

The Transitional Work Corporation: Managing For Better Outcomes Part 1: Reorganization as a Strategy for Performance Improvement

**By William Eimicke and Steven Cohen
May 2002**

It was a pleasantly warm and sunny June afternoon in 2001 as Richard Greenwald walked past the historic 30th Street rail station in downtown Philadelphia. His mind was racing. The daylong organization retreat had apparently gone very well. Spirit was typically high; people seemed to embrace the new team structure. Only a few people were disappointed with their new assignments and he had talked each one through the importance of what they would be doing. Still, he wondered what the mood would be when staff training began next week.

As the first and only president of the Transitional Work Corporation (TWC), Greenwald was extremely proud of the organization's extraordinary success in helping long-term welfare recipients move into the world of work and toward economic self-sufficiency. He was confident that his close attention to management operations and staffing issues accounted for a good measure of their positive outcomes. Still, he worried that fixing things before most others recognized they were breaking could undermine morale, disrupt informal lines of communication and disturb critical working relationships.

At the same time, he had the strong support of his board of directors, an unusually strong and active body. His senior staff helped develop the new structure. And, the team-based organization would provide for devolution of decision-making and career opportunities for the many talented newcomers to TWC. Greenwald knew it would take months to assess the effectiveness of the new structure, so he resolved to enjoy the weekend with his wife and new baby and dive back into the challenge he had helped to create first thing Monday morning.

Welfare Reform in Pennsylvania

The Transitional Work Corporation is a nonprofit corporation created to help welfare recipients comply with the time limits incorporated into the federal welfare reform legislation of the mid-1990s. The nature of TWC and the challenges it faced in June 2001 were shaped by the evolution of the welfare to work philosophy, legislation and policy in Pennsylvania. The Commonwealth of Pennsylvania enacted enabling legislation that reinforced the philosophy of work-first for welfare recipients. In practical terms, this meant that current welfare recipients had two years to find an average of 20 hours a week of work or lose their welfare benefits. The clock would run out for many current recipients on March 3, 1999.

Work requirements presented a major new challenge for social services departments across the country. Philadelphia faced a particularly difficult assignment as more than half of the welfare population of Pennsylvania lived in the city. There was virtually no private sector job growth in the city and the suburban job market could not be easily

accessed through public transportation. Finally, Pennsylvania did not have a long history of experimentation in the field of welfare to work. The new federal and state requirements initially overwhelmed and confused both recipients and welfare department workers.

The situation was complicated by a basic philosophical disagreement between the city and the Commonwealth of Pennsylvania. The commonwealth took a strong stand that work means real employment in paying jobs, primarily in the private sector. The strong economy across most of Pennsylvania led state officials to believe their firm stance was reasonable and could be achieved.

In Philadelphia, the economy was not nearly as strong as the rest of the state and there were many welfare recipients to place. City officials and social service advocates favored a broader definition of work activities to meet the 20-hour requirement, including work readiness training, basic education, job search and supported work opportunities. By the spring of 1997, the city and the commonwealth discussions were going nowhere.

An outside spark changed the whole dynamic. Mark Alan Hughes, vice president of a Philadelphia-based, innovative non-profit called Public/Private Venture wrote an op-ed for the major local newspaper, *The Philadelphia Inquirer*. Hughes proposed that the city and commonwealth create a program that would create real jobs for Philadelphia welfare recipients who could not find them in the private economy. These transitional workers would continue to receive non-cash benefits (medical coverage, childcare, and food stamps) as they moved into the private economy and toward self-sufficiency.

Under the Hughes' plan, a non-profit organization would be created to develop transitional job opportunities in non-profit and government agencies. Willing participants would be placed in these six-month, transitional jobs. Welfare grants would be channeled through the non-profit job developer who would convert the grant into a wage. Thereby, these transitioning welfare recipients would become paid employees of the non-profit organization placing them in the transitional job.

