CONSTRANGED CHANGE — UNCONSTRANGED RESULTS

BY JEFFREY W. BENNETT

History teaches that to get lasting results from a change program, it is vital to begin with a vision of the future and create incentives that motivate people to achieve those ends.

Re-engineering, once thought to be the savior of the corporate world, has recently come under attack. Much has been written about the failure of business process redesign efforts to produce lasting results. While many have speculated about the reasons behind these failures, a consensus has not yet emerged. The two most common explanations are a lack of senior management commitment and a failure to address the “softer” issues related to re-engineering’s impact on people and corporate cultures.

Our hypothesis at Booz-Allen & Hamilton is that there is a more fundamental reason for many failed transformation efforts. In particular, some of us believe that the basic vision that guides many change experts is flawed. Their “unconstrained vision,” or view that mankind is infinitely perfectible, drives their change initiatives to solutions that break down in implementation, either because these solutions cannot cope with the complexities of the real world or because they encounter overwhelming organizational resistance.

A dramatically different approach to organizational change arises from a “constrained vision.” Constrained Change focuses on trade-offs, implying a significantly different role for an outside “expert.” Our experience indicates that this approach produces results faster, and while organizational resistance is not eliminated, it is anticipated and accounted for in the change process.

The following describes these two competing visions in more detail, explores their implications in approaching corporate transformation and argues that our methodology, Constrained Change, has an advantage in producing lasting change and financial results.

FAILURE OF RE-ENGINEERING

Not long ago, re-engineering was near the top of the list of management buzz-

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words, but today it is increasingly being denounced as a failure.\(^1\) In truth, this criticism could be applied just as accurately to a myriad of other change management approaches. Many initiatives have achieved some short-term cost reductions while real change has proven elusive.\(^2\) Consider the following examples:

- **An automotive supplier** spent $20 million-plus on consulting to transform its business processes, but failed to perform even a simple cost-benefit analysis of the transition. In addition, the initiative focused on radically reshaping the supplier’s interactions with its customers, but did nothing to address the company’s fundamental disadvantages in engineering and manufacturing costs, thereby producing very little measurable impact on revenue.

- **A consumer products company** spent more than $15 million implementing customer teams on the rationale that being closer to the customer was good. But no tangible benefits were cited to offset the additional cost of the teams, nor were the teams given any charter other than to focus on satisfying customers. As a result, the company significantly increased costs without establishing any way to be compensated for the additional value it had created for the retailers that are its customers.

- **A building-products company** spent several years championing quality as the key measure of everything it does, without developing the understanding of what aspects of quality were most important and without devising a plan to translate quality improvements into additional profits. The result was an explosion in process measurement charts and a long series of incremental investments aimed at improving these new measures (for example, telephone response time), but no improvement in product cost or in the features that were most important to customers.

Unfortunately, these stories are all too typical. Why is it that intelligent, well-intentioned people using a variety of approaches (and a variety of consultants) have failed to have an impact on the primary issues their companies faced and consequently have not achieved lasting change?\(^3\)

Most analyses of unsuccessful change programs have attributed their failures to either lack of management commitment or inadequate attention to people issues. A few authors also cite specific examples where the focus of the change effort was simply wrong—not aimed at what should have been the company’s highest priority issue. Clearly, these explanations are at least partially correct in many cases. However, there is something more fundamental at work.

Our view is that across these and many other efforts there is one constant that is much deeper than these common explanations. The problem goes well beyond the chosen approach or consultant. In fact, it goes to the underlying philosophy or world view held by the change agents. A bit of background should help to shed some light on this startling conclusion.

