

Back to the Future: Lessons Learned from a Large Scale Change Management Program

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Abstract

In 1997 the City of Toronto's Solid Waste Management Division started a large-scale change initiative aimed at reducing its annual budget by \$10 million by the year 2002. Although slowed-down, the results to date are promising, as significant proportions of these savings have already been realized. This paper presents the lessons learned from a longitudinal case study of this initiative. It is expected that these will be of interest to other solid waste management organizations as well as groups who are involved in the management of such initiatives.

Keywords: *Change Management, Project Management, Integrated Waste Management, Modeling, Case Studies, Economics*

1. Introduction

In 1997 the City of Toronto's Solid Waste Management Division (SWM) started a major change initiative aimed at reducing its yearly operating budget by approximately \$10 million by the year 2002. The scope of this initiative covered all aspects of the management, transfer station, haulage, composting and landfill operations of the SWM division.

This initiative began as part of a larger process, the Works Best Practices Program (WBPP), which also included the Water and Wastewater divisions of the former Metropolitan Toronto Works Department. This program, which aimed to save a combined \$47 million per year from the operations and maintenance areas of the three divisions, was initially viewed with a high degree of skepticism by SWM management and workers alike. Indeed, many viewed the initiative as externally imposed and doomed to failure.

In the two years since the initiative began, the SWM division has also undergone significant changes which include (a) a total restructuring of the organization resulting from the amalgamation of Toronto's six municipalities into one city, (b) the departure of key executive

champions of this initiative who were viewed as imposing this initiative on the SWM division, and (c) as a result of the restructuring, disassociation from the Works Best Practices Program, due to cuts in capital funding, for the new Solid Waste Management organization, which now includes the collection services of the former area municipalities.

In spite of all this, the work begun as a part of this initiative has continued. Recommendations from this initiative are being implemented in the absence of any externally imposed mandate. The commitment that is driving this work is occurring at a grassroots level. And, employees of the SWM Division are achieving the productivity goals established in the larger initiative.

This paper presents a longitudinal case study that analyzes what happened during these two years that accomplished this major change in attitude. The context within which the change initiative occurred is described. The project process and the impact of this process on employee attitudes are analyzed. And, the lessons learned (what went well, what did not, and the reasons why) are described. The lessons learned from this case study become all the more important as increased competition, increased demands for efficient use of public funds, and the threat of privatization moves more and more SWM operations to tighten up their operations.

The remaining portion of this paper is organized as follows. Section 2 ("Background") describes some of the key factors that motivated or "triggered" this change initiative, and summarizes its objective. Section 3 ("Project Structure") describes, at a high-level, how the change initiative was structured. And, Section 4 ("Lessons Learned") interprets what actually happened over the two years and analyzes the observed results within the project context and structure. This analysis describes what went well in the project, what did not, and the reasons why.

2. Background: The "Threat" of Privatization

The trend towards privatizing the delivery of government services is rooted in Drucker's (1978) argument that the government's role is one of decision-making and policy setting, rather than one of delivering services. Drucker argued that any attempt to combine "governing" with "doing" on a large scale paralyzes decision-making capacity; and that any attempt to have decision-making bodies actually "do," results in "very poor doing" (1978, p. 233). Governor Mario Cuomo of New York apparently agrees: "It is not government's obligation to provide services, but to see that they're provided" (Tolchin 1985). This has led current thinkers (e.g. Osborne and Gaebler 1992) to suggest a "steerer" versus "rower" dichotomy; with government providing the steering (policy-making, decision-making), and the private sector (for-profit as well as not-for-profit) providing the rowing (i.e. delivering the services). In line with this trend, the City of Toronto's Solid Waste Management Division has begun to receive much attention from private-sector operators who perceive significant opportunities to reduce costs. In fact, a portion of collection, haulage and recyclable processing have been contracted out.

Yet, a number of arguments have been made to keep a significant portion of Toronto's Solid Waste Management (SWM) within the public sector. The questions being asked include: Would a "profit-motivation" detract from service quality at the same time as improving productivity? Would a profit-motivation bias the evaluation of environmental hazards whose occurrence is uncertain, and years in the future? How would privatization impact the working conditions at transfer stations and landfill sites that process hazardous material? Will the continuing consolidation of the Canadian solid waste management industry result in a lack of competition in

the private sector? Would the resulting layoffs increase the welfare burden on society? And, so on.

