Enhancing the Effectiveness of Organizational Change Management
Phillips, Julien R
Human Resource Management (pre-1986); Spring 1983; 22, 1/2; ABI/INFORM Global
pg. 183

Enhancing the Effectiveness of Organizational Change Management

Julien R. Phillips

Until recently, most companies operated in reasonably stable environments. Their major challenges were to deploy their resources and exploit their capabilities as effectively as possible within these stable environments.

But today a great many companies are facing unstable competitive environments that are often changing profoundly. The dramatic reduction in economic growth—both domestic and international—has shifted the primary competitive battle from shares of new or expanding markets to survival shares of slow-growing markets. Strong foreign competitors are challenging even the best U.S. companies in fields as diverse as automobiles and semiconductors. The wave of deregulation sweeping the United States, in particular, is creating radically new situations in telecommunications, banking and financial services, air transport, and several other industries. And revolutionary technological development is producing new competitors and new bases for competition. The field of electronics has felt the greatest and most diverse impacts in recent years, but important competitive forces are emerging in other fields such as polymer chemistry, radiation, and biotechnology.

Thus, many companies are finding it necessary today to change drastically what they are trying to do and how they are doing it, in order to continue to be successful. Bringing about such organizational change by devising different kinds of strategies and patterns of operation creates a much greater managerial challenge than simply continuing to perform well within established strategies and operations, and it is a challenge for which few senior managers have much relevant experience. It requires greater environmental sensitivity, imagination, and a different kind of leadership than continuing to operate well in a stable environment. The

Human Resource Management, Spring/Summer 1983, Vol. 22, Numbers 1/2, Pp. 183–199
© 1983 by John Wiley & Sons, Inc.
CCC 0090-4848/83/010183-17$04.00

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

challenge of managing such fundamental organizational change can be met successfully, but first it must be understood.

The first section of this article defines the challenge conceptually, and the second section suggests a simple model of the process of fundamental organizational change. Because a model is at best a helpful abstraction, the third section outlines how the challenge of change might actually be tackled in a specific situation. The final section discusses several areas of human resource management related to the process of managing organizational change.

I. THE CHALLENGE

The penalty to a company for failing to adapt to a major environmental change (what I will call the non-adaptation penalty) can be very large—even catastrophic—as illustrated conceptually in Figure 1. If a company responds promptly and effectively to a fundamental shift in its competitive environment, then it may be able to continue uninterrupted growth. (In fact, if it is extraordinarily effective in response, it may even be able to turn the change in technology, shifting customer desires, or other factors to its advantage—in which case its growth could actually accelerate.) On the other hand, if a company fails to adapt, it will eventually experience declining, or perhaps even negative, profits. The non-adaptation penalty can grow large rather quickly.

Moreover, the non-adaptation penalty can hurt the company in at least three additional ways:

(1) It reduces the funds available for investment in adaptation, both directly (because reduced profits are available for reinvestment) and

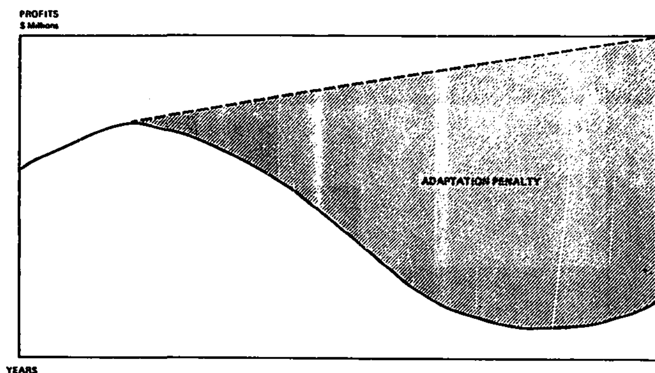


Figure 1. The penalty paid for adapting slowly.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

indirectly (because the company may be less attractive to potential investors than a faster adapting company).

(2) It often results in losses in market share that are hard to regain from a faster adapting leader.