**“A CONFLICT OF VISIONS”**

In his book “A Conflict of Visions,” the economist Thomas Sowell argues that much of the philosophical debate of the last 200 years has been shaped by the struggle between two competing views of the world.\(^3\) The “Unconstrained View” is based on the premise that man is basically good and has a natural desire to behave in ways that maximize the benefit to society as a whole. If a man is not behaving in this manner, the reasoning continues, it must be because he has been corrupted by selfish thoughts or ignorantly clings to wrongheaded ideas. The solution, therefore, is for enlightened individuals to educate the masses as to

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the operating rules that they should follow to achieve the greater social good. Once the masses have “seen the light,” the logic goes, they all will be better off and realize the error of their past ways.

One of the first to espouse this view of the world was William Godwin in his “Enquiry Concerning Political Justice,” originally published in 1793. According to Godwin, “real intellectual improvement” requires that the masses “be advanced to the height of knowledge already existing among the most enlightened members of the community.” More modern adaptations have led to, among other things, the applied Marxism of the former Soviet Union and the health care plan developed for the Clinton Administration by Ira Magaziner (himself a former management consultant). These and other initiatives conceived under the unconstrained vision tend to focus on describing the end state and pay relatively little attention to the costs associated with the transition to the new conditions. Also, since these efforts are utopian (or “forward looking”), they tend not to value the knowledge embedded in existing processes and the decision rules based on tradition. (For example, to conclude that part of the health care problem is that doctors make too much money, it is not necessary to consider the market forces that have been working to determine doctors’ salaries.)

The contrasting “Constrained View” starts from a fundamentally different view of human nature. Its adherents believe that man is inherently self-interested and makes trade-offs within a set of perceived constraints to maximize his personal happiness (or “utility,” to an economist). Under this philosophy, if mankind in total is not acting in a manner consistent with the greater good, it is most likely a problem with incentives or constraints. For example, if natives of the rain forest in Madagascar are cutting down trees and selling them to make charcoal, it is not because they are ignorant of the benefit of a pristine environment. Rather, they are trying to fulfill their personal objectives of feeding their families, and no amount of “re-education” will change this behavior.

Perhaps the first advocate of the constrained view was Adam Smith, most famous for his 1776 book, “The Wealth of Nations.” Thomas Sowell quotes Smith from an earlier work: “The prudent reformer, according to Smith, will respect ‘the confirmed habits and prejudices of the people,’ and when he cannot establish what is right, ‘he will not disdain to ameliorate the wrong.’ His goal is not to create the ideal, but to ‘establish the best that the people can bear.’” The implication is not that a few smart individuals can determine a comprehensive solution that is best for society, but rather that a free marketplace composed of people optimizing within their own constraints will determine the best allocation of goods and services. In contrast to the unconstrained view, the constrained view holds that there is tremendous value in current traditions and operating decisions, since these reflect the cumulative wisdom of disparate individuals making independent trade-offs.

**IMPLICATIONS FOR CORPORATE CHANGE**

Re-engineering, as articulated by Michael Hammer and James Champy in their seminal book on the subject, is perhaps the most widely followed approach to corporate change in recent years, but to which of these two philosophies does it subscribe? Clearly, the authors’ vision of the corporate world is not completely utopian. They recognize the importance of involving the people most familiar with the current process, and they acknowledge that any new process must include the appropriate incentives. Both of these positions are representative of the constrained vision.

But the preponderance of their

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book seems to reflect something close to the unconstrained view. For example:

- The redesigned process is seen as an ideal that everyone should want to pursue, not as the outcome of a set of trade-offs. Re-engineering "ignores what is and concentrates on what should be."7

- Transition costs are frequently ignored or are dismissed with the expression "can’t make an omelet without breaking some eggs."8

- The bias is towards radical and dramatic transformation. "Re-engineering isn’t about making marginal or incremental improvements but about achieving quantum leaps in performance."9

- Existing structures and traditions are not seen as valuable sources of input. "Radical redesign means disregarding all existing structures and procedures and inventing completely new ways of accomplishing work."10

- There is a belief that a group of "experts," many of them with no prior knowledge of a specific process, play a major role in developing a detailed redesign that is robust enough to cover every conceivable situation a given process might encounter.11

- Incentives, when they are mentioned at all, are seen as a way to encourage people to follow the new process rather than as an integral piece of the design or as a primary cause of previous dysfunctional behavior.