The threat of privatization, together with consumer dissatisfaction with rising taxes, increasing service expectations on the part of citizens, and the perception of a significant performance gap between "best-of-breed" private sector operators and the public-sector are all driving the need for Toronto's SWM Division to seriously review the cost-effectiveness of its operations. The challenge, clearly, is as follows: "Can this public sector organization become competitive with the private sector—thus keeping the best of both worlds?" In light of this, SWM is presently engaged in a major change initiative to redesign its operations so as to reduce costs and enhance efficiency without compromising service quality. As, Fernando Noriega, then Community Redevelopment Director in Tampa Florida, puts it: "the answer to cuts in ... funds is not to cut services, but to find new ways of doing things" (quoted from Osborne and Gaebler 1992; p. 39).

This search for "new ways of doing things" was guided by six paradigms for transforming SWM's operations:

- *From* separate operations and maintenance *to* "total productive operations" where operations are automated to the largest extent possible, and everyone works to prevent problems, rather than waiting around for them to occur.
- *From* the mindset of "fix it when it breaks" *to* one of "program-driven" (preventive) maintenance.
- *From* designing "attended operations" *to* the design of "unattended" (automated) operations.
- *From* "skills and crafts" (functional specialization) *to* "workforce flexibility" where flexible workers are trained to perform all the tasks needed in a given work area.
- *From* a mindset of "technology is limited" *to* a mindset of "technology is essential."
- *From* a "rigid" bureaucracy *to* a "flexible" (team-based) organization

3. Project Structure: A "Road-Map" for Change

The Works Best Practices Program was structured around a change management framework designed to be inclusive of all the dimensions that need to be considered (see Figure 1.) The framework is built around the belief that peak performance results from the *simultaneous* optimization of three key components: people, work practices, and technology.

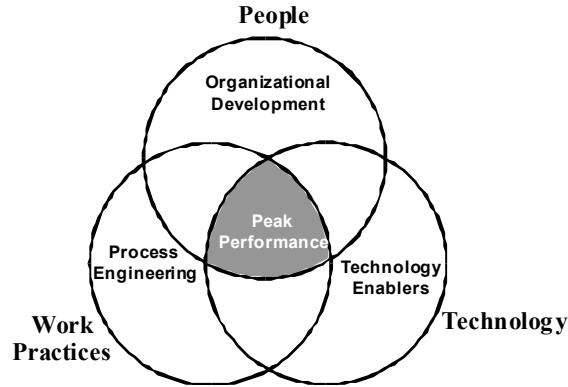


Figure 1: Change Management Framework: Dimensions that must be Jointly Optimized

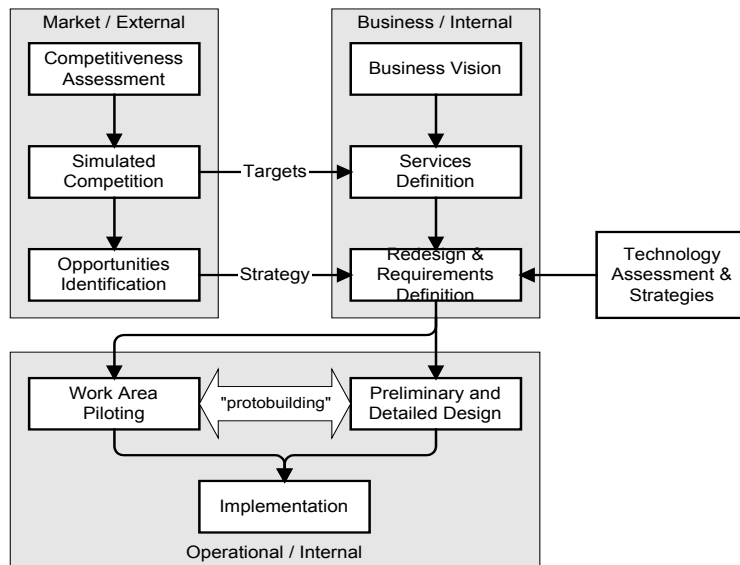


Figure 2: Change Management Framework: Key Steps in the Life Cycle

The change initiative process is illustrated in Figure 2. This process is designed to ensure participation from all levels of the organization—from top management to front-end employees—through a series of facilitated workshops supported by industry experts. The major steps in the change process, which are key from a management perspective, include:

1. **Business Vision:** Define a Business Vision and articulate which services are essential. This step yields (a) a vision statement, and (b) a services definition statement.
2. **Assessment:** Perform a *Competitiveness Assessment* to gauge current effectiveness and efficiency versus that of the industry leaders (public and private.) This step yields an initial set of service and performance targets. Follow this with a *Simulated Competition* to internalize and validate the results of the Competitiveness Assessment. This step either proves that targets are attainable, or produces appropriately modified performance targets.
3. **Opportunities Identification:** Use the outcome of the assessment step to analyze the business holistically and to identify opportunities for improvement that would close the gap between the current situation and the targets identified in Step 3. Use the six transformational paradigms (see Section 2) to brainstorm regarding opportunities for improvement.