(3) It shrinks the time available for developing an effective response and therefore increases the probability of an unsuccessful response.

Although not all of these consequences occur in every case, they are sufficiently likely (and costly) to underscore the value of early and effective adaptation. The risks of premature and erroneous response to apparent changes in the environment are also substantial. But because the past incidence and future likelihood of tardy response is so much greater, this article will address only the latter.

What events produce a non-adaptation penalty? Figure 2 illustrates descriptively what seems to happen:

- A company may not evaluate the signs of external change as being relevant or serious for several years. During this time, the company may alternate between trying to determine how to respond and trying to convince itself that the threat so far is insignificant.
- Gradually the company will take a few tentative steps (such as the development of a Chevette or the introduction of a "low-end" copier, still priced well above Savin) that inadequately respond to the challenge. In fact, the initial steps are likely to be halfhearted—defending an established position rather than seeking aggressively to build a new one.
- At some point the company may understand the full magnitude of the challenge, develop a far-reaching idea about how to respond,

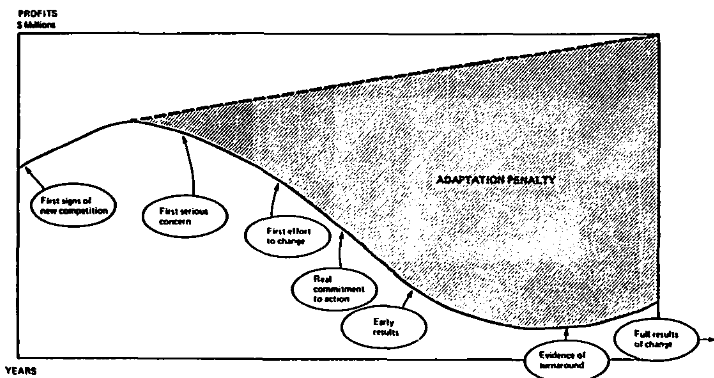


Figure 2. The anatomy of delayed adaptation.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

and make a commitment to that idea. (Alternatively, it may continue its ineffectual responses indefinitely, in which case the trend is likely to continue downwards.)

- If the company pursues the new idea with determination and ingenuity, it is likely to begin achieving some early results that validate its actions.
- Sometime thereafter it should achieve a turnaround.
- Although the momentum of the turnaround could carry it forward, the company is unlikely to regain the competitive position that it once had. Faster-responding competitors or, in many cases, new entrants are likely to be in front by this time (at least in their selected niches).

The non-adaptation penalty is not just a theoretical construct. It is a real price that numerous companies have paid for their failure to respond decisively to changes in the environment. One good example comes from the calculating equipment business.

In the 1950s, Burroughs and NCR both manufactured and sold a wide variety of electromechanical calculating equipment. Aware of the potential implications of developments in electronics, both companies bought small electronic data processing firms in the mid-1950s. In the ensuing years, they talked a great deal about their intentions to shift to electronics.

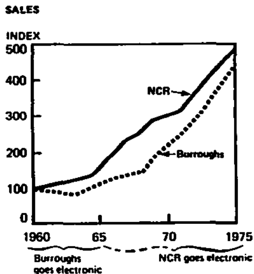
However, their courses soon diverged. By the early 1960s Burroughs had introduced a well respected computer, the B5000. When it failed in the marketplace (largely because of a sales force that was still oriented to electromechanical equipment), the company redesigned and reintroduced the machine with a new marketing approach. Moreover, by the mid-1960s, Burroughs had introduced electronic replacements for its entire electromechanical line.

Meanwhile, although NCR talked electronics, it continued to put most of its capital investment into electromechanical products. In fact, it continued to introduce new electromechanical equipment into the early 1970s. Only when the market collapsed and the company was forced to take a $135 million write-off in 1972 did it wholly commit itself to electronics.

NCR paid a substantial non-adaptation penalty, as Figure 3 illustrates. Nor was the only penalty financial. Total employment in the company declined 35% in a seven-year period, and only seven of the top thirty-five executives survived the transition.

