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April 1982

STRATEGIC CHANGE MANAGEMENT

Working Paper No. 303

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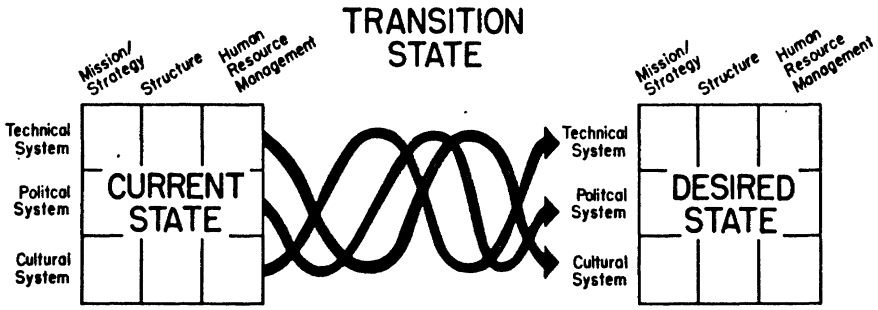
STRATEGIC CHANGE MANAGEMENT

T,P,C THEORY*



by

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April, 1982

*A fuller exposition of the ideas presented in this paper will appear in a book, STRATEGIC CHANGE MANAGEMENT to be published by Wiley in November 1982.

STRATEGIC CHANGE MANAGEMENT:

T,P,C THEORY

> The accelerating rate of change is producing a business world in which customary managerial habits and organizations are increasingly inadequate. Experience was an adequate guide when changes could be made in small increments. But intuitive and experience based management philosophies are grossly inadequate when decisions are strategic and have major irreversible consequences (Henderson, 1980).

INTRODUCTION

In the face of the discontinuous, large scale changes facing the world, organizations are going to be required to undergo major, strategic reorientations. These reorientations will involve changes in products, services markets, organization structure, human resource systems. This article provides a set of concepts and technologies for managing strategic change. Several dramatic examples of strategic change are presented below.

AT&T is involved in a massive strategic change as it attempts to move from a regulated telephone monopoly to a competitive, broad-gauged information services company. Such change is due to the Federal Communications Commission decision to allow other companies to sell products in AT&T's once captive markets as well as technological advances in the electronic communications field which enable companies such as IBM and others to bypass the telephone via satellite networks. The change involves a new corporate strategy focused on new markets,

new services and products and new ways of doing business. In turn the organization of 1 million people is being restructured, as regional operating companies are being divested, new key people hired from outside AT&T, new hiring promotion criteria implemented, along with new reward and development systems so that the company is transformed into an innovative, profit and competition oriented company capable of competing with IBM and other computer and information companies.

General Motors represents another massive strategic change. The once all powerful U.S. auto maker is in the process of trying to transform itself into a world competitive auto maker. Past practices and assumptions about auto design and production are no longer relevant. Quality and energy efficiency have replaced superficial design changes. The company must alter its strategy, change its product, restructure major portions of the organization, permanently layoff workers and managers, introduce rewards for managers and workers which stress quality and energy efficiency. In addition, GM must learn how to compete in terms of productivity in world markets where the Japanese have a $1000 to $1500 per car production advantage, only about $400 of which is due to wage differentials, the remainder due to management practices such as inventory and automation.

The banking industry is facing a revolution brought on by electronic technology which allows for national electronic banking networks as well as by a blurring of lines between banks and non-banks. For example, Sears Roebuck, Merrill Lynch, General Electric Company, and other non-banks offer consumer

banking services such as loans, checking and credit cards. Following these changes are changes in Federal banking laws which will eventually allow interstate banking. The result is that banking is becoming a very competitive and innovative business requiring those that want to survive to strategically reorient themselves. New services, new delivery mechanisms are needed and will require totally new organization structures, new types of employee rewards for a new set of behaviors. For example, Citibank's President, Mr. Spencer, states that the aim of his bank is "to provide all financial services every place in the world where it is legal, moral and on which we can make a profit." This has led to Citibank establishing "nonbanking financial subsidiaries across the country, which provide a wide range of loans to both businesses and consumers" (The New York Times , 28 December 1980, p. B22). The strategic change occurring at Citibank and other major banks is critical to their long term viability.

When faced with conditions calling for strategic organizational changes, managers often focus on small components of the overall change problem. This can lead to a fixation on tactical concerns such as:

-Should we change from a functional structure to a matrix structure?

-Should we centralize or decentralize?

-Should we launch a company-wide "quality of work life" program or not?

-Should we individualize or collectivize the incentive system?

-Should we attempt to do a better job of relating business strategy to organization design?

These and other concerns are tactical if they do not fit within an overall framework for change. Change within such a framework has a profound effect in the overall reshaping of the total organization. All too often, fad, fashion or personal proclivity guide decisions about change rather than hard-nosed, systematic analysis of the organization and the managerial conditions which require a response.

In the past, and in simpler organizations with less turbulent and stressed environments there was more room for trial and error approaches to these concerns. But now, we are moving further into the era of discontinuous change brought on by energy problems, finite resource limits, the limits of the environment in the absorption of industrial wastes, the cleavage between developed and underdeveloped nations and a world economy which does not function effectively or efficiently. In this context, we encounter ever increasing organizational complexity. For example, it is becoming increasingly difficult to manage the multinational corporation which operates simultaneously in dozens of markets, geographically dispersed around the globe. Public service organizations such as hospitals, schools and welfare agencies are enmeshed in conflicting multi-level federal, state, county and city planning and control systems, brought on by various government requirements and by the diversity of funding sources. Organizations facing these increasingly turbulent and often hostile environments will need more systematic and informed means of making the major strategic changes required for

organizational survival and viability. We will try to help develop specific aids to competence so that those among this article's readers who will be charged with managing complex organizations can better carry out organizational diagnosis and simultaneously plan and implement large scale organizational changes.

IMPROVING CHANGE MANAGEMENT

Managers and consultants have frequently limited their approaches to the management of change. However, this article will attempt to broaden the definition of change management.

