

REENGINEERING'S STRESS POINTS



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REENGINEERING'S STRESS POINTS – Part 1

By Glenn Mangurian and Allan Cohen

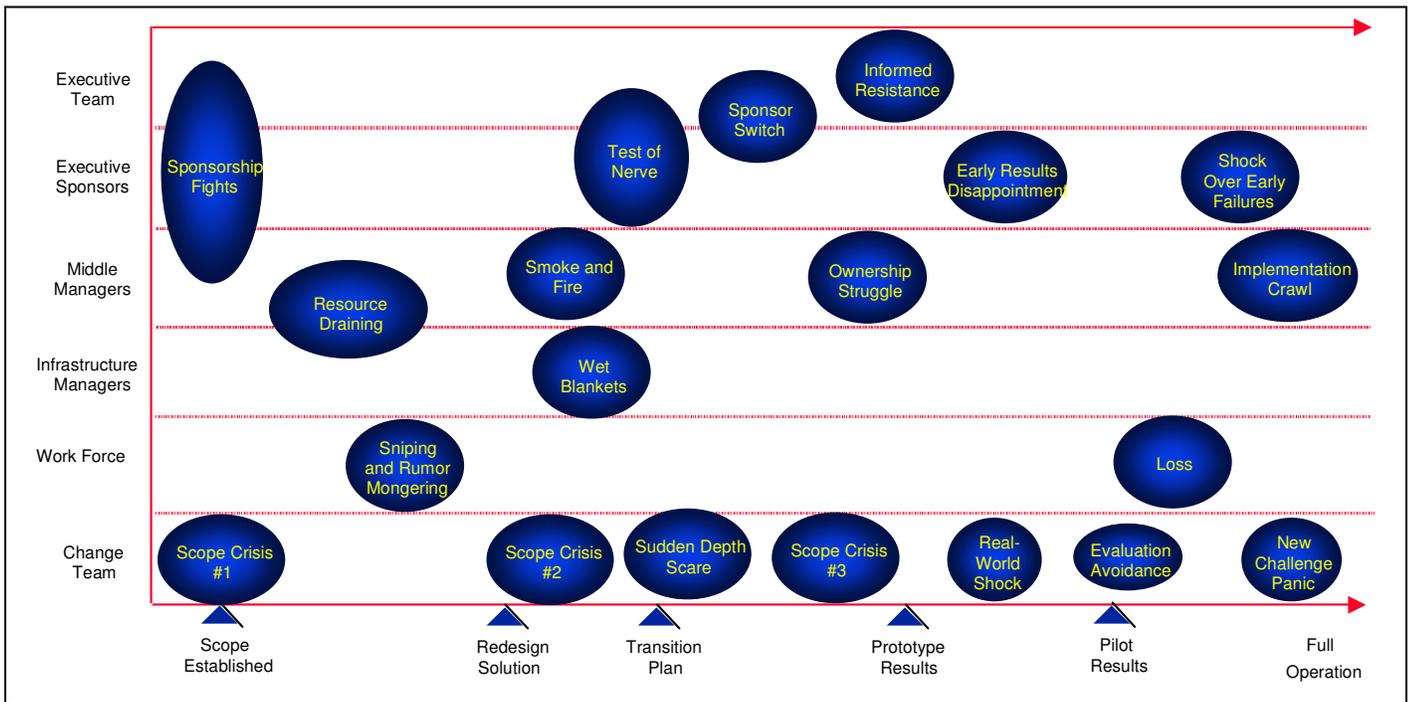
As soon as the company's reengineering team unveiled the proposed new order management process, Thomason, one of the finance VPs, knew he didn't like it. It showed all five regional order taking facilities being combined into one in the Northeastern U.S. This after all the work he'd done with his computer consultant two years ago to link his accounts receivable systems at the regional offices in an efficient network. It figured, he thought. Thomason had been completely left out of the reengineering discussions, and he didn't have any allies on the team.