- The path to overcoming resistance is through communication and education — once the new process is understood, people will see that it is better for everyone."12 Resistance is treated as either a lack of understanding or a lack of commitment.

While the views of Mr. Hammer and Mr. Champy may be open to debate, more important for our purposes is the way re-engineering has actually been applied across corporations. In our observations, failed change efforts tend to conform, almost entirely, to the unconstrained vision.

All of the cases cited previously share the characteristics of failures of the unconstrained vision, as described by Mr. Sowell. In particular, the stated objectives were asserted and not factually supported or weighed against other possible objectives. Empirical evidence was not systematically collected to test the initial hypotheses. And followers of the vision were unwilling to consider opinions inconsistent with their view and rejected those who opposed them, often with personal attacks, labeling them as "ignorant" or sometimes even "evil."13

Re-engineering premised on the view that there is one ideal solution is inherently risky, not least of all because the real world is complex. Most business processes have evolved over the years and have accommodated exceptions and special cases of one kind or another. Solutions developed from an unconstrained vision tend to oversimplify this real-world complexity and can fall apart when implemented. Typical failures include:

- **Cheating the process.** People follow the new process on paper, but continue to use old methods to handle all the exceptions and complexities that have not been explicitly addressed by the new design. Alternatively, especially in organizations that have not forced much standardization, some subset of the organization may already be following a process that is as good as (or potentially even better

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7 Ibid., p. 33.
8 Ibid., p. 212.
9 Ibid., p. 33.
10 Ibid., p. 33.
11 Ibid., pp. 110-111.
12 Ibid., p. 149 and elsewhere.
than) the new process being imple-
mented. Both of these forms of cheatin
represent informed, rational rejec-
tions of the new design,
not simple ignorance.

> Unintended con-
sequences. Because an unconstrained view
does not take into ac-
count the importance
of individual trade-offs, people meet the process
objectives by sacrificing
other goals, potentially
leading to a net destruc-
tion of value. In the ex-
treme, manufacturing
plants may become so fo-
cused on quality that they add cost to
the product for which no consumer is
willing to pay, or salespeople achieve
customer satisfaction targets by low-
ering prices.

> Lack of buy-in. Those who
have to implement the new design de-
scribe it as “great in theory” but can-
not get satisfactory answers to their
questions about how it will really work
in their particular areas and therefore
do not change their behavior. (Re-
member, the unconstrained vision
treats these comments as evidence of
a lack of understanding, not as short-
comings of the design.) In many cas-
es, this is exacerbated because the un-
constrained vision does not value
current practices and consequently
communicates an attitude of superi-
ority on the part of the change agents.

> Contradictory incentives.

Because incentives are usually an af-
terthought, insufficient attention is
devoted to changing existing incen-
tives, both formal and
informal (for example, what gets a person pro-
moted). People may fail
to support implementa-
tion because they can see the negative impact
on their own careers. Again, this is treated as
evidence of a lack of un-
derstanding or a lack of
will to change, which in
turn is often attributed
to weak middle man-
agement.

A NEW VISION FOR CHANGE

A change process based on the con-
strained vision differs from prevailing
re-engineering methodologies in sev-
eral fundamental ways. First, it in-
volves detailed diagnostic analysis of
the current situation. This initial
phase is not “as is” process mapping,
rather it is an understanding of deci-
sions and trade-offs currently being
made and a thorough understanding
of the data, guidelines and rules of
thumb being used to make these de-
cisions. With these understandings, a
team can develop early hypotheses
on opportunities available because
decisions are being made based on
the wrong data (or no data at all), on
the wrong analysis or on out-of-date
instincts.