4. **Redesign:** Based upon the opportunities identified, define new service delivery strategies and processes. This step yields high-level practice specifications. Follow this by defining technology strategies and enablers. This step analyzes industry standards and products in light of the business practice specifications to yield the technology infrastructure required to support the redesigned business/work practices. Finally, design enhanced business solutions that integrate the practices, organization, and technologies. The design uses a unique “protobuild” approach that involves continuous and ongoing interaction (input and evaluation) on the part of the business users.
5. **Implementation:** Implement new practices, organization, and technologies. This step results in the new and improved organization.

At the present time, the first four steps of this process have been completed, and implementation is well underway.

4. Lessons Learned

This section describes those techniques that were successfully employed during each of the five major stages (see Section 3) of the project and analyzes why these techniques worked so well within the context described in Section 2. Each of the lessons learned is presented in italicized text. Following this, an analysis of the lesson is presented.

Proactively manage the degree of buy-in: Involve as many participants as possible

Driven by competitive pressures, the need for organizations to change continues to accelerate. At the same time, the results of change have rarely been found to lead to improved performance. This has led to a vicious cycle whereby organizations implement change initiative after change initiative in the hope that the next one will work. Besides demoralizing employees, this strategy misses the point. Pascale et al. (1997) after investigating numerous large-scale change initiatives find that to achieve successful "revitalization" or "transformation," every employee, at every level of the organization, in every function, office, or process, needs to be committed to its success. Change initiatives fail in organizations when the burden of change rests on a very few people. The initiative needs to have "the *commitment* of whatever critical mass is necessary to ensure the achievement of the goal" (Beckhard and Harris 1987, p. 91). The degree of commitment can be gauged at five levels: active resisters, passive resisters, those who will let it happen and those who will make it happen. Project planning needs to invest time and money in measuring degree of commitment, as well as in managing it. The SWM project invested significant effort into the achievement of widespread buy-in. However, the payback was evident when SWM managers took ownership of the redesigned practices, and began to implement these independently.

Manage your own expectations first: Be realistic about the pace of implementation

All change initiatives that are undertaken to reduce costs and increase productivity contain an inherent paradox. Why should an employee be motivated to, or commit to, a project that has a fair chance of affecting him or her adversely? Such a project, by definition, questions an employee's core values and capabilities, jeopardizes jobs, and increases uncertainty (Moore &

Gergen 1990). Typically, the resulting fear paralyzes action and increases pressures towards the status quo. Yet, to be successful, a change initiative needs wholehearted commitment from employees. How does one reconcile the fear of job loss with the need for wholehearted commitment? One lever lies in slowing down an initiative to a pace that can be naturally accommodated. The typical government loses approximately 10% of its employees every year (Osborne and Gaebler 1992) through normal attrition. Attempting to achieve cost-effectiveness faster can feel like pushing at a brick wall (which only pushes right back at you). Taking advantage of natural attrition slows down the rate at which cost-effectiveness will be achieved, but at least makes it achievable.

Investment in participation during redesign pays off during implementation

It is well known that the formulation of re-designed work practices isn't enough. In order to reap any dividends, these practices need to be implemented. Clearly, the implementation of re-designed work practices is a non-trivial process. The work-practices that are actually realized post-implementation are invariably a blend of what was *intended* with what *emerges in practice* (cf. Mintzberg 1994). As a result, the implementation process needs to allow for adaptive learning as new information becomes available, and circumstances change (cf. Bryson 1995, p. 166). Consequently, it is implementers, not planners, who need to have a clear understanding of *why* that which needs to be done should be done. This is because it is the implementers who will be called upon to adapt the design in response to new information, unanticipated obstacles, and planning deficiencies. The extent to which this is possible is highly dependent upon how participative the re-design activity is. In the case of Toronto's SWM division, the re-design process was purposely slow to facilitate accommodating as many participants as possible. However, that decision is yielding clear dividends during the implementation phase, where SWM staff have taken ownership of the new designs and are adapting these to their environment—and are working out the appropriate variations across transfer stations themselves.