When the lights came back up after the presentation, Thomason's hand shot up. "I'm sorry to be the one to break the news," he said, "but this will never work. I'm just an accountant, so I don't pretend to know all that much about customer service, but I do know that our customers in the South won't want to hear New Yorkers on the other end of the line when they call us. The reps won't have a clue what the needs of our Southern customers are."

As he sat down, Thomason could see the CEO frown and turn to the red-faced reengineering team leader for an explanation. Then he stole a glance over at Adams, head of customer service - another manager on the periphery of the reengineering effort - whose eyes gleamed with delight. A few days later, a memo came from headquarters announcing that the proposed new order-management process would go back to the reengineering team for "rethinking."

Thomason had just lit a match to a small corner of his company's reengineering plan, effectively scuttling the proposed consolidation of his new computer system while appearing to be concerned only about customer service and the greater good of the company. If left unchecked, Thomason's little fire could grow and soon engulf the entire project.

Such a conflagration is one of many ways in which the momentum of a reengineering effort is disrupted. What sets this scenario apart, however, is its inevitability. It is one of 20 "stress points" that we have encountered in every reengineering effort, no matter how diligent and committed those backing the effort may be. These stress points have become so familiar, and so maddeningly reliable in timing, that we've given each its own name - "Smoke and Fire" describes Thomason's bit of skulduggery, for example. The stress points come out of a three-year analysis of work with 50 of our consulting client companies that have all experienced these disruptions. Our research has pinpointed the timing of each stress point in the reengineering process, and the six organizational levels of the company at which these problems tend to appear: the reengineering team itself, top management, reengineering sponsors, middle management, infrastructure management such as the information services (I/S) organization and human resource (HR) management and the work force (see accompanying chart).



With the help of our clients, we've developed methods for dealing with each stress point so that the overall momentum of the project is affected as little as possible. In this series of articles, we'll examine the 20 stress points that hit during the various phases of reengineering, and we'll also suggest techniques for managing the problems that arise.

Although the stress points have different causes and effects, they are alike in that they can all snuff out the life of a reengineering effort. Indeed, the immensity of reengineering's potential benefits are matched only by the intimidating levels of fear, anxiety and outright resistance a major change program can create within the corporation. Reengineering forces radical changes in business processes, management systems and corporate values. Walls that separated highly independent functional departments are broken down as jobs are redefined, layers of management are flattened, and responsibilities are shifted to newly empowered workers or teams. Such sweeping change is bound to breed anxiety and resistance.

Since reengineering can't happen overnight, there will be plenty of opportunities for those who want to cause trouble to do so. The changes will simply be too big to keep everyone happy, and those who stand to lose something - power, influence, even their jobs - may choose to fight. Others may resist out of a fear of the unknown, daunted by the enormous complexity involved in reinventing the way a company performs its core business processes. Yet by having some understanding of the inevitable difficulties that await, the reengineering team can at least gain a sense of reassurance to help it get through the tough times ahead.

Part One: Dealing with the Inevitable

Reengineering is never easy, but understanding the inevitable obstacles makes the journey a little less difficult.

Scope Crisis #1: As soon as the reengineering effort begins, the team must determine the boundaries of change. The boundaries can correspond to functional lines, in which case there may be some functions that are declared off limits. "Do anything you want but don't touch marketing," is a typical edict. Why is a particular department off limits? The two most common reasons we've seen are: Either the department recently went through a change effort and the key players are simply too drained to embark on another reorganization; or the atmosphere would be too politically charged to involve the department, whose powerful leader is known to be against the effort.

If the team decides to respect the off-limits edict without question, it does so at its peril, because there could be fatal implications later on. The team may discover after two months of work that without marketing's involvement, the scope of the effort is too small to have a meaningful impact. Suddenly, the momentum of the entire project is threatened as team members scramble to fit marketing into the puzzle. Valuable work that had been based on an unchanged marketing department gets scrapped. Team morale dips. The entire project threatens to stall.

In some cases, functional heads will want their departments declared off limits because of a simple fear of the unknown. Exceptional managers whose primary mission has been to optimize their function, for example, may run the accounting department. They've run the department very smoothly for years and no doubt have received praise and rewards from above for their diligent efforts. Considered solely from the perspective of the accounting function, things are going quite well. Why change now?