What leads executives to pay penalties of this magnitude? The timing of organizational change is always uncertain. As the comparison of Burroughs and NCR illustrates, early indicators actually suggested that Burroughs may have moved prematurely—no doubt strengthening the position of NCR advocates who wanted to maintain the company's commitment to electromechanical equipment.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.



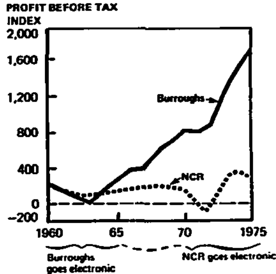


Figure 3. The costs of delayed change.

Managers who have succeeded with the old methods often associate great risks and questionable payoffs with changing course. Moreover, they are likely to believe that their company is adapting more substantially and successfully than it really is. This may result from self-delusion, or simply from habitual ways of thinking about the business, ways that no longer fully fit. These habits can persist, undermining efforts to change. For instance, senior executives who are reassured to hear people talking a new game may overlook the extent to which the game actually being played is the old one.

How can executives minimize the non-adaptation penalties that their companies pay? How can the adaptation period start as early as possible, take as little time as possible, and achieve the greatest possible benefits? The simple model of the organizational-change process, presented next, points the way.

II. CHANGE-MANAGEMENT MODEL IN OUTLINE

We often speak as if a company that must change should simply prepare a well considered plan and then execute it well. But in reality the most successfully managed processes of corporate change follow a much lengthier and more complex process than this.

Fundamental organizational change involves more than a new strategy to penetrate a new market or a response to a new wrinkle in a competitor's products. As Figure 4 illustrates, successful organizational change has at least three critical components:

(1) A company usually needs a new strategic vision for succeeding in its changed competitive environment. For example, Burroughs clearly saw how it could develop a competitive adv age that would generate substantial economic returns by converting i. .ld product line quickly to electronics, and by extending its product line into computers. Even

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

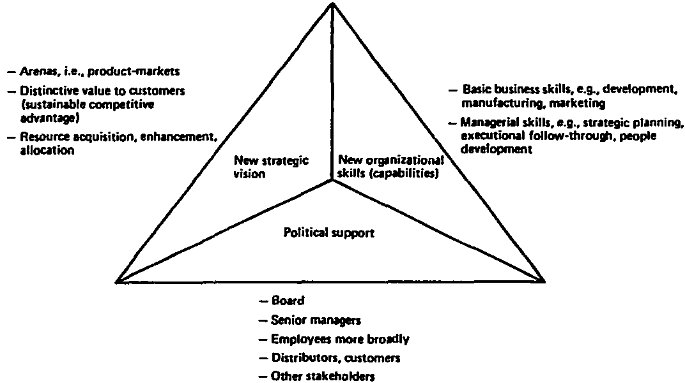


Figure 4. Critical components of change.

if such a new strategic vision is appropriate to the company's changing environment, it is not sufficient by itself to bring about fundamental change—not even when it is translated into detailed operating strategies.

(2) New organizational skills (capabilities) are usually needed to make a new vision work. Burroughs developed effective electronic R&D capabilities, enabling it to achieve substantial results from its strategic vision. Even so, the company never fully developed its marketing, sales, and service skills during the ensuing decade. This omission ultimately constrained success of the company severely.

(3) Finally, the people who can make a company move must be deeply committed to the new strategic vision and to the corresponding development of new organizational skills, or real change will not occur. Without the political support engendered by this commitment (though we rarely use this term in the corporate realm), apathy, resistance, or conflict may suffocate change efforts.*

A company can conceive of a new strategic vision and begin pursuing it in a few months' time. But it often takes much longer to define and develop the organizational skills and build the political support for fundamental change. Building new organizational skills generally requires fundamental changes in organizational structure, management systems,

* Noel Tichy's concept of three strands of rope—technical, cultural, and political—that determine what an organization does is very close to this concept of the critical components of organizational change (his concept is discussed elsewhere in this issue). We are probably describing the same phenomena from slightly different angles.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