In the opinion of this author, contemporary change management practice is limited because managers and consultants tend to focus attention on a restricted set of organizational change levers. That is, regardless of the nature of the problem they tend to employ the same levers. Some always restructure the organization. Others always try to improve communication. Others always replace people. And others always alter production and control systems.

What narrows the focus? It is that managers and practitioners tend to view the change process from only one perspective to the exclusion of others. That is, some view change solely as a technical problem. Others see it solely as a political problem. And still others see it as solely a cultural problem. By limiting their viewpoint, they limit their use of different change levers.

Strategic change involves all three of the just named problems. For example, in attempting to change AT&T, such technical problems as selection of markets, product development, pricing, and organization design need managing along with political problems of altering regulatory requirements, providing new power bases for people in AT&T, altering who gets ahead and who stays behind career-wise as well as the cultural problems of changing a non-competitive, service oriented, non innovative organization. In order to strategically manage change, the following change levers must be equally available for use.

Change Levers:

1. External Interface: As the environment becomes more complex and turbulent, the task of identifying and predicting pressures becomes more difficult to understand. It is also more difficult to map environmental pressures. The development of new environmental scanning and information processing capabilities is often required.

2. Mission: In times of relative environmental stability and surplus resources, it is possible for organizations to function quite effectively with nebulous, shifting goals and priorities. But as the economic, political, and social pressures mount, so does the need for clear statements of organizational mission to guide the organization in strategic decisions.

3. Strategy: The development of a strategic plan with operational objectives at multiple levels in the organization is a vital requirement. Installing such a process requires a new set of management techniques and processes.

4. Managing Organization Mission/Strategy Processes: As planning and decision making become more complex it will be necessary to develop more sophisticated processes which realistically engage the relevant interest groups.

5. Task: A shift in strategy may entail the introduction of new tasks and technologies to the organization. This requirement may result in the

introduction of new professionals into the organization, or the training and development of existing staff.

6. Prescribed Networks: Adjustments are required in the networks of communication and authority to deal with new tasks and/or technologies. The introduction of a new task requires management to plan and prescribe the necessary network of communication. This includes specifications of who works with whom to accomplish which tasks, as well as who reports to whom.

7. People: Any organizational change entails altering individual behavior. Thus, an explicit focus on motivating people becomes part of the managed change process.

9. Emergent Networks: A major part of an organizational change process is to manage the informal communication and influence-networks which exist throughout the organization. Coalitions and cliques in these networks can facilitate or hinder the change effort and thus need explicit attention.

These nine change levers just presented in effect represent the agenda for strategic change management. But first, the question must be asked: How can one determine which levers need to be adjusted? What are the approaches and techniques available to adjust each of the levers?

Currently very few managers and consultants are trained to work with all nine levers which were cited above. This article attempts to help managers to accomplish that.

THE NEED FOR NEW MODELS

This article builds on the notion that three dominant traditions have guided thinking about organizations and the practice of change and that these traditions should be brought together in order to provide managers of change with the necessary set of strategic tools.

1. One tradition views organizations and change from a technical perspective, and prescribes change strategies based on empiricism and enlightened self-interest. This will be called the technical view. As Argyris and Schon (1978) point out:

> The viewpoint is instrumental and rational...the focus is upon the acquisition and application of the knowledge useful for effective performance of organizational tasks, and the organizational world is conceived as fundamentally knowable through scientific method...(p. 323).

2. Another tradition views organizations as political entities which can only be changed by the exercise of power by the dominant group over those with less power or by bargaining among powerful groups. This will be called the political view.

3. Another tradition views organizations as cultural systems of values with shared symbols and shared cognitive schemes which tie people together and form a common organizational culture. Change comes about by altering the norms and cognitive schemes of the members of the organization. This will be called the cultural view.

Practicing managers, students of organizations and change theorists tend to think in terms of only one of the above traditions to the exclusions of others. The result of such uni-dimensional thinking often leads to unanticipated negative consequences.

Management scientists and production engineers frequently view work and organization design as essentially an engineering or technical problem. This can lead to problems. An example of the dysfunctional consequences of such overreliance on this perspective was the General Motors' Lordstown, Ohio plant which

was built to produce the Vega automobile in the early 1970s. The plant was billed by GM as the most modern and technically efficient auto assembly plant in the world. Actual performance, however, fell far below the expectations of management, the production engineers, and plant designers. There was high absenteeism and low quality control. Productivity was below target and eventually a wildcat strike resulted.

A brief analysis of the events at Lordstown disclose that in 1972 workers struck because they were rebelling against the requirement to perform unchallenging tasks, and opposing speed-up attempts by management. It is obvious that psychological and sociological factors were ignored in the organizational design. The organization design was not congruent with the culture of the young workers who did not function according to the purely technical view of the production engineers. The GM Lordstown experience can be contrasted to the managerial concepts which prevailed in the design of the Volvo Plant built in Kalmar, Sweden at about the same time. The Volvo plant was planned with both a strong cultural and technical orientation in mind, being concerned with the values and needs of the work force, as well as a strong technical perspective (Tichy, 1976). The result was a successful new plant start-up.

A purely political orientation to organizational life and change is also likely to be dysfunctional. It can lead to low levels of trust, cynicism and a view that all interactions are win/lose bargaining situations. Many large public agencies, such as the U.S. Department of Health and Welfare are dominated by

this orientation. For example at the Department of Health and Welfare it would not be unusual for internal program staff to cynically bargain programs to save the hungry children in Appalachia against inner-city adolescent programs. In the bargaining, the substantive aspects of the programs would be irrelevant to the power-brokerage practice of who controls how much of what budgets. The dysfunction which results leads to a situation in which the potential for cooperative links within the organization is greatly diminished. The goal is to win the political struggle and to keep your budget and staff as large as possible. The ultimate goals of the organization are thus lost in day-to-day political brokering.

Cultural orientation can also be overemphasized. As can be seen from the following quote from Bennis (1969), Organization Development's reliance on truth, love and collaboration avoids the problem of power and the politics of change.

