results and make revisions as necessary.

### **Making it all come together**

How do you ensure that competency alignment becomes a highly effective component of your reengineering efforts?

Success begins with a realization that increasing corporate profitability or organizational effectiveness requires more than cutting costs or shedding staff. Instead, organizations must

be purposeful in the ways in which they develop and leverage people as part of reengineering efforts.

Ultimately, the outcome of all this is to increase the bottom line or whatever other measurements your organization uses to gauge profitability or organizational vitality.

It is often easier, in the short term, to increase net income by reducing costs or head count. But true growth and vitality come from sensing new opportunities in the marketplace; building new competencies within the organization; and leveraging the skills, talents, and adaptiveness of employees to achieve organizational aims.

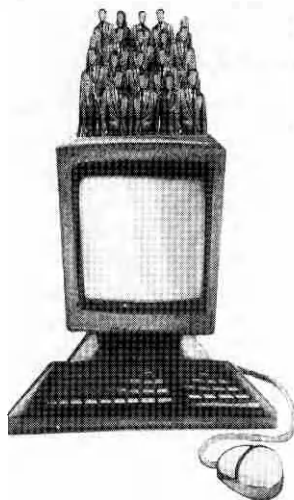
"Any company that is a bystander on the road to the future will watch as its structure, values, and skills become progressively less attuned to industry realities" and to the needs of the marketplace, note Gary Hamel and C.K. Prahalad in their book, *Competing for the Future*.

Pay conscious and purposeful attention to the importance of competency

alignment as part of your reengineering efforts. Not only will it boost your organization's sustained vitality and profitability, but it also can enhance the resilience and resourcefulness of your organization and its employees in a climate of constant change. ■

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