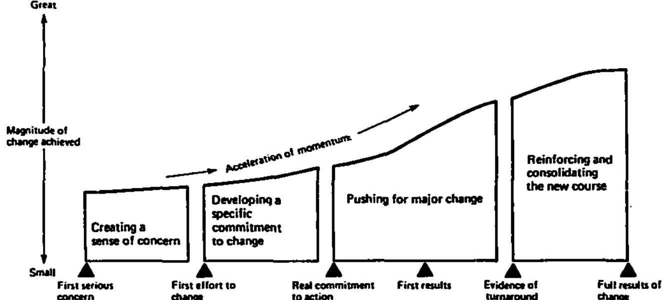


Figure 5. The phases of organizational change.

staff orientation, and other important elements of organization.* People in some senior positions (especially those who feel threatened by the new direction) may resist the change and the new organizational skills it requires. Furthermore, they may be threatened by shifts in authority, leading to even greater resistance.

The process of organizational change is more like a series of momentum-building phases than a one-step, present-future transformation. Specifically, there seem to be four natural phases in the change process, as depicted in Figure 5. (Note that the phases correspond to the milestones listed in Figure 2.) These phases can be completed at different rates, depending on the situation, and there is a certain amount of overlap among them in the real world. The best way to grasp the meaning of each phase is to reflect on the results that each produces:

Phase 1: Creating a Sense of Concern

This phase results in a strong and widespread felt need to change, although the direction of intended change is not necessarily clear yet. This felt need has strategic, organizational skill, and political support elements:

Strategy: The company must develop an understanding of the way the dynamics of the industry are changing, e.g., in terms of customer needs, desires and buying power, technological options, raw material and component costs, supplier power, and competitor capabilities and apparent intentions. This understanding provides managers with a clear sense of

* For a more complete discussion of the organizational elements that often must be redesigned in order to build new organizational skills, see "Structure is not Organization" by Robert H. Waterman, Thomas J. Peters, and Julien R. Phillips, *Business Horizons,* June 1980.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

how the company is positioned to take advantage of or be harmed by these developments.

Organization: Managers need a similar grasp of organizational inadequacies, relative to the changing dynamics of the industry. For example, software-development capabilities and marketing and service skills are far more critical in most parts of the electronic-equipment industry today than they were two to five years ago. The company should analyze how the current organizational structure, management processes, cultural values, and other organizational elements maintain existing patterns of working and, consequently, current organizational strengths and inadequacies.

Political support: Fundamental change depends on the activities of a potent core group of people convinced that the company must change. In most cases this committed group is quite small at the end of Phase 1 (three to ten people), though more supporters may be required to move on to Phase 2 in a large organization with diffused authority. Ideally, the core group would include most of top management, but frequently it is composed of second- and third-level managers who are more attuned to the changing environment than top management (and less fully committed to the current way of doing things). In this latter case, an organization is seldom able to launch Phase 2 successfully until there are at least two or three top managers with a strong sense of concern and some predisposition to change—even when the driving force comes from below.

Phase 2: Developing a Specific Commitment to Change

The main result of Phase 2 is an organizational commitment to a specific course of change. This commitment includes:

Strategy: By the end of Phase 2 a company must have a reasonably well developed strategic vision—a good idea of where and how it is going to compete in light of changing industry dynamics. This will clarify how it will achieve sustainable competitive advantage and, therefore, superior benefits to customers and returns to investors.

Organization: The company needs a similarly developed organizational vision that defines necessary new organizational capabilities and sketches progressive changes in structure, systems, other organizational elements, and in "the way we do things around here" in order to support the new skills.

Political support: A company reaches the end of Phase 2 when it has developed a top-management group dominated by people who understand the emerging strategic and organizational vision, have confidence that it can be realized, and are committed to making it happen. Usually this means that the chief executive and his closest colleagues are personally committed to lead this effort. If they have not developed this conviction during the course of Phase 2, the end of this phase is often prolonged

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

until retirements, resignations, or replacements establish a committed top-management team. Even if top management is not fully committed to making change happen, they must be willing to support the driving, committed change leadership of a group very close to the top if the process is to proceed successfully. When companies try to move on into Phase 3 without having achieved these Phase 2 results, their progress is usually disappointing.