> Organization development practitioners rely exclusively on two sources of influence: truth and love. Somehow the hope prevails that man is reasonable and caring, and that valid data, coupled with an environment of trust (and love) will bring about the desired change...Organization Development seems most appropriate under conditions of trust, truth, love and collaboration...there seems to be a fundamental deficiency in models of change associated with power, or the politics of change...unless models can be developed that include the dimensions of power conflict in addition to truth-love, organization development will find fewer and narrower institutional avenues to its influence. And in so doing, it will slowly and successively decay (1969, pp. 78-79).

Many organization development practitioners' overreliance on a purely cultural orientation has limited their use of other

change approaches, especially those derived from the organization design and management fields.

It is this tendency to subscribe to one dominant mode of change strategy which is a major reason for the current view among many researchers and managers that we know little about how to manage change. A more balanced perspective will result in greater capacity to manage change.

ONGOING ORGANIZATIONAL DILEMMAS

A more comprehensive view acknowledges all three approaches and views organizations as having to make adjustments continuously in order to resolve three basic dilemmas:

1) Technical Design Problem

All organizations face a production problem, that is, in the context of environmental threats and opportunities, social, financial and technical resources must be arranged to produce some desired output. Thus, in order to solve this problem, management engages in goal setting, strategy formulation, organizational design, the design of management systems--all done to solve the technical problem.

2) Political Allocation Problem

All organizations face the problem of allocating power and resources. The uses to which the organization will be put, as well as who will reap the benefits of the organization must be determined. Decisions around these issues get reflected in compensation programs, career decisions, budget decisions, and the internal power structure of the organization. Unlike the

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THE THREE CORE DILEMMAS FOR ORGANIZATIONS

I. THE TECHNICAL DESIGN PROBLEM

ORGANIZATION FACES A PRODUCTION PROBLEM

SOCIAL AND TECHNICAL RESOURCES MUST BE ARRANGED TO PRODUCE DESIRED OUTPUT

II. THE POLITICAL ALLOCATION PROBLEM

ORGANIZATION FACES AN ALLOCATION OF POWER AND RESOURCE PROBLEM

THE USES TO WHICH THE ORGANIZATION IS PUT AS WELL AS WHO REAPS THE BENEFITS MUST BE DETERMINED

III. THE CULTURAL/IDEOLOGICAL MIX PROBLEM

ORGANIZATIONS ARE HELD TOGETHER BY A NORMATIVE GLUE–SHARED BELIEFS

ORGANIZATIONS MUST DETERMINE WHAT VALUES NEED TO BE HELD BY WHAT PEOPLE

technical area, where there are formalized tools such as strategic planning and organization design, in the political area the concepts and language are less formal and often less overt. Nonetheless, much management time and attention are given to strategic political issues, for example, before and after a CEO or key executive change takes place, or when a major acquisition occurs, or if relationships with unions and management are altered.

3) Cultural Problems

Organizations are in part held together by a normative glue that is called culture. Culture consists of the values, objectives, beliefs, and interpretations shared by organizational members. One of the most important and most difficult tasks of top management is to decide the content of the organization's culture, that is, to determine what values should be shared, what objectives are worth striving for, what beliefs the employees should be committed to, and what interpretations of past events and current pronouncements would be most beneficial for the firm. Having made these decisions, top management's next task is to communicate these value-laden messages in a memorable and believable fashion that will not be instantly forgotten or easily dismissed as corporate propaganda. Note that these decisions are not always made explicitly. Decisions about culture are often made implicitly, intuitively, and by trial and error. Technical, political, and cultural problems are portrayed in Exhibit 2 as three interrelated strands of a rope.

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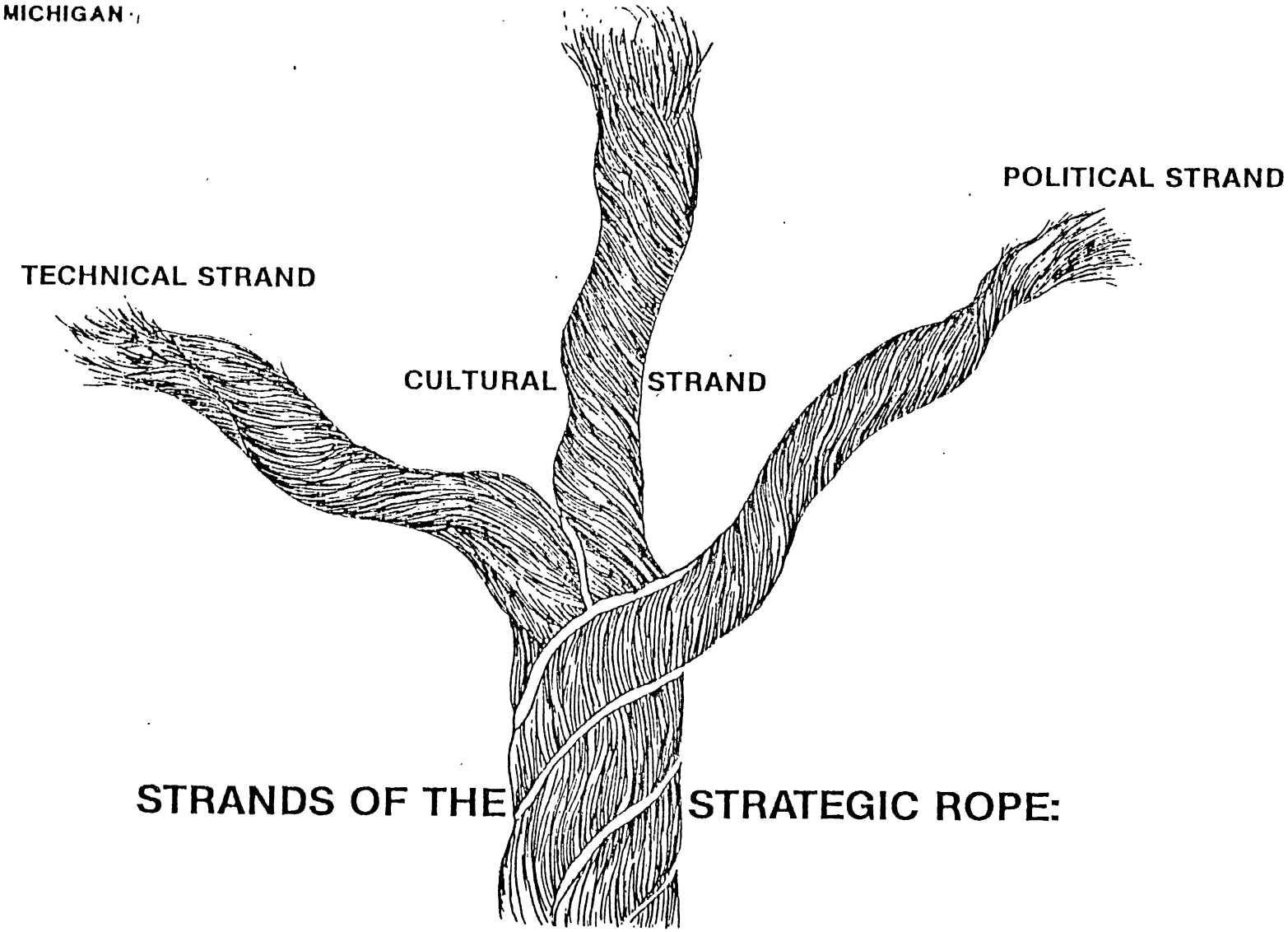