One category of such decisions
involves resource trade-offs that are
made at the wrong level and that
therefore do not leverage the scale of
the corporation. For example, if sales
force time is directed locally (as it usu-
ally is), some regions may be chasing
low-priority or low-margin opportuni-
ties while high-priority or high-margin
opportunities remain unserved. One
can imagine similar problems with
plant scheduling, warehouse loading,
allocation of local marketing budgets
and many other decisions. Docu-
menting these trade-offs and under-
standing the impact of making them at
different levels are often key pieces of
the diagnostic phase.

A second major difference in ap-
proach is that incentives are reviewed
evitably and redesigned as an integral
part of the solution. This causal analy-
sis documents current incentive
plans and investigates the behaviors
that they encourage and perpetuate.
Incentives that unconsciously drive
dysfunctional behavior include not
just formal bonus plans but also pric-
ing policies, allocation mechanisms
and many types of measurement and
reporting. In addition, a set of behaviors
arises as actions and results are noticed
by management and are reinforced
through either positive or negative
consequences. As the organizational
behavior expert Aubrey C. Daniels
puts it, “Everyone’s behavior makes
sense to them.”14

A key lesson from transforma-
tions based on the constrained vi-
sion is that changes in incentives

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must lead the rollout of the change program. Especially in organizations where formal incentive plans change frequently, people are skeptical if someone says, “Trust me; we will figure out the incentives to be consistent with the new process.” Rather than reflecting a lack of understanding, this resistance is completely rational. People are in essence saying, “The impact on my wallet is more important than the ideas in your change newsletter.”

While it is difficult to coordinate and systematically redesign formal bonus programs, it can be an even bigger challenge to change informal incentives. This requires changing what is measured and reported as well as working closely with senior management to insure every signal to the organization (promotions, noncash awards or other forms of recognition) is consistent with the new objectives.

In addition, in contrast to approaches based on the unconstrained vision, a constrained approach includes explicit financial targets. These are important for several reasons. First of all, since all decisions are trade-offs between feasible outcomes, not utopian ideals, financial projections provide the key currency for these trade-offs. Second, the financial outcomes allow analytical justification of the hard and soft investments required to implement the change. Beyond that, commitment to financial targets, not just the actions, helps keep the change initiative front and center in management’s minds and helps to prevent it from being delegated to the status of a “special project,” which is likely to have inadequate resources and may even be canceled when budgets become tight. Further, ongoing financial measurement provides an important perspective on whether the initiatives are on track and helps prioritize management attention on areas that are not meeting their individual objectives.

Finally, since most processes are far too complex to be completely documented in a way that anticipates every possible exception, a constrained-view change program focuses on structure and guidelines rather than on detailed process mapping. The result leads to a framework for decision making that is credible and does not need to be compromised to work in the real world. Incentives and structure are defined to optimize decision making. In addition, guidelines are communicated, but at a level of detail that does not foreclose the fact that those closest to the decision are best positioned to determine how to implement them. In fact, some of them may be making their decisions optimally today, or certainly could be with the right information and motivation. As Aristotle said more than 2,000 years ago, “Each individual may indeed be a worse judge than the experts; but all, when they meet together, are either better than the experts, or at any rate no worse.”

The outcome is similar to what is sometimes labeled “employee empowerment,” but differs in that it is firmly rooted in the constrained view. The perspective is not “left on their own, employees will naturally do the right thing for the company,” but rather “with the right incentives, tools, data, guidelines and constraints people will make the right decisions because it is in their own self-interest.” The result is dramatically improved buy-in because the signal sent is “we value your judgment,” and not the unconstrained view’s implied message of “we’re smarter than you are; just follow the process and don’t ask any questions.”

**CONSTRANDED CHANGE …**

Our methodology for transformation predicated on the constrained vision is called Constrained Change. Our perspectives contradict much of the “conventional wisdom” on change management best practices.

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Specifically:

> It is acceptable, in fact usually preferable, to admit there is a problem without offering a solution at the same time.

> There is no single ideal process for most real-world situations. The objective of a change program should be to motivate people to move in the right direction, continuously redefining “the best that the people can bear.”