Phase 3: Pushing for Major Change

During Phase 3 a company will undertake sustained action to realize the strategic vision developed in Phase 2, achieving tangible results. The vision will deepen and evolve in response to early results, and the organizational commitment to change will broaden if Phase 3 is proceeding well. But most importantly, this phase enables a transition from ideas and experiments to concrete and progressively greater results, e.g.:

Strategy: The successful company will achieve a favorable and sustainable competitive position.

Organization: It will establish the needed organizational capabilities; they will actually be working by the end of Phase 3. "The way we do things around here" will change sharply in order to support the needed organizational skills and focus.

Political support: By the end of Phase 3, the core group of managers strongly committed to change should have expanded to the point that a large proportion of managers will be working consistently toward the new vision.

Phase 4: Reinforcing and Consolidating the New Vision

While Phase 3 produces results from the change program, Phase 4 ensures that these results are sustained through:

Strategy: Continuing identification of new strategic opportunities and achievement of outstanding results in business performance.

Organization: Institutionalization of effective changes in the "way we do things around here," embodied in the corporate culture and shared values, and in the reinforcement of the key organizational skills.

Political support: Consolidation of widespread acceptance of and support for the new course of action.

The four phases of the process of organizational change can be completed at varying rates, of course, depending on each company's specific circumstances. Furthermore, in most situations there is a significant amount of overlap between phases. Nonetheless, the model sketched here—the progressive transformation, across four phases, of three basic

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

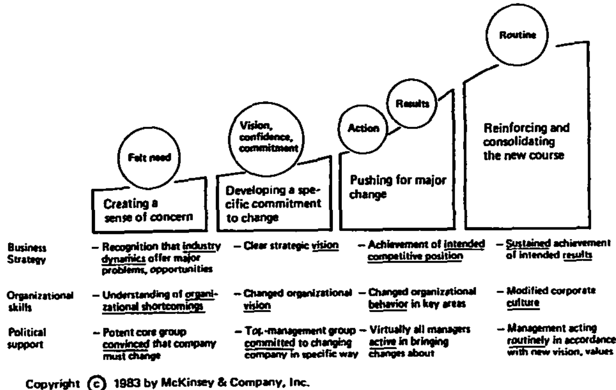


Figure 6. Results of each phase.

organizational components—has proved useful in a variety of real world situations.

III. ILLUSTRATIVE APPLICATION OF THE MODEL

The change-management model outlined above is a useful tool for researchers. It helps to describe what actually goes on in the course of lengthy and complex organizational change, and to explain why intended change is or is not achieved. But its greatest value may lie in helping executives bring about fundamental change in their companies by focusing on key success factors that influence the change process.

The management of change must be tailored to the specific situation in which the organization finds itself. A substantial number of considerations determine which management approach is likely to work best.

How far-reaching should the change be? Does a company simply have to adapt its established strategy to new competitive circumstances or improve the effectiveness of its execution? Must it fundamentally redefine its target customers, markets, and business system? Or must it go even further, developing a radically different approach to its entire business? (Telephone companies are certainly in this last situation, as are many office equipment manufacturers, who must shift from a hardware to a software orientation.)

How confident is the company's leadership that it understands the change challenge? What are the full implications of environmental changes for the company? Is the company ready to move confidently to define and initiate a course of action, or is it better advised to learn more about the situation before it acts?

How urgent is the need for change? Is disaster impending if the company

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

does not change at once? Is a crisis at hand, or is it just anticipated? Or are there merely early signs of environmental change that could be turned into opportunities instead of threats?

How adaptable is the company likely to be? Does it have a history of prompt and successful adaptation? Do key people in the organization already recognize the need for change and agree on the direction it should take? Are there strong, respected, committed leaders to champion the changes? Or is the organization still rooted in its established way of doing things?