STRANDS OF THE STRATEGIC ROPE:

THE STRATEGIC ROPE

The metaphor of a rope is used to underscore several points. First, from a distance, individual strands are not distinguishable. This is true in organizational settings; it is not clear from casual observation what is technical, what is political, what is cultural. Nevertheless, the three strands are there and they need to be understood and dealt with to understand the nature of the organization.

Second, ropes can become unravelled, and when they do, they become weakened. Organizations can also come unravelled. Their technical, political, and cultural strands can work at cross-purposes, and as a result, the organization becomes greatly weakened. For example, if a traditional single product organization introduces a variety of new products for new markets, and changes its organization design from a functional structure to one focused on new products and markets, then fundamental changes will be required in the political and cultural areas. The political decisions (promotions, budgets, decision-making prerogatives) must reinforce the marketing and design changes. Furthermore, the culture, which may have been focused on economies of scale in a dominant, single-line business, must be altered to reflect the new product and market orientation of the firm. Otherwise, the three strands of the rope will become unravelled, the organization will be working at cross-purposes and will therefore cripple its own ability to capitalize on the desired changes.

Strategic management is the task of keeping the rope from becoming unravelled in the face of these technical, political, and cultural problems. Strategic change is the realignment of the three strands.

Exhibit 3 portrays this task as a balancing of three systems--the technical system, the political system, and the cultural system--in the context of environmental pressures.

Rather than rely solely on the rope metaphor, the three problem areas are viewed as systems of interrelated sets of components, each organized around some coherent logic. It is proposed that in working to resolve the three ongoing problems organizations develop three systems. The technical system includes the interrelationship of all those elements required to deal with the production problem. The political system involves all of the practices, activities and elements used to work on the allocation problem. And the cultural system involves the symbols, values, and elements organized to address the dominant ideology problem. Exhibit 3 portrays these three systems as interdependent and as influenced by the external environment.

Managerial Tools

There are three basic sets of tools for management of these three systems. These are (1) mission and strategy of the organization, (2) the structure of the organization including administration procedures, and (3) human resource management procedures of the organization. Management's task is to use these three sets of tools to align the technical, political and cultural systems as portrayed earlier.

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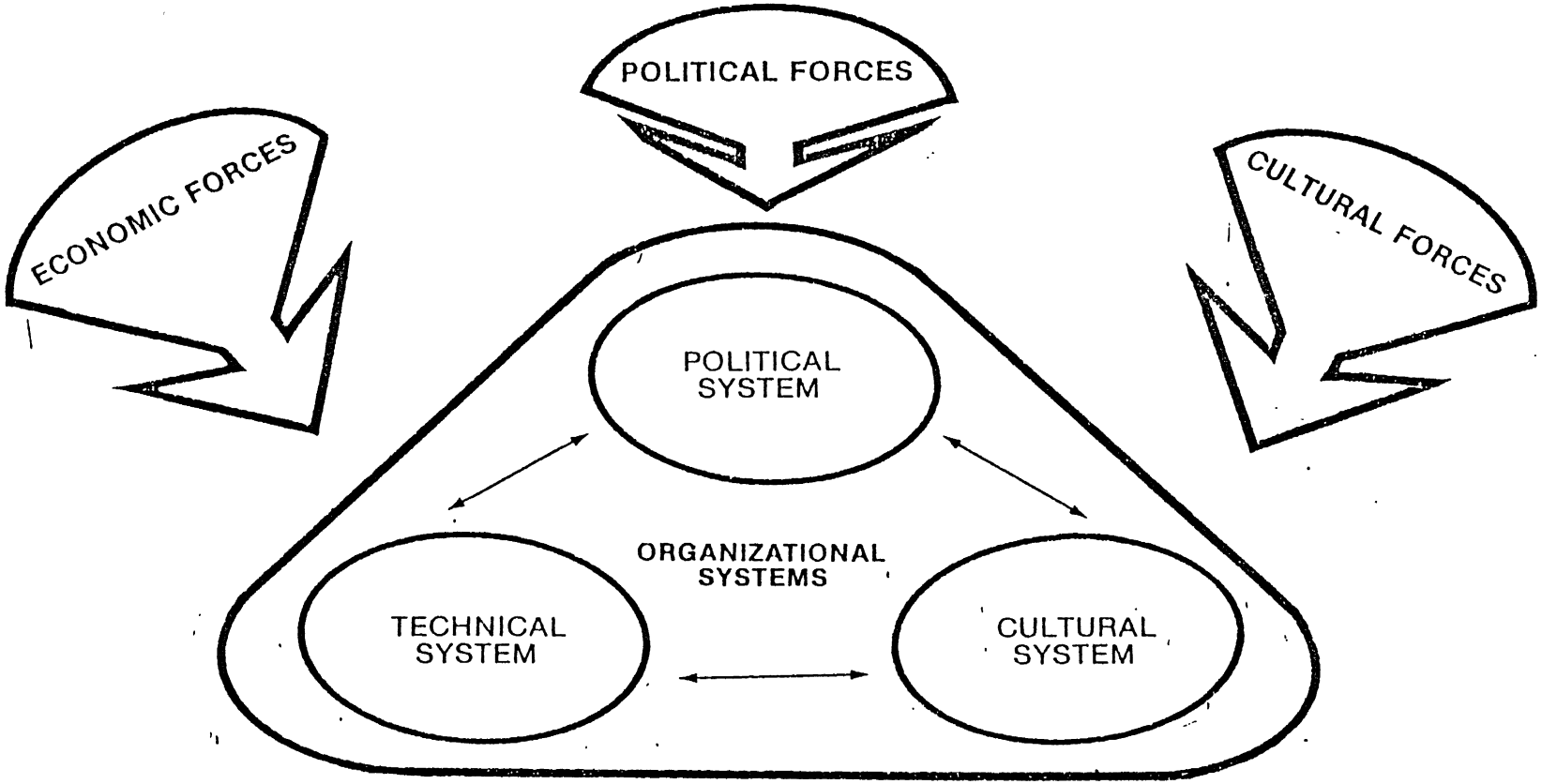
STRATEGIC MANAGEMENT