Discussions with senior commonwealth and city officials resulted. While Hughes found a receptive audience, a concrete plan did not emerge. A second spark came from Donald Kimelman, a manager at The Pew Charitable Trusts and the source of funds for Public/Private Ventures. Kimelman was able to engage Commonwealth Department of Public Welfare Secretary Feather O. Houstoun in the plan. While months of negotiations followed, all key players were now involved and what was to be called the Transitional Work Corporation would soon become a reality.

The Trusts provided a planning grant to support the ongoing discussions and program development. As important, The Trusts served as an honest broker and nudge. Government officials and advocates came to rely on the Trusts as a force for results that also respected the positions of all sides involved in the negotiations. In the end, the federal, state and city governments would provide most of the funds for participant salaries, benefits and training. The Trusts would provide substantial support for the

administrative structure of the new non-profit managing entity as well as support for innovation and expansion. Without the good faith cooperation of all three key stakeholders, The Transitional Work Corporation would not have been possible.

The TWC Experiment Begins

In September 1998, the Transitional Work Corporation (TWC) opened for business. As part of the complex negotiations that led to its creation, TWC was founded to operate a program called Philadelphia @ Work. The program design seeks to strike a balance between work experience, skill building and support services. The goal is self-sufficiency for all participants.

The clear message is that you learn to work by working. At the same time, people who have never worked, and who have children and a wide range of problems associated with poverty, are unlikely to catapult from dependency to self-sufficiency on the wings of a minimum wage job with no benefits. Greenwald characterizes the TWC philosophy as, “Everyone should work. But you cannot expect them to succeed without support during a transitional stage”.

TWC approached its third anniversary as the reorganization plan was announced. By that time, approximately 3,700 participants had received a transitional work experience, career advising and personal development services, education and training, and placement assistance. TWC had made 1,184 permanent placements and 65 percent were still employed after six months. There are always between 450 and 550 participants still active in the TWC program at any time.

The TWC program is a 12-month discipline divided into three phases: orientation; transitional work; and unsubsidized work. Participants are not forced to come to the TWC program. Even after they opt into the two-week orientation program, they are always free to drop out, as TWC is free to expel them. The two-week orientation program is designed to get the participants ready for work and find them an appropriate transitional work placement. The participant is paired with a career advisor and embarks on a 22-week transitional job to develop and polish their working skills.

The career advisor works closely with the participant and the job site partner to ensure that the transitional placement is positive. The career advisor is also responsible for making sure that the participant receives food stamps, childcare assistance, cash assistance, clothing allowance and transportation assistance. Concurrent with the work experience, participants are required to complete another 10 hours of work-related training provided by TWC. This work-related training ranges from literacy and math to computer skills; from workplace behaviors to support service identification; from overcoming obstacles to building valuable skills.

Once a participant is interviewed and placed in a permanent, unsubsidized position through the TWC job match process, a critical 12-month segment of the TWC program begins. During this time, TWC provides support, encouragement, and guidance through its Retention Career Advisors. TWC also offers a wide array of employment incentives,

including transportation, childcare and training programs, and bonus payments based on the longevity of employment.

Growing Pains

A great deal of thought and discussion among a wide array of experts and policymakers went into the development of the TWC model. It was initially conceived of as a three-year experiment. The early outcomes substantially exceeded the expectations of the board and the senior staff as well as many outside observers. Yet, after only nine months of operation, Greenwald was already convinced the TWC model could be improved. This commitment to continuous improvement comes from Greenwald's longstanding belief in the efficacy of the Total Quality Management (TQM) philosophy developed by W. Edwards Deming.

Greenwald originally discovered TQM through his self-motivated striving to become a better manager. His initial receptivity to TQM was reinforced during his graduate studies that focused on advanced management techniques. Greenwald was particularly drawn to the TQM emphasis on teams, employees as the experts, communication, amnesty, measurement, and on continuous improvement. In his pre-TWC employment, Greenwald had some success in convincing management to apply some of these TQM principles. From his first day as president of TWC, Greenwald remained committed to the TQM philosophy that whatever we are doing, we could do it a little bit better through measurement and analysis.