It is impossible to describe here the variety of appropriate situation-specific approaches to organizational change. Nonetheless, a case example can help illustrate some aspects of the change-management model.

Consider the case of Fritz Enterprises, an old-line manufacturer in the doldrums. Although it has gradually extended its product line and its customer diversity over the past two decades, it still thinks of itself as a producer of electrical connectors, and it remains functionally organized. Although the company was once an industry leader, its competitors have become more innovative in recent years, both in terms of technology and approach to customer service. Consequently, the company's share has been slipping for a decade, its profitability is poor, and both customers and investors have lost the special loyalty and respect they once had for the company.

A new chief executive has just been appointed from outside the company. He knows he must move Fritz to a higher level of performance to reverse the company's current trend toward gradual liquidation. The questions are: What approach should he adopt to bringing about the necessary, fundamental changes? How can he reach Phase 3 with a strong foundation for success?

The chief executive has three broad options to follow as he considers the moves he might make during Phases 1 and 2:

1. Subtle Orchestration

The chief executive could encourage recognition of the critical need for improved performance, focusing attention on changes that have occurred in recent years in customers' preferences and competitors' products. He would encourage managers throughout the company to ask, "Why aren't we doing better?"; "What's going on in the industry?"; and "What are the implications for us?" He would visibly support managers who take the initiative to determine what is really going on, and would sponsor special studies. Gradually, a substantial group of managers would develop a strong felt need to change and a common understanding of the industry's dynamics and Fritz's relevant weaknesses.

At this point, the chief executive would listen to his managers' ideas and play back the most promising ones. During this Phase 2 period, he

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

would reward technological-development initiative bubbling up from below, encourage experiments in the area of marketing and customer service, and begin establishing the organizational infrastructure to support more aggressive development and marketing. A galvanizing vision might emerge from this ferment as a substantial group of managers and others—now numbering in the hundreds, rather than the tens—would champion the new thrust for industry leadership.

This is an attractive scenario for moving through Phases 1 and 2, and it might work very well in a company with a record of substantial performance and a pattern of ready adaptability to changes in the competitive environment. But it is utterly implausible for Fritz Enterprises. The soil resulting from ten years of mediocrity is almost certainly too impoverished to germinate the flower of a new era so readily. Moreover, managers in a functionally structured organization that produces a wide range of products for multiple-customer groups are unlikely to "get close [enough] to the customer" to understand deeply what is going on; there are simply too many products and customers to consider. Having lost the satisfaction of high-level performance years ago, managers are more likely to focus on internal turf battles than to turn their attentions outside the company.

2. Top-Down Direction

The new chief executive's second option (the polar opposite of the first) is to drive the entire change process himself. Essentially, he could declare authoritatively that there is a strong need to change, explain personally what changing industry dynamics mean for Fritz Enterprises, outline his strategic and organizational vision for the company, and then make the assignments and issue the orders needed to begin translating this vision into action. This decisive action would enable him to carry the company through Phases 1 and 2 in a very short period of time, driven largely by his own vision, rather than by a growing consensus within the company. In fact, executives who take such an approach often reinforce it by replacing some of the current top managers with new people loyal to them and to their visions.

If Fritz Enterprises were actually facing imminent disaster, this option might be the most appropriate. It can have an earlier impact than either of the others, and the chief executive retains the greatest degree of control. But this option has important costs as well: Unenthusiastic and unimaginative compliance—and maybe even outright resistance—may be pervasive, and the chief executive's assessment of what is needed may be off-base. If the need for change is really urgent, if the chief executive is a determined, skilled leader, and if his strategic vision is sound, top-down direction can work—and success will build organizational support. In the absence of any of these conditions, it is likely to fail.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

3. Internal Transformation

Underlying this option is the new chief executive's awareness that people are unlikely to think or act differently until ingrained habits no longer work for them. His own personal behavior would reflect this new environment; he would consistently communicate the need for sharply improved performance and the underlying belief that fundamental changes, not merely a bit more discipline managing product development or a slightly lower cost per unit, were required to achieve such performance. He and his top managers would spend considerable time visiting customers, discussing technical development work in the labs, and learning about competitors' strategies, products, and value to their customers.