> Motivation and incentives must be key pieces of all phases of the change effort, not something tacked on at the end.

> Change initiatives must be linked to explicit, usually financial, goals, which are:

  • Absolutely nonnegotiable
  • Robust enough that they cannot be achieved by sacrificing other important objectives.

> Broader involvement (or at least communication) is better than a “skunk works” approach.

> The role of senior management is to lead change, staying involved throughout the process and not delegating key decisions.

> Formal structures outside of the top managers impede rather than accelerate change.

The Constrained Change approach starts with a detailed diagnostic phase. To make this phase successful, management must admit there is a problem, but share the responsibility for determining why it persists. There must also be no “sacred cows.” Previous assumptions, no matter how much management has been committed to them, must be questioned.

The focus of the diagnostic phase should be on root causes. These include current structures, guidelines, trade-offs, rules of thumb and the motivations of current decision makers. In addition, the impact of both formal and informal incentives (or disincentives) should be systematically reviewed.

Finally, this phase should provide a set of financial benchmarks, which will become the targets for the remainder of the redesign. These benchmarks can be internal or external and can be developed using a variety of well-documented techniques. Again, it must be made clear that nothing is off limits, to insure targets are sufficiently aggressive.

The next phase involves developing and exploring options to address the issues raised in the diagnosis and to achieve the targets. This is an iterative process as the team eventually works toward one option. Throughout this process it must be clear that options are being judged purely on objective criteria — primarily, their ability to meet the financial targets. If the choice between competing options is not obvious, financial models can be built to assist in the decision process.

The objective of a change program should be to motivate people to move in the right direction, continuously redefining “the best that the people can bear.”

The third phase of the Constrained Change approach is designing the new vision. In reality, these first three phases are tightly linked and frequently run in parallel. For example, the diagnosis may be that “we can save 25 percent in administrative overhead by moving to a shared-services model.” The exploration and design stages would then focus on which functions should be shared, how they would work in the new model and precisely how much improvement would come from each source.

Another distinctive aspect of a constrained-change program is the need for a robust operating vision for the required capabilities. Capabilities are the handful of things that a company must be able to do well in order to achieve its vision — not the process for how to perform these functions. An operating vision is different from most “strategies” in that it communicates how these capabilities will lead to lasting strategic advantage and it articulates how the company will be different in enough detail that everyone involved can see how their jobs will change.

Once the vision is established, the next step is to confirm the top-down goals, linking them to explicit vision elements and quickly translating

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them into operational goals. While these top-down targets may be modified at this stage, they continue to play a key role in motivating the overall effort and sending a message about the magnitude of change.

The revised targets must then be decomposed into their implications at a lower level of the business. Targets are then checked against what is possible through bottom-up analysis. Quickly cycling through this process leads to bottom-up plans that are both realistic and aggressive. In addition, using cross-functional teams helps to break down barriers and allows an examination of all potential options instead of a narrow set of actions that are within a single team’s known ability to change. Eventually, nonfinancial targets should be redefined in terms of financials as well.

In order for the change program to maintain credibility and momentum, the financial or performance targets must be unambiguous. They must be expressed in the business accounting frame of reference, and they must be capable of establishing a solid base line against which to measure progress over time. The forecasted improvements must be clearly measurable against this base line. In addition, both the base line and the measures must be completely defined to be immune to “gaming.”

Ultimately, these should be capable of being directly translated into management performance objectives that can be tracked internally and sufficiently robust to support, if necessary, contingency-based compensation for management. These “stake in the ground” financial targets are what the teams are committed to achieving, not what they are committed to attempting.

Once targets are set, the change program should be implemented using a small number of capability-based teams, each of which is responsible for both the cost and revenue sides of the objective equation. These teams can be built around specific opportunities or more generically deployed against basic business streams. The objectives of each team are communicated through the vision and the associated financial targets. The details of how to accomplish the objective are left to the team.