Beginning in the summer of 1999, TWC conducted the first in a series of annual retreats. TWC retreats involve every staff member in both the planning and the event itself. Retreats include sessions to build spirit and unity. The events are also designed to focus the organization on key issues for improvement.

In 1999, the issue was communication. TWC was a huge effort, developing on the fly, with little time to build consensus or keep everyone informed. The consequences included feelings of exclusion and lack of respect. Also, not everyone was carrying out the organization's standard operating procedures. Therefore, the first retreat sought to find better ways to communicate management policies throughout the organization and to communicate back what TWC staff learned on the front lines. In what was to become a TWC tradition, the retreat ended with a list of action items and a strategy for implementation and follow-up.

The results seemed to meet most staff and participants expectations. TWC committed itself to a major upgrade of its computer, telecommunications and information processing systems. Overall, the general view was complete success.

Second, TWC committed to greater staff involvement in policymaking. Numerous committees were established. Some committees accomplished the follow-up tasks from the retreat and were retired. Some committees accomplished the retreat tasks, identified an ongoing mission and new tasks. They continue to operate. Other committees did not

attract sufficient interest and were terminated. The option to create new committees remains open should the need arise.

As 1999 came to an end, the TWC board, management and staff were able to celebrate a very successful first full year of operation. More than 1,000 participants were enrolled in the program. About 250 “graduates” had been placed in permanent jobs paying an average hourly wage in excess of \$7.00. TWC had become one of the largest transitional work programs in the country. However, there were also areas where improvements seemed possible. More than 500 participants had to be terminated for failure to meet attendance requirements, discipline issues or substance abuse. New enrollment rates were not sufficient for TWC to meet contractual targets for permanent placement.

For 2000, the TWC board and senior management decided to focus on improving communications between its departments and developing a comprehensive yet manageable set of performance indicators. While enrollments and permanent placements were up significantly, advocates and outside forces (including TWC funding sources) were raising the expectations for permanent placements and retention. In part, TWC was the victim of its own success. There was also the pressure of the ticking time clock of eligibility for those remaining on public assistance. Finally, there were other organizations with similar missions who were jealous of the funding TWC received and the media attention it attracted. These competitor agencies were quick to criticize TWC for anything less than superior performance or any downturn in a measure of workload or outcome.

Greenwald sought the advice and counsel of his board members. He also engaged his senior management team in a series of wide-open, amnesty-protected brainstorming sessions. He sought the advice of the management faculty at the University of Pennsylvania and of his management professors at Columbia University, Steve Cohen and Bill Eimicke. Ultimately, Greenwald concluded (and his board and senior staff agreed) that TWC had already met the expectations of high-ranking public officials, its funding organizations and the clients it served. He concluded that a more focused set of performance indicators would help him manage better and produce better outcomes for TWC participants.

In January of 2000, TWC engaged a team of Columbia University graduate students (advised by Cohen) to conduct a pro bono study of its performance management system, benchmark them against similar organizations in the United States, and make recommendations for change. The student team concluded that it is extremely difficult to assess comprehensively the effectiveness of welfare to work programs, such as TWC. After much discussion, the Columbia team and senior staff at TWC were unanimous on what they found meaningful to measure their performance:

- Enrollments—people who sign up for the program;
- Participants who successfully complete the program;
- Participants placed in permanent jobs;
- Participants that receive longevity bonuses for staying in their permanent jobs.

The performance management system implemented during 2001 featured these four factors but also incorporated a large number of workload indicators and progress measures designed to help everyone at TWC assess their progress week by week, month by month. An inclusive strategic planning process produced a three-tiered performance indicator system—one set for the board, funding sources, interested observers and the media; a second more detailed set for senior management; and a third set, tailored to each division and focused on key aspects of their responsibilities in the overall TWC mission.

The system helped. Performance improved. At the same time, as a whole, the three-tiered system with dozens and dozens of indicators was somewhat confusing, labor intensive and time-consuming to maintain and use.