ENVIRONMENTAL PRESSURES



Organizational Cycles: T,P,C Theory

Because organizations are perpetually in flux, undergoing shifts and changes, none of the three problems is ever resolved. These are ongoing dilemmas. At different points in time, any one of them, or some combination, may be in need of adjustment. Adjustments are managed by implementing a range of strategies. These include self-adjustment through benign neglect or purposeful avoidance, slight massaging of the problem, concerted managerial effort focusing on changes in the organization's mission and strategy, redesign of the organization's structure, or alternations of the human resource management systems.

Adjustments in each of these three problem areas can be conceptualized in cyclical terms. Thus, there are technical, political, and cultural adjustment cycles in organizations. Organizations vary over time in the amount of energy invested in making adjustments in these cycles.

These cyclical manifestations overlap and interact with each other. Such interaction may be beneficial or problematic for the organization. Exhibit 4 portrays the cycles in terms of peaks and valleys. Peaks represent high stress and a high need for adjustment in one of the three problem areas. The valleys indicate a smooth, non-problematic period for that cycle. Thus, the left axis of the exhibit indicates both.

When, due to high stress and a strong need for adjustment, management attempts to resolve one or more of these problems by developing systems. There are technical systems to resolve production problems, political systems for allocation problems,

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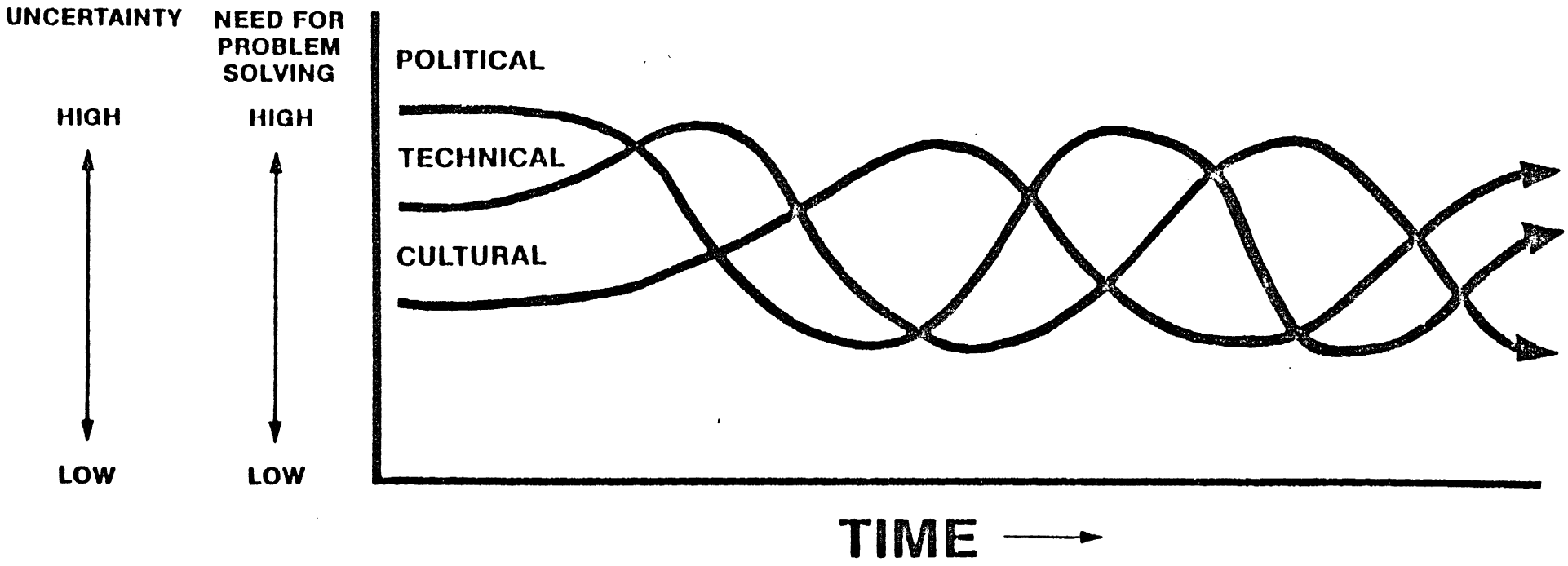
ORGANIZATIONAL CYCLES



and cultural systems to express, reinforce, challenge, and change ideological values. All of these systems have an internal logic. All three types of systems are interdependent and, if an organization is strategically well-managed, all three are congruent.

If one were to plot the GM Lordstown example, it would start with a technical peak. At that time, most attention was focused on designing a highly rationalized assembly plant. However, the technical cycle triggered a rise in both the political and cultural cycles as workers resisted the overly mechanized, rationalized plant. The political cycle peaked with the wildcat strike. The cultural cycle peaked with workers wanting a work culture that was more meaningful and enriching. Obviously, the political and cultural cycles required different managerial approaches from the technical. Managing change involves making technical, political and cultural decisions about desired new organizational states, weighing the trade-offs, and then acting on them. The management of these changes is labeled T,P,C Theory.