Our experience here confirms the adage “necessity is the mother of invention.” With the right combination of skills and the appropriate incentives, the individuals closest to a problem can develop surprisingly creative solutions. Frequently, they view this as an opportunity to break down old barriers and do what they always thought was the right thing for the company. On the other hand, if their charter is over-constrained with operational detail, they will tend to spend their energy fighting the mandate rather than finding a solution.

The final element of a Constrained Change program is change management — explicitly being prepared for the reactions of those who will be affected. In his book “Leading Change,” James O’Toole argues that resistance to change is human nature and that resistance will be strongest from those who have the most at stake in the status quo — in other words, senior management. Our solution is to align the objectives of senior management with the objectives of the change program and assemble a senior management forum that uses peer pressure to maintain a strong focus on the transformation.

The program should be structured around this senior management steering committee, which continually drives the change agenda and monitors progress. When it is working properly, the program for “changing the business” becomes an integral piece of “managing the business.” For example, change program objectives and capabilities became embedded in strategic, financial and operating plans.

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Exhibit I summarizes the Constrained Change approach.

... UNCONSTRAINED RESULTS

Obviously, the effectiveness of any change program can be measured only by the results it achieves. This is captured best through examples. Consider the following, very different, situations:

S.A.S. GROUP: In his book “Moments of Truth,” Jan Carlzon details the changes and turnaround at Scandinavian Airlines System. When Mr. Carlzon took control of S.A.S. in 1980, the airline was in trouble, having lost money for two straight years after 17 years of profit.

Mr. Carlzon quickly diagnosed the source of this trouble and set about to remedy the problems. The oil crisis of the late 1970’s had left the entire European airline industry in trouble, with little overall growth. “First we needed a clear picture of the outside world and of S.A.S.’s position within it,” he wrote. “Then we had to establish a goal and determine how to reach it. In other words, we had to create a new business strategy.”

S.A.S. chose the frequent business traveler as its primary target for returning to profitability. The company evaluated its operations and determined that the current customer service level was unacceptable to the new No. 1 target, the frequent business traveler. Instead of cutting costs at this time of financial distress, S.A.S. determined that an increase in investments was a necessary step toward the new objective. The trade-off was clear: “We had no guarantee that these additional expenses would bring in more revenue. But it was also our only chance because the option of reducing costs had already been used.”

Mr. Carlzon realized that the company had become too bureaucratic and that the front-line personnel — flight attendants, gate personnel and ticket agents — were unable to meet customers’ needs. Instead of taking the traditional route of using senior “experts” to develop new centralized procedures, rewriting the policy manual and disseminating the new instructions to the field, Mr. Carlzon implemented a new process much more consistent with Constrained Change.

Mr. Carlzon realized that not every situation can be addressed through Standard Operating Procedures and that the people who interacted directly with the customers already had the knowledge and understanding necessary to do what was right. What was missing was the permission and authority. Now, managing was “shifted from the executive suite to the operational level where everyone is now a manager of his own situation,” he said. “When problems arise, each employee has the authority to analyze the situation, determine the appropriate action and see to it that the ac-

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19 Ibid., p. 24.
tion is carried out, either alone or with the help of others.”20

In addition to granting increased authority on the front lines, S.A.S. took other steps toward its overall objective. Punctuality, measured as on-time departures, became a key element of improved service to the frequent business traveler. All employees of the airline understood that while trade-offs were required, on-time departures were the No. 1 requirement. In a very short time, the airline became known for its on-time performance.

The results of the change program were spectacular. By 1984 S.A.S. had returned to profitability and Air Transport World had named it “Airline of the Year.”21 Had S.A.S. relied strictly on its senior staff and other “experts,” the airline would probably have continued to experience serious problems. Instead, it turned to the people who understood the situation and requirements the best, the front-line service providers.