One way to defuse this kind of defensiveness is to focus on the final destination of the effort. If people are given a compelling operating vision for the company, they'll want to start thinking about ways to get there, and won't need to be pushed or cajoled into joining the effort. Skeptics, meanwhile, tend to get caught up in the failed change efforts of the past: "You can change accounting but you can't change marketing. We tried."

The reengineering team needs to appeal to the personal goals of the skeptics. Help them get in touch with a desire to do something meaningful in their jobs and attach that desire and meaning to the mission. This is an opportunity to make reengineering seem liberating rather than threatening – to defuse cynicism and turn it into constructive energy. Discontinuous change means theoretically at least - that you can accomplish anything. There's an excitement to tap into early to get people thinking about what they want to change.

While resistance from key functional heads can put the reengineering effort into a confining box, too much growth in scope can also threaten the effort. This is the natural

tendency for scope - to grow wildly. Anxious to get as much business value as possible, the team begins piling as much as it can onto the reengineering plate, until it begins to overflow.

It's important to put a time limit on the scope debate so the effort doesn't grow out of control. One way is to focus on the most pressing issue: What really needs to be fixed now to bring about dramatic gains in performance? The best answer to this dilemma may come from key customers. Let them suggest ways the company could provide new or better service. Spend a few weeks experiencing whatever product or service they get from you, and then go back to the team with that feedback and decide what needs to change.

Often, the answer may not be what you had expected. For example, an industrial products company decided that it needed to focus on delivering its products faster than any of its competitors - squeezing its delivery cycle from two months to two days. Achieving such an aggressive goal would involve every department from sales to manufacturing - and the team was having trouble keeping the scope of the effort under control.

It wasn't until one team member suggested conducting a customer survey that the right answer emerged: Two weeks is good enough. With that customer mandate, the team created a redesign that was both manageable and didn't bring wrenching change to every major function of the company.

Keep in mind, however, that the scope need not be as finely focused as this. It simply has to be big enough to be meaningful and small enough to be realistic and attainable. As soon as the scope becomes clear - and as soon as the CEO shows signs of being committed to it - the effort will spill into the second stress point, **Sponsorship Fights**.

In this instance, those who feel they will be affected by the effort - or wish to control it so it won't affect them - begin to clamor for a powerful controlling interest on the reengineering team. Since the early stages of reengineering usually involve only a small team of individuals at the highest levels of the company, it may take some time for the sponsorship issue to gather momentum.

Often, a sponsorship fight will flare up around change initiatives that are already under way at the company when the reengineering effort begins. The CEO may have launched many different programs, all with different leadership. Will reengineering swallow the other change programs? Will they co-exist with it? Should the leader of the quality program lead the reengineering effort?

This is when the trading starts on the boardroom's most valuable currency: power. Sponsorship becomes a way for an ambitious manager to further dreams of control and influence in the organization. And if a dominant position seems to swing to the CFO, for example, other top managers may assume that the effort will have a bias toward finance and begin complaining and jostling for an equal voice.

To prevent bloody power struggles, the CEO has to make it clear that efforts to subvert control of the project won't be tolerated. And this has to be more than talk. Decision-making power in the reengineering team must be allotted based on each participant's level of cooperation and commitment to the overall vision, not on power bases within the organization, or seniority, or proximity to the boss's ear. The reengineering team leader should be someone at the executive level who can get things done, has credibility, creativity, excellent communication skills, and an excellent relationship with the CEO. The CEO, meanwhile, has the unenviable task of choosing the right person for the job.

Developing a comfortable balance of power also depends on the environment that the CEO has created for his or her executive team. The executive suite is often more an executive collection than a team. The boss interacts with each team member one on one rather than as a group - finance comes in and criticizes marketing, for example, and then marketing comes in and dumps on finance. This lack of alignment - of commitment to a common goal - could prove fatal to a reengineering effort, even though it won't be apparent at first.