A re-conceptualization of quality assurance is in order:

As the deployment of work-practices across work areas proceeds, and as different work areas adapt these practices to their particular context, change management is necessary to ensure that the impact of these adaptations is recognized, and that the adaptations are substantive, rather than serendipitous. Project quality assurance, which is often interpreted in a narrow functional manner (i.e. the extent to which implementers stick to accomplishing what was planned) needs to be revisited. Since an implementer is tasked with adapting the plan as necessary, the definition of project quality assurance needs to be broadened to reflect the ability to manage the tradeoff between the advantages of modifying the plan, and the advantages of sticking to the plan. It is difficult for a disassociated third-party (i.e. a quality assurance function) to *proactively* evaluate either the quality of this tradeoff, or its impacts. On the other hand, reactive evaluations come too late to be of much help. Consequently, it is mandatory that re-design practice implementers are committed to a shared objective, agree upon evaluation criteria for estimating impact on this objective, interpret it the same way, and are willing to discuss these together. This scenario is unlikely unless the implementation team members have a history of working together on the redesign of practices. Therefore, the selection of workshop members for the opportunity identification, and the practices-redesign phases must consider who will be implementing these

practices. The tendency to avoid disrupting operations by "shielding" operational personnel from "planning" and "quality assurance" tasks often results in plans that are not implementable. The paradigm of a "flexible" worker is designed to blur this distinction.

Manage the tradeoff between "doing it right" and "doing it now"

The tradeoff between "doing it right" and "doing it now" is a complex one. Too often, project managers fall into the trap of polarizing one way or the other. Whereas some complain about "analysis paralysis," others ask "how come we never have the time to do it right, but always have the time to do it over?" Clearly, neither is key to project success. Rather, it is the tradeoff between the two that needs to be managed. The next two points present strategies to address this tradeoff.

Build in the requisite capacity up front and justify the project from a cost-benefit perspective

It is well known that a significant proportion of large-scale implementations fail due to not building in enough administrative capacity. For example, Bryson (1995, p. 177) stresses the need to "build in enough people, time, attention, money, administrative and support services, and other resources to ensure successful implementation." However, there are two complicating factors here. First, the rhetoric that sells a project is not necessarily the same as that which will ensure its success. Hiding from this distinction is akin to erroneously mistaking a "should be" to be an "is." Projects occur in an environment where there is competition for limited resources. Therefore, to successfully sell a project, there is a significant pressure to lower costs. The easiest route to do this is by cutting administrative and support resources--since their value-added is not as visible as that of the "line" resources (who directly produce the project deliverables). However, the level of administrative overhead grows exponentially with project size. In many cases, if a true estimate of these costs is provided up front, the project will never begin. The entry-barriers will be too high. These entry barriers should be surmounted not by artificially deflating costs; but by investing more time in understanding the benefits. In the present project, this was facilitated by building the competitiveness assessment and the simulated competition into the project. In the absence of such analysis, it will be difficult for periodic re-evaluations (go/no-go decision points) to keep sight of the benefits (which will accrue later), in the face of the costs (which are being incurred today).

Manage the tradeoff between planning time and result delivery

The second complicating factor in resourcing a project of this nature is that there are limits to how large a project task force can get. As Brooks (1975) points out in "The Mythical Man-Month," the marginal value-added by each new resource decreases due to rising coordination overhead. As a result, it is vitally important to invest significant time in project planning to minimize dependencies among sub-projects. Whereas the value-added of this "project-design" activity is not immediately apparent, it can mean the difference between success and failure. Typically, there is great resistance to investing time in such activities. The pressures are clearly to "do something" and "deliver results." Unless quick results are delivered, the project is not only likely to be stopped, but also likely to fail to yield the desired benefits. On the other hand,

allowing too many dependencies to remain will make the project unstable and chaotic; small variations from plan will cause major delays. A proper balance is essential.

Implement just-in-time planning

Finally, the segregation of planning and implementing cannot be long term. In order to move from strategic planning to strategic management, it is necessary to involve implementers in the planning. This allows the implementers to take advantage of new ideas as they arise. Since the plans are designed to be adaptive, it is fruitless to try and force a complete plan in place before beginning implementation—since the plan is expected to change anyway. The present project had a high-level overall plan in place to guide the change. Detailed planning, however, was accomplished on a "just-in-time" basis, and performed by the people or groups who would be involved in its implementation. Too often, when detailed planning is performed at the top of the hierarchy, assumptions are made which are simply not valid.

5. Conclusion

The success of a large-scale change initiative depends, largely, on the organization's internalization of its objectives. This internalization will show its fruits during the design and implementation phases by the degree of staff participation, their willingness to resolve issues and their acceptance of the outcomes. A participatory approach enhances the likelihood that the initiative strikes the balance between doing it right and doing it now; and softens the inevitable impacts on the staff that, one way or another, must live with the changes.

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