Exhibit 5 identifies a set of managerial tasks for dealing with the technical, political, and cultural systems. The matrix of Exhibit 5 is meant to be illustrative of the portfolio of strategic tasks facing management in most large organizations and makes up the substance of T,P,C Theory.

Technical System Adjustments

The technical row of Exhibit 5 is representative of much of mainstream management training and writing. It represents tasks

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STRATEGIC MANAGEMENT: Areas and Tools

MANAGERIAL AREAS ↓	MANAGERIAL TOOLS		
	MISSION AND STRATEGY	ORGANIZATION STRUCTURE	HUMAN RESOURCE MGT.
TECHNICAL SYSTEM	• Assessing environment • Assessing organization • Defining mission and fitting resources	• Differentiation • Intergration • Aligning structure to strategy	• Fitting people to roles • Specifying performance criteria • Measuring performance • Staffing and development
POLITICAL SYSTEM	• Who gets to influence mission and strategy • Managing coalitional behavior around strategic decisions	• Distribution of power • Balancing power across groups of roles	• Managing succession politics • Design and administration of reward system • Managing appraisal politics
CULTURAL SYSTEM	• Managing influence of values and philosophy on mission and strategy • Developing culture aligned with mission and strategy	• Developing a managerial style aligned with structure • Development of subcultures to support roles • Integration of subcultures to form company culture	• Selection of people to build or reinforce culture • Development to mold organization culture • Management of rewards to shape the culture

which management spends considerable time working on. The first managerial tools are the mission and strategy where we find such traditional management tasks as assessing the environmental threats and opportunities facing the organization; secondly, assessing organizational strengths and weaknesses; and then, defining a mission which fits organizational resources. The strategy identifies how the major resources will fit together to accomplish the mission.

The second managerial tool area is organizational structure. Here management faces the traditional organization design dilemma of how to differentiate the organization, that is, how to divide the organization into work roles such as production, marketing, finance, R&D, etc., and then once there has been the division of labor or differentiation, how to integrate the organization. That is, through what mechanisms are the roles combined into departments, divisions, regions, etc. Another organization design issue is how to align the structure or design of the organization to the strategy of the organization. For example, functional organizations fit best with single line businesses.

The third tool area for dealing with the technical system is the use of the human resource management system. This involves the proper match between people and jobs, fitting people to their roles, the specification of performance criteria for different organizational roles means of measuring performance (appraisal systems, etc.), and approaches to staffing and development to fill the roles in the present and in the future. All of these tool areas--mission and strategy, organization structure, and

human resource management--combine in most organizations to solve the technical problem.

Political System

The political row of Exhibit 5 is the least talked about openly, yet, frequently the major absorber of senior management time and resources. It may not be the topic for management committee meetings but it is certainly the major topic of lunch, cocktails, and private discussions in individual offices. In these discussions there is plenty of time spent on who's going to be promoted to what position, what group is in power, who's going to get to influence the strategic decisions, how the budgets are going to be allocated across businesses or divisions, what the balance of power between different functional areas is, and the political nature of the allocation of bonuses and rewards. The problem is that in most organizations, to call these decisions political is to be guilty of heresy. In reality, these are all allocation decisions, hence, political. The real issue is not whether we call them political but whether they're done in a way that is functional, in a way that is perceived fair, and equitable to the larger needs of the organization. Examples of specific managerial tasks associated with the political system are presented in Exhibit 5.

The first set of managerial tools applied to working with the political system of the organization involves mission and strategy formulation. In this area there are at least two major tasks. One is determining who gets to influence the mission and strategy of the organization. The technically focused textbooks

and consulting groups often lay out descriptions of how to do strategic planning. But they don't identify how to allocate power vis-a-vis the actual strategic decision making process. It's never made clear what levels of the organization should be involved, for example, should all the division presidents have equal power? Should the chairman go off and make the strategic decision by himself? Thus, there are a set of decisions as to who gets to influence the mission and strategy. The second set of political tasks regarding the mission and strategy is the management of coalitional behavior around strategic decisions. No matter what the strategic decision is, imbedded in it are a set of political outcomes that result in the creation of coalitions; that is, decisions to enter new businesses or markets, to invest more in a start-up business, to sell a dog business will impact some people's careers adversely and further other people's careers. These decisions imply the movement of resources and budgets and will inevitably result in coalitions taking different positions. Therefore, the management of coalitional behavior around strategic decisions is a critical political system activity for management.

The second area in which managerial tools are used to manage the political system is the design of the organization or the organization structure. The technical issues are how to rationally differentiate and integrate the organization. The political issue relates to the distribution of power across the role structure. That is, how much power should a department head or division head have in relationship to his or her subordinates?

What should the allocation of power be across the organization structure? This can get reflected in scope of decision making authority for individuals regarding budgets, and how much power they have over people's careers further down in the organization. A second organization design political issue is how the balance of power takes place across groupings; that is, what's the relative power position of sales versus marketing, or production versus R&D, or the controller versus the human resources group. These decisions are political as they balance the allocation of power in the organization and often balance the allocation of money across different parts of the organization.

Finally, in the political system area, human resource systems need to be adjusted. The first issue is managing succession politics. It must be decided who gets ahead and how do they get ahead. Any time there are succession issues, given the pyramid shape of organizations, and the fact that organizations tend to produce more candidates than there are positions, there are going to be win/lose decisions. Therefore, there will be succession politics. Organizations vary greatly in how they handle this. On one end of the spectrum are fairly strong and institutionalized practices, such as represented in General Electric's slate system, where a strong human resource staff works with line management to establish a slate of candidates for positions among the top 600 people in GE. Managers can only fill those positions from someone who is on the formal slate. This is in marked contrast to the majority of U.S. corporations where there is a very informal process of who

is actually a candidate and there's a great deal of informal political behavior to move in either your person or to politically maneuver so that you can get a shot for a job. Generally missing is a formal system to identify who is a candidate for key positions and a political system that sees to it that formally identified succession candidates are actually appointed.