During the heady early days of designing new business processes and setting aggressive goals for the future, the executive team will politely applaud the vision statement and eagerly raise their hands when asked if they support it. But if key issues of power sharing and cooperation are never dealt with directly at this stage, a sponsorship fight will develop underground. Each affected functional head will withdraw into a defensive position, secretly poisoning any efforts at cross-functional cooperation while radiating enthusiasm for the effort during key meetings with the big boss.

The CEO must realize that this kind of behavior often exists because of the way he or she has chosen to manage the team - treating it as a collection of individuals rather than a truly communicative, cooperative group that is aligned toward a single goal. If the CEO can't unify management around the effort, it is doomed, because workers and managers tend to mirror the behavior of those at the top. Their reaction is: "if the top dogs don't change the way they relate to each other, why should we?"

Nowhere is this sort of resistance more evident than in the third stress point, known as **Resource Draining**. As the reengineering plan takes shape, some managers refuse to believe it will happen. Others have been given such a minor role in the effort that they don't care whether it happens. They may manage their resources accordingly.

In one instance, the director of HR reluctantly offered a pool of staffers to float among different job design teams. The director didn't believe in the effort, and had his own operating concerns, so he gradually reduced the time each staffer was allowed to spend on redesign work. Since the staffers floated among teams, the drain wasn't evident until the teams finally realized that HR staffers were down to two days a week, at which point none of the teams could get anything done. It was a way to effectively drain resources without throwing down the gauntlet.

Often, staffers are simply yanked from the reengineering effort "in the interest of the company." Dave, a bright, talented accounting manager, was proving to be one of the

most creative members of the order processing redesign team a," financial services company. But when one of the other accounting managers gave notice suddenly, Dave's supervisor, who had little sympathy for the reengineering effort, wanted him back. Dave's team was thrown into chaos as work group-&to a, halt and the search for a replacement began.

Unfortunately, the supervisor's actions are easily justified. There's always work to do done in the business, and reengineering is still in its early stages at this point, so there are no short-term results to crow about. Indeed, few instances of resource draining seem unreasonable, but they add up nonetheless, slowing or even halting the momentum of the project. Even if it isn't done with malicious intent, it often reflects a lack of commitment on the part of a functional head. It's an effort to resolve immediate pain at the expense of an uncertain gain in the future.

To avoid losing critical momentum, the team needs to enroll the people who control the company's key resources in the change effort and get them to believe in the case for action and the vision. Believers will want to demonstrate their commitment by bringing resources to the project and volunteering their own time. If they support the project, they'll figure out a way to compensate in their own department to make up for the loss in people and resources.

Furthermore, if the boss believes in the initiative, that will help shape positive attitudes among the people he or she assigns to the reengineering project. Unfortunately, however, these positive attitudes don't always find their way into the work force. As details of the plan begin to make the rounds, the fourth stress point, **Sniping and Rumor Mongering**, kicks in.

Layoffs, plant closings, even the possibility of moving one floor up or down in the building - rumors will grow like weeds in the fertile soil of fear and uncertainty that surrounds the early stages of the effort. This is the time for the company's executive team to step in and undo the prevailing atmosphere of resignation, the sense that it's useless to care about improving the way things are done. Executives, led by the CEO, must offer the company what we call "moments of proof," signals that demonstrate they're not just going to talk about changing things, they're going to lead the change. The executive team must prove, through involvement in the reengineering team and consistent support for the effort, that there will be real change this time - for the better.

As soon as reengineering begins to seem real to the water cooler crowd, more whispering starts. As the "best and brightest" are pulled into reengineering task forces, resentment and disenfranchisement are generated among those left out. The question becomes, "Hey, why wasn't I chosen for this? Was it because my boss didn't want to give me up, or was it because they don't think I'm a winner?"

Keeping "best and brightest" can minimize this inevitable confusion and resentment out of any memos. Yes, the team wants the best people it can get, but there are only so many spots available - even for the best and brightest. Selection should not be painted as a career maker, and getting left out should not be seen as a slouch toward

unemployment. Reengineering is a process, with a variety of people involved at different stages. If someone isn't involved early on, perhaps he or she will be selected later.