The 2000 retreat mirrored the inclusiveness and spirit of the 1999 event. A wide cross-section of the now much larger staff planned the event together. Time was reserved for recognition of success to date, saying thank you and reminding each other of the importance and inspirational nature of the TWC mission. But most of the retreat was again devoted to issues where the organization could do better.

The agenda of improvement items were quite focused in 2000: getting photo ID's for participants before they go out on job interviews; making sure mental health assessments are available for all participants; improving the participant resume development process; consolidating paperwork and forms; tracking information more efficiently; and making a connection between the participant and their career advisor no later than the first day of the transitional work assignment. Each topic became an action item and follow-up meetings and emails throughout the remainder of 2000 produced a number of major improvements in the operation of TWC.

Among the major results of the 2000 retreat was a series of mechanisms to improve communication and cooperation between the orientation department (recruitment, job readiness, assessment, and initial transitional placement) and the employment department (ongoing career advisement, problem solving and progress toward permanent placement). A retention team was established to provide more post-employment support. The recruitment process was improved and formalized. And a comprehensive set of standard operating procedures was published, distributed and implemented.

Key indicators for 2000 were substantially better than for 1999. Enrollments were up by more than 300, totaling more than 1,500. Permanent placements more than doubled, exceeding 500 for 2000. Average hourly wages were up from an average of \$7.11 in 1999 to \$7.24 in 2000. And the retention rate for permanent placements was running above 70 percent.

Raising the Bar

As 2001 began, TWC was widely recognized as an extraordinary effective program. Representatives from governments and non-profit organizations from all over the United States were coming to visit TWC, asking for technical assistance and even requesting

TWC to set up shop in their community. TWC had effectively moved hundreds of inexperienced, long-term welfare recipients into private sector, market wage jobs within a year of entering the TWC system. Still, Greenwald and his board were not satisfied. In addition, many key employees had come to Greenwald saying they knew the organization could do much better than the current level of performance.

Unlike many non-profit organizations, the TWC board is extremely active and involved in setting policy and participating in key management decisions. Greenwald runs the organization to be sure. However, he is aggressive in seeking the advice and counsel of his board. Most of the board members have extensive experience running organizations focused on employment and support services. TWC staff is also empowered by Greenwald's open door policy (literally) for all employees and his track record of acting on staff advice and recommendations.

There were many concerns. Perhaps the most substantial related to the agency's inability to succeed with the more difficult and less willing participants. Senior management and the board moved aggressively to involve outside observers, consultants, evaluators, critics and other providers to assess the effectiveness of its programs.

A clear consensus emerged that TWC had achieved a state-of-the-art level of effectiveness in a field that most organizations viewed as hopeless. The challenge for the TWC board and management became how to we make measurable improvements. This commitment to improvement took on greater urgency when Greenwald noted a substantial dip in permanent placement. If current trends continued, TWC would not meet its placement goals for 2001. Second, some staff were not being held accountable for their performance, lowering key indicators and seriously affecting the morale of others working well above management's expectations.

Greenwald did not waste any time wondering if the problem would solve itself. He assigned a team of his young, talented analysts/managers to conduct a confidential, internal performance audit. John Gerhard, Michelle Slayton, Laura Kasa, and consultant Lili Elkins (former COO and founding staff member of TWC) comprised the study team. Greenwald also pulled together his senior policy and operations staff—Jim Klasen, Elmore Johnson, Faith Williams and Patience Lehrman—to get their sense of what was going on.

Greenwald spent time with key board members particularly familiar with the placement issue—Julie Kerksick (the creative force behind Wisconsin's New Hope employment experiment); business leaders Melonease Shaw and Ernie Jones; and Commonwealth DPW Secretary Feather Houstoun. He then put together an all day brainstorming session with key staff and his most statistically oriented board members and advisors—Mark Greenberg, Mark Alan Hughes and Bill Eimicke. What he learned initially was that the problem was not nearly as bad as it seemed. There were data gathering and reporting anomalies that explained away much of the shortfall. Nevertheless, it was clear that TWC had ceased leap-frogging its previous achievements. The best case is that TWC would

meet its targets. This was not good news and Greenwald was committed to do something about it.