The second political human resource issue is design and administration of reward systems--who gets what and how they get it. Again, there are many variations in reward systems. One example of a political issue that needed resolving was in one plastics company where the lion's share of the bonus was being allocated to the top three executives. This created a very unhappy senior management group below that level. They began to put political pressure on the top three to open up the bonus system to fuller participation further down in the organization.

Finally, an important political issue in organizations, because of its centrality in making decision around pay and promotion, is the managing of the politics of the appraisal process. Who is appraised by whom and by what criteria? And here is an interesting conflict between the logic of a political system and the logic of a technical system.

In appraisal research, it's been found that from a technical point of view, subordinates and peers have a better and more valid understanding of an individual's performance than an individual's boss. This dates back to a line of research started in World War II where peers were better able to predict who would

be successful pilots than the instructors. This finding has been replicated in a variety of ways in industrial settings where peers and subordinates provide a better indicator of performance and future performance than a boss or a supervisor. However, 99% of U.S. corporations politically could not tolerate having peers and subordinates do the appraisal of their boss, even though, from a technical point of view, it provides better data. This is an example of where the political logic outweighs the technical logic representing an example of a dilemma that has to be managed in the politics of appraisal.

Cultural Systems

The third system that needs to be managed is the cultural system and as with the technical and political systems, there are four categories of management tools for addressing the cultural system.

The first management tool area is in the mission and strategy area. And here there are two issues that management needs to attend to. One is managing the influence of values and philosophy as they impact the mission and strategy of the organization. Because of the uncertain and complex nature of business strategy and deciding on the mission of the organization, it is greatly influenced by the personal values of the key decision makers. As a result, entering certain markets or businesses is often as much influenced by a value position as by a technical analysis of whether it would make money or be a successful business decision. One task for management is to be able to recognize value positions and develop ways of addressing

them as value issues instead of technical issues. Running technical analyses when someone is against something for a value position is arguing apples and organizes. The second mission and strategy concern related to culture is developing a culture that aligns with the mission and strategy of the corporation. That is, in order to be successful, a company's culture needs to support the kind of business the organization is in and its strategy for getting there. For example, in the AT&T example, their changed mission and strategy which moved them from a solely regulated telephone monopoly into a competitive information business, will require a culture that supports innovation, competition, and profit.

The second area which needs to be addressed to manage the culture is the organization structure and design. Here the issues that become paramount are the development of managerial styles aligned with the kind of technical and political structures created in the organization. For example, an organization that moved from a functional organization to a matrix organization requires a very different managerial style. The matrix organization is very different from a functional organization both technically and politically. Power is balanced on two dimensions--such as product and function--and it requires a management style of negotiated, open confrontation of conflict as opposed to a more traditional chain of command management style. A second cultural issue is the development of subcultures to support the various subcomponents of the organization design. For example, there should be a different production culture than

R&D culture. R&D should be longer term, more innovative, more supportive of entrepreneurial idea generation. Production is more cost-conscious, efficiency driven. And as a result, the organization needs to foster subcultures consistent with the subunit. This leads to a third cultural problem, that is, the extent to which there are mechanisms for integration of subcultures to create a company culture. If the subcultures are too strong, then R&D, production, sales, finance, etc. are each working at odds, and don't have any wider identification with the company. Some companies go to great extremes to create identity with the company, such as IBM and Exxon where there is a very definitive company culture that transcends any of the subcultures.

The final area for managing the culture is the human resource management systems. It is this area that Japanese management has been more sophisticated and paid more attention than American management. They have used the human resource systems very skillfully to shape and reinforce cultures that provide the organization with strong commitment to the technical outcomes of the organization. One of the first tools in the human resource area for accomplishing this is the selection of people, specifically, the selection of people with sensitivity toward how they fit with and reinforce the dominant culture of the organization. Companies that use the human resource systems as a cultural tool spend a great deal of effort in the selection process. They involve many people in the interview process, they screen out people for cultural reasons; that is, the assessment

is, how will this person fit in? This is true in Japanese firms where workers have a large role in the selection decision as wel as U.S. firms which Duchi would characterize as theory 2.

A second tool for shaping the culture of the organization is the way in which people are developed and socialized, and again, organizations that use the human resource systems to shape culture invest heavily in training and development. Much of it is aimed at getting people inculcated with the dominant culture of the organization. So, for example, if you review many of IBM's training programs you will find that a very explicit goal and a very explicit part of the program deals with IBM values. This is done in Japanese firms as well, where they put a high premium on development, much of which is on-the-job and aims at getting people to internalize values important to the culture of the organization. Finally, the management of rewards obviously can be used to shape and reinforce the culture of the organization--promoting and compensating people who fit with the dominant values of the organization. Using the human resource systems to reinforce each other around the culture is a very powerful tool for aligning the cultural system with the technical and political systems.

STRATEGIC CHANGE

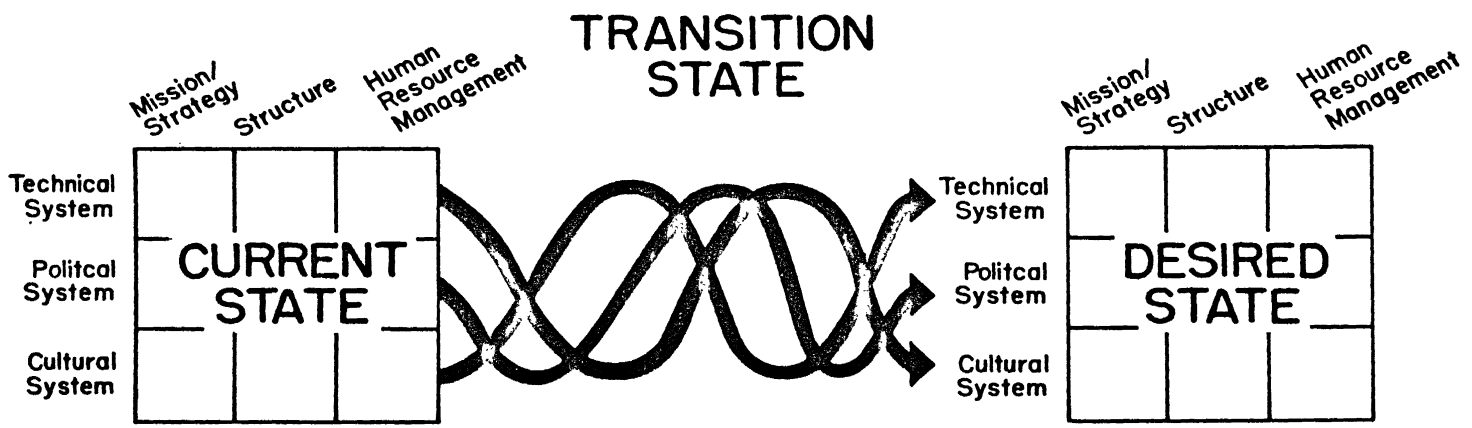
Up to this point the discussion has been focused on the management of each of the three systems--the technical system, the political system, and the cultural system. As noted in the earlier part of this article, the three systems are like a rope--they are interrelated and the role of management is to keep these