Although the chief executive's energetic, demanding approach and sharp focus on customers and competitors would begin to modify Fritz's internal environment, the inertia of the former era would still have considerable force. More far-reaching steps might be necessary to transform the internal environment sufficiently. For instance, replacing the functional organization structure with a profit center-based structure would create a more external orientation. The managers of each profit center, faced with the challenge of determining how to make their business succeed, would be evaluated on the basis of business criteria rather than technical ones as they formerly were.

Such broad-based structural change has inherent risks because it can generate substantial confusion or resistance. But these risks can be minimized if managers understand the value of profit centers in the company and if the chief executive identifies and manages the politics of the change process.

Once such a transformation of the internal environment has been made, the chief executive can concentrate on pushing the change process forward. He can ensure that each profit center manager carries out a serious appraisal of his product-market situation based on an understanding of the company's new internal and external environment. Then, they can begin working together to determine how to respond to the competitive environment in creative and promising ways. The chief executive can also stimulate and nurture more experiments and more practical "what-if" thinking than he could possibly have done in a unitary functional structure. In short, once he has created an internal company environment in which a strong external focus is a requisite for success, he will find it much easier to move the organization toward Phase 3.

This option appears to be the best suited to the situation in which Fritz Enterprises finds itself—not very adaptable in the recent past, but not facing imminent disaster.

Once the chief executive chooses which of the three basic options is most likely to be successful, he can begin to address the details of man-

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

aging progress through Phases 1 and 2 and into 3. A myriad of alternative steps could be taken in each phase.

The final section of this article considers some of the steps to be taken in the human-resource management area.

IV. IMPLICATIONS FOR HUMAN RESOURCE MANAGEMENT

The process of actually bringing about organizational change is essentially a process of people management—of leading people within an organization to change their habits of thinking and acting. Line managers must be the leading force in such a process, but the kind of leadership required is quite different from the administrative leadership that is most characteristic of stable, slow-changing organizations. Human-resource managers can make important contributions to the development and exercise of effective change leadership in at least four key areas: (1) definition of the vision for change; (2) development of people's orientation and skills; (3) modification of supporting management systems; and (4) selection of people for important positions.

Definition of Change Vision

Many managers conceive of organizational change—even far-reaching changes like the one Fritz Enterprises faces—in strategic terms, focusing on factors such as markets, products, technologies, price and cost parameters, and resource allocation. Although strategy changes are often central to building and sustaining competitive advantage, they can rarely be effected successfully in the absence of parallel organizational changes in "the way we do things around here." For instance, the company may need to increase substantially its use of project teams, where there once was clear division of functional responsibilities. Such teams require radically different employee attitudes and skills related to their own work and being a team member. Similarly, the distribution staff within a company such as Fritz may have to change substantially the way they manage inventories and deliveries, in an effort to be adequately responsive to key customers. Such changes are easy to describe but difficult to bring about; their implementation requires at least as much managerial attention as the implementation of strategy.

The human resource executive can play a leading role in helping management to think beyond strategy considerations—in getting issues regarding needed organizational skills and consequent changes in how people do their jobs on top management's agenda. The human resource executive can also appraise the organization's readiness to make such changes and consult with the chief executive and others to select the

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

most promising approach to organizational change—e.g., subtle orchestration, top-down direction, internal transformation.

Staff Capabilities

Organizational change should be backed up by an ever-expanding cadre of people in the company who have perspectives and skills required by the new era. By the beginning of Phase 2, the company might want to launch a substantial staff training program—including on-the-job assignments as well as off-the-job courses—to develop the orientations and skills required for the new era. This often calls for a much more ambitious program of training and development than existed previously, one that is closely linked with career planning and ongoing management.