Painting hope for the future will help mute resentment and rumor mongering, but it will not eliminate them entirely, nor will it eliminate fear and uncertainty about where the effort is going. Communication at this point is critical, and it must be as open and involving as possible. Workers are beginning to sense that big change is coming, and they need to be kept informed in a way that makes them feel a part of the process.

The reengineering team can hope that participants from the rank and file will go back to the lower floors after a team meeting and talk up the effort, but that hope is rarely realized. It's unrealistic to expect everyone to be able to effectively communicate the new perspective he or she is getting on the business – essentially that of the CEO - to colleagues. The team members can be made responsible for giving occasional presentations or leading discussions, but even this can backfire if the team member is a poor communicator, or, worse, is perceived as simply shilling for top management.

The best way to communicate is to open up the work and let anyone who's interested see what's going on. This is the best time to get input because it's still early in the process, before people have settled on solutions and had time to get defensive about them.

A "Redesign Fair" lets the company see everything that's being done - blown-up slides, charts, graphs, and perhaps some food and entertainment thrown in. It's also an opportunity for workers to contribute. Blank flip charts and markers are strategically placed around the fair, asking for answers to key questions – including the ones the teams are stuck on. Not only will employees feel a part of the process, but also teams might get some brilliant answers to some erstwhile baffling questions. Other ways to involve workers include rap sessions with working groups, open houses at team meetings - essentially any format that encourages two-way communication.

The success of these communications campaigns will depend on the history of the company. If top management has traditionally resisted communicating anything that isn't crystal clear, reengineering is going to be a very bumpy ride for everyone. The success of the entire change effort hinges on not being afraid to make mistakes, and not being afraid to deal with ambiguity as the natural course of things. The team must feel comfortable saying, "We're not sure."

If the team is seen as holding its cards too close to the vest, sniping and rumormongering could blossom to dangerous levels. The team is seen as devious because it's not telling the whole story. Mistakes aren't seen as natural, but rather as representative of yet another bungled change effort that shouldn't be taken seriously. Openness and communication should be part of the change effort itself rather than merely part of the future plan. By managing the effort in the same atmosphere of openness that will prevail when it is finished, the team can defuse cynicism and help the work force realize that this program is different from everything that has come before.

Further underlining this need for communication is **Scope Crisis #2**, in which the reengineering team realizes that it may have taken on more than it can hope to achieve. Suddenly, after months of playful visioning and aggressive planning, the team must start thinking about what it *can't* do.

An industrial products company had four divisions that were targeted for reengineering, and there was a compelling case to support all four efforts. Yet a hard-nosed review of the redesign plans by the CEO showed that the company had the time, money and available manpower to follow through on only one of these plans. Which one would it be?

Unfortunately, there's no magic formula. In this case, the team began by gathering some hard analytical criteria to keep the decision from being entirely intuitive. What is the payoff for each? What are the costs? What's the risk level? What will we learn that we can apply elsewhere easily and cheaply? Ultimately, however, these facts aren't enough. The team has to take a chance and decide which performance result is most urgently desired by the team and by the company's key customers. The hard facts can help anchor that decision later on in the effort when times get tough, but the decision is never going to seem clear-cut and easy.

At the industrial products company, the team realized that its current computer system was so antiquated that there was the risk of failure of mission-critical systems. Furthermore, the applications themselves were so dated that the company was having difficulty finding people who could run them. The decision was cinched when the team discovered that a new system could be configured to deliver a significant improvement in customer service - a benefit that would reverberate through the entire company.

Inevitably, some sponsors will complain that their area needs reengineering immediately and is being neglected, or that they're being picked on while other divisions are being allowed to slip away. Such frustrations are understandable. Team members have logged many extra hours creating the plan and have done some painful analytical exercises around staffing and infrastructure. Hopefully, the team can call in a powerful sponsor - such as the CEO - to squelch the squabbling and keep the effort from getting bogged down.

Yet no matter how convincing - or fearsome - the CEO may be, by this time there will be some people within the company who are committed to doing their utmost to make sure the effort gets bogged down. This is perhaps the most nefarious stress point of all, **Smoke and Fire**.