Planning For Change

During the first four months of 2001, Greenwald was actively involved in gathering information. By April, his key staff team presented the results of the internal performance audit. He also gathered thoughts of virtually every staff member in small, informal groups. He continued to collect information and feedback from his board members and from the external management consultants. The information he received from all sources led him, the board, his study team and his consultants to the same conclusion—as TWC grew, the departments became separate and competitive rather than integrated and cooperative.

Placements were dropping because participants were falling between the cracks of departments. The organization had become stovepiped—orientation; transitional placement; professional development training; and placement had become separate and independent activities. Transitional placement might view a participant as an outstanding candidate for permanent placement while the training division was ready to expel the person for failure to attend class. No one group took full responsibility for a participant and few people in the organization knew what was happening with a participant, unless they were in direct contact. These problems were exacerbated by the rapid growth in the number of TWC staff combined with the normal amount of staff turnover.

The study team and the outside consultants also agreed on the most effective way to deal with the problems—TWC must be reorganized around teams. Greenwald and the board agreed with the recommendation. The study team was directed to prepare a plan by the first week in May.

A final draft of the plan would be discussed with senior management. After a brief feedback period and modification, the plan would be finalized. The plan, including the new teams, the staff assignments for every TWC employee and the broad outline of the new standard operating procedures would be presented at the third TWC retreat, scheduled for June 22, 2001 on the University of Pennsylvania campus.

After everyone had a weekend to reflect, two weeks of intensive training for all TWC staff on their new assignments and the organization's revised standard operating procedures would begin. On July 9, 2001, full implementation of the new structure (or the “reorg”, as it was nicknamed) would commence.

The new organization as implemented can be summarized as follows:

- The elimination of most existing departments of TWC and the restructuring of the organization into functional, task-based teams.
- Refocusing of the central program of the organization on two major functions—orientation and employment.

- Restructuring of the employment function into multidisciplinary teams that serve the same group of participants throughout their career at TWC.
- Create an organization-wide focus on employment, retention and career advancement.
- Better communication and more emphasis on the need to reach and exceed performance targets, particularly job placements.
- Enhance the governmental and community relations' activities of TWC such that the organization receives more public funds for longer periods and so that the organization achieves a more positive image in the inner-city community of competing and complementary non-profit companies.
- Expand the activities of TWC to encompass a program to include participants with limited English proficiency and to focus more intently on activities to ensure retention and advancement in the participants' permanent jobs.
- Redesign of the physical space, creating an open, bullpen design with low partitions and placing team members in close proximity to each other.

Everyone in the organization became a member of a team. Each team focused on an important function of the organization: senior management; finance and administration; orientation; retention services; and employment. The orientation and employment teams were focused directly on participants.

The employment division has the most staff and is responsible for large numbers of participants for many months. Therefore, employment is organized into five teams, known as pods. Each pod takes full responsibility for approximately 100 participants during their entire time with TWC, until they are placed or separated. Each pod includes career advisors, retention specialists, a sales representative, a job match coordinator and facilitators. This structure provides a one-stop, full service environment for the participant and a comprehensive picture of the participant for the multiple service specialists at TWC attempting to assist those participants.

Anticipation

On June 25, 2001, at 7 a.m., Richard Greenwald sat alone in the TWC offices, waiting for the staff to arrive and the training for the new organization to begin. His wife had taken on his normal responsibility of dropping off son Bailey at day care so that he could get to work early on this most important day. As he sipped his extra large, black coffee, Greenwald was filled with feelings of excitement, optimism, doubt and fear.

While Friday's retreat ended on a collective, emotional high, he wondered whether a weekend of reflection might lead to doubts and resentment among TWC staff. He worried that the "cost" of the reorganization might be more than the benefits it yields. And could he really isolate and measure the costs and benefits of the reorganization? Was a team-based structure really the best choice?