Moreover, in most companies undergoing fundamental change, even very senior managers will need to develop new skills in analyzing industry dynamics, evaluating technological trends, and understanding the customers' needs. During Phase 1, the human resource function can take the lead in designing hands-on workshops that enable managers to work together on real problems that the company faces. During Phase 2, similar workshops can help to clarify the company's strategic vision and its implications, build common understanding and commitment, and translate the visions into agreed changes in organization and management processes and into individual leadership responsibilities.

Management Systems Modification

During Phases 1 and 2, subtle changes in the career planning and performance appraisal process can begin to reinforce top management's message that new approaches to management are required throughout the company—ones that are more externally oriented, more initiatory and experimental, and faster moving. But the major attention to management processes should begin as Phase 3 approaches.

In particular, as Peter Lorange discusses elsewhere in this issue, compensation systems must be redesigned to reward the specific kinds of managerial behavior required by the new vision. Ultimately, incentives should reward the achievement of business results consistent with the new strategy. But because major results may lie several years in the future, the compensation systems introduced at the start of Phase 3 should reward effective action in line with the new company direction. For example, in Fritz Enterprises, the profit center managers might receive significant bonuses for introducing new products successfully and improving levels of after-sales service. This is more equitable than having their entire bonuses tied to increased profitability. In the course of four or five years,

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

the proportion of the bonus paid for results would become progressively larger and the proportion paid for successful execution of agreed upon initiatives would become progressively smaller.

Other systems can be changed as well. For instance, career planning and development might be changed visibly in support of the new thrust in the company, along with the performance appraisal system. The pattern of promotions, transfers, and terminations should also be consciously managed to reinforce the new thrust.

Selection of People

Finally, the human resource executive can play a major role in the identification and selection of people for key positions. For example, a number of people will have to be selected in Fritz Enterprises to handle marketing, sales, product development and engineering jobs within the new profit centers. New jobs in manufacturing, service, finance, and personnel will have to be filled as well. Although most of the candidates for these positions will be found within the organization, selecting the people who are best prepared to perform the new jobs well is a challenging task. This task will be performed best if the company goes beyond traditional job descriptions and defines specifically the accomplishments expected by the person in the new job in line with the emerging vision, the kinds of skills and styles needed to pursue those accomplishments successfully, and the capabilities of those best qualified for each job. (Such care in specifying the new jobs can also help to get the appointees off to a fast start.)

The responsibility of identifying and selecting managers for important positions continues throughout the change process, of course. New jobs are likely to be created frequently. Moreover, some of the people placed in new jobs, and some performing long-established jobs, might not meet their new job requirements. The human resource executive should help focus top management attention on managerial performance during the change process. This enables them to provide support for existing managers and to appoint capable new managers whenever it is necessary.

Many companies are facing the challenge of managing much more far-reaching organizational change than they had previously experienced. Spearheading such change can be the most fulfilling accomplishment of a manager's career, but it requires a radically different perspective and approach from what is needed in a stable situation. The change- management model outlined here suggests to both the chief executive and the human resource executive important considerations involved in organizational adaptation, although the best approach for each company is dependent on many situational specifics.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

I would like to thank my colleagues Robert O'Block and David Meen who contributed greatly to the thinking underlying this paper.

Julien Phillips, a principal in the San Francisco office of McKinsey & Company, joined the firm in 1970. He is one of McKinsey's leading practitioners in organizational design and change. During the past few years Mr. Phillips has directed a great deal of work for a large, integrated oil company, a fast-growing engineering services company, and a pharmaceutical firm. He has done a variety of other organization effectiveness work in such varied industries as retailing, publishing, and banking. Mr. Phillips has written on organizational diagnosis and design, shaping organizational culture, human resource management, and the management of organizational change. He holds B.A., M.A., and M.B.A. degrees from Stanford University.

References

Lorange, Peter, and Murphy, Declan C. Strategy and Human Resource: Concepts and Practices. *Human Resource Management*, 1983, 22(1/2), 111–135.

Tichy, Noel M. Managing Organizational Transformations. *Human Resource Management*, 1983, 22(1/2), 45–60.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.