It is generated almost entirely by fear. Middle managers are worried that reengineering may actually happen and that operations they control will be changed without their input. The anxiety goes to performance - "Will they change my department in a way that makes it more difficult for me to make my numbers?" - and, if the manager has been left out of the process, it goes to ego - "I give this company 10 years of my life, and it leaves me out of the most important decision that has ever involved my department!"

Looking back on Thomason's bit of dirty pool, it's important to consider his possible motives for trying to scuttle the plan to consolidate the regional offices. Clearly, he was bitter and resentful at not being included in the planning process. Why was he left out? Perhaps if he had been included, he would have come up with a better solution to the problem. And if he had to be left out, why was he not at least allowed to provide some input and recommendations to those who would be making the decision? By not dealing with and trying to preempt some fairly natural opposition, the team ensured that it would have a resolute - and in this case quite crafty - opponent.

Another important element that was probably left out of the thinking - or lack thereof - about Thomason was company history. Maybe Thomason had been left out of key decisions before and this was the last straw. A sense that "They're doing it to me again!" obliterated any possibility for rational thought on Thomason's part about the merits of combining the regional offices.

The team must think ahead (and look back) to anticipate who is likely to oppose elements of the proposed redesign, then find out what these people don't like, understand why they don't like it, and try to accommodate what they do want in the redesign without compromising the ambition or unduly expanding the scope.

While these flames of opposition are fueled by fear and resentment, there is another reaction that looks like resistance but is really a natural instinct to balance change with practical realities. It occurs as the enormity of the effort hits home among I/S and HR leaders and is often experienced as something we call **Wet Blankets**.

In an ambitious reengineering effort, I/S and HR inevitably will be asked to do the impossible. HR will be charged with revamping or at least implementing new models of work, training, reward and value systems. I/S will have the formidable task of delivering the technology infrastructure and expertise necessary for the redesigned company. Both are used to change, to adapting their agendas to the company's changing size and goals, but the scale of change implicit in reengineering will be like nothing they've ever seen. They've been doing their jobs well and now suddenly it's time to climb the Himalayas.

If the reengineering team has done its job well, both HR and I/S will at least have a map to refer to during the climb. But if the team hasn't prepared an adequate strategy and involved HR and I/S early in the planning process, the redesign won't make it out of the yurt. The team needs constant input from I/S and HR if it wants to avoid creating impossible reward systems, or business processes that involve technology that hasn't been invented yet. The team also needs to assure these key players that it will not take outlandish risks.

For example, one reengineering team decided to hold a redesign workshop in which the purpose was "technology-enabled visioning." The team began talking about emerging - though as yet unproved - technologies that the company could use to create business processes. Realizing that the final operating vision of the redesign had not yet been established, the company's I/S director began getting very nervous during the meeting.

Because he saw no limits being put on the discussion, he finally stood up and declared, "This has been a lot of fun, but you A realize that we can't do any of this. We can't afford to take such risks on untested technologies."

To most of the team members, the meeting had been about playful visioning. But to the I/S director - the person charged with putting those ideas to work - the scope was, understandably, out of control. He had been trained by his CEO to avoid risk, because when you take risks with IIT, the stakes are high – badly planned organizational charts can be redrawn, but computer hardware either gets used or becomes a very expensive boat anchor.

It's important to keep the discussion going long enough to determine whether these big I/T risks are in fact worthwhile. With his or her neck on the line, the I/S executive will be tempted to take an obstacle-driven approach to reengineering. In this example, rather than leave open the possibility that the technologies could be tested during the course of the effort, the team members pulled back and shaped the design around current technology. They will never know if any radical improvements were lost in the process.

In another instance, a redesign team suggested a team-oriented customer service structure for a financial services firm. The HR director was up in arms. The new plan called for clerks to deal directly with customers, in explicit violation of the clerks' union contract. After calming the HR director, the team got him to acknowledge that change was at least possible, and reassured him that he would be involved in creating the redesign plan, and that all the issues standing in the way - like the union contract - would be addressed as they went along. This way, an obstacle - even a major one – won't prevent the team from exploring a new and perhaps much brighter vision for the company.



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