AUTOMOTIVE AFTERMARKET SUPPLIER: A major supplier of aftermarket automotive components achieved more than $140 million in savings through a comprehensive change program. This company initiated the program after losing its largest customer in a competitive rebidding of the business.

A five-week diagnostic effort identified an immediate need to reduce operating costs by 25 percent in order to achieve cost parity. The team then began a bottom-up analysis of options to better estimate the savings by area, including general overhead reductions, product changes, manufacturing changes and footprint. The team carefully studied each alternative through detailed financial models and cost-benefit analyses. Trade-offs, such as increased distribution expenses, were identified and included as a part of the cost estimate. Within three months, the company had an aggressive but realistic plan for achieving the original target.

Motivation of the individual teams proved critical. For example, the manufacturing team quickly realized that the company would be significantly more profitable if it closed about one-quarter of its plants. When looked at systematically, the case was compelling. However, the opportunity would not have been found in the normal course of business with each plant manager focused entirely on improving his own operations.

Performance was carefully measured using a simple score card. Once action plans were approved, results were measured along two dimensions, one tied directly to the company’s profits and losses, the other tied to identified project milestones like plant closings, contract renegotiations and head-count reductions. These dimensions insured that the program was directly linked to the real world and that there was no opportunity to influence the numbers artificially to indicate success where none existed.

Lessons and processes learned during the change program continue to influence the company today. After realizing the benefits, the company has adopted the philosophies it used during the time of change and is now us-

20 Ibid., p. 61.
21 Ibid., p. 121.
ing these same philosophies to guide its day-to-day operations.

Unknowingly, both of these companies used key elements of the Constrained Change approach. They diagnosed the root causes by understanding current trade-offs and motivations and then went about fixing the problems by redefining the structure and incentives. In neither case did they fall into the trap of process redesign, rather they recognized the complexities of the real world and left the details up to those closest to the decisions (or with the best data).

In both cases, the results confirm the power of an approach predicated on the constrained view. These companies not only achieved dramatic profit improvements, they also ended up with employees who are highly motivated and a culture that will support ongoing improvement.

**SUMMARY**

It is now becoming clear that many re-engineering efforts have failed — they have not produced any lasting change. Our investigation of these efforts reveals that failure is a frequent aftermath of the unconstrained vision. This vision and its assumptions about human nature have caused these efforts to focus on developing the perfect process rather than on improving structure, guidelines and incentives.

Because of this emphasis on process and the simplifications necessary to redesign a comprehensive business stream, these initiatives have failed to anticipate fully the complexities of the real world. When they meet with resistance, those behind these re-engineering efforts have responded as if all objections must be based on ignorance or lack of will. In fact, much of the resistance has been rational — individuals in the organization had concerns that were not adequately addressed by the redesign.

A transformation approach founded in the constrained vision would differ substantially from most common change methodologies. Exhibit II highlights the key differences relative to traditional change approaches. A Constrained Change approach would focus on trade-offs and incentives, rather than process. It would have explicit cost-benefit analysis, including comparison of specific alternatives. Finally, it would focus on creating guidelines and establishing the proper limitations, recognizing that those making decisions today are not necessarily ignorant or evil, but more likely optimizing their own interests within the limits of their perceived constraints and incentives.

Our methodology, Constrained Change, overcomes the shortcomings of unconstrained vision approaches by establishing explicit financial targets linked to specific initiatives. It relies heavily on an initial diagnostic phase to find and seize these potential opportunities by identifying the root cause of current suboptimal trade-offs. Furthermore, it focuses on establishing the right capabilities to support a vision for the business while finding enough cost savings quickly to make the effort self-financing. Finally, it establishes a change forum, which uses facts and analysis to overcome rational resistance to change and root out irrational resistance. These characteristics give Constrained Change a unique ability to achieve unconstrained results, rapidly implementing changes that are both lasting and profitable.

**EXHIBIT II**

CONTRAST WITH RE-ENGINEERING

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**Source:** Booz-Allen & Hamilton