systems in alignment. Each system limits and constrains the others as well as partly determines the others. Therefore, the task of management is to both make adjustments in each of these systems as well as between these systems so they fit together. By doing so, management's role is viewed as keeping the strategic rope woven together. The remainder of this article views strategic change as altering the nine cells of the matrix in Exhibit 5.

Exhibit 6 depicts T,P,C Theory of managed change. The concepts largely derive from a transition management model developed by Beckhard and Harris (1977). Change is triggered by a threat and/or opportunity which is of sufficient magnitude so that organizational members cannot ignore it. This occurs at time A in Exhibit 6. This is followed by the organization entering a time of disequilibrium at time B. Time B is the period during which change toward some desired state occurs.

The At&T case provides a good example because they simultaneously became aware of a threat Hand an opportunity in their environment. On the one hand, their position in the communication field was in jeopardy if they remained solely in the telephone business as new electronic information and communication systems were becoming competitive or would in the future. Examples include two-way interactive cable television, computer networks, satellite systems, etc. This was the threat. On the other hand, AT&T had the capability both technologically and financially to capitalize on these new developments. These forces triggered action. The technical cycle was triggered at

STRATEGIC CHANGE MANAGEMENT



time A. The management of AT&T developed a strategic plan to move the company into being an information processing company not just a regulated telephone monopoly. This led to restructuring of AT&T and strategic human resource changes. The company is now in the time of disequilibrium indicated as time B in Exhibit 6.

The strategic change management task is to keep the organization aligned internally and with its external environment. This alignment may occur quite unconsciously on the part of the organization and its members and be viewed as an evolutionary process as might be argued by some of the organizational ecology advocates or it may be a very proactive planned process as in the case of AT&T. Regardless of whether or not it is explicitly and consciously aligned, organizations are proposed to be effective to the extent that there is alignment within each system--technical, political and cultural--and across the three systems. The matrix of strategic tasks presented in Exhibit 6 highlights the weakness of many previous organization change models which have limited their calculations to the technical system. What is needed is a calculus for aligning all three systems.

The challenge for managers of change is to recognize that the task is best represented as a dynamic jigsaw puzzle with 9 pieces needing to be aligned with each other. These pieces are never perfectly aligned. They require ongoing attention and adjustment. How much adjustment depends on some of the factors in the organization's economic, political and cultural environment.

Strategic Alignment

The goal of strategic change management is to align the components of the organization technically, politically and culturally. The argument is made that the effective organization is one in which there is good strategic alignment, that is the organization components of strategy, structure and human resources are aligned with each other and the political, technical and cultural systems are in good alignment with each other. Before presenting some guidelines for developing a strategy for change the following points should be kept in mind:

1) Organizations need to deal with the technical, political and cultural problem areas simultaneously (a) when the organization is designed, (b) when determining the way the organization is managed, and (c) when any efforts are made to change the organization.
2) Various mechanisms exist to temporarily resolve each of these problems. They never stay permanently aligned.
3) Management's prime task is to attend to all three problem areas.
4) The management of change poses certain unique and extreme demands on the resolution of the three problem areas.
5) Organizations proceed through cycles which are determined by how these problem areas are managed.

Development of Integrated Technical, Political and Cultural Strategies

The development of a change strategy involves attention to the three systems. The future desired state must be thought of

in terms of these three systems. What must be considered is how good the alignment is within a system as well as how good it is among the systems. A medical analogy might be useful at this point. A person's health is thought of in terms of the interdependent systems of the body. These include the respiratory system, the circulatory system, the nervous system, etc. A desired state of health not only involves an image of each individual system in good alignment, but of all the systems functioning smoothly and in concert. In the same way that it is absurd to think of a person in good health with only one of these systems in good alignment...it is absurd to think of an organization in good health with only one of its major systems in good alignment.

The issue of alignment between systems is a complex one. This is because most systems are only partially interdependent. They are what some theorists such as Karl Weick might call loosely coupled. The consequence is that change in one system may or may not be directly felt in the other systems. This is true also in our medical analogy, where major changes in the respiratory system may impact the circulatory system and may also impact the nervous system. However because these systems are only loosely coupled, it is hard to predict the exact nature of their interdependence or the impact one change would have on the other. In medicine as in organizations, the interrelationships between subsystems requires that interventions proceed with experimentation and constant adjustment. For example in medicine it is important to monitor the treatment given to improve one

system for side effects on another. What often occurs is that a drug used for calming the nerves may also raise blood pressure or speed up breathing or vice versa.

If we return to our rope metaphor and think of an organization in terms of a loosely woven rope we can make several points. The strands can be dealt with individually--the political strand, the technical strand and the cultural strand, but they are also interdependent and the rope's supportiveness/ load bearing capacity is based on the combined strength of the strands.

Following are some principles to guide the development of integrated technical, political and cultural change strategies.

(1) Technical, political and cultural systems are loosely coupled. First, it must be recognized that these three systems are interdependent but in a loose way, at times even a haphazard way. An effective organization is one in which there is a reasonable degree of congruence among the three systems.

(2) It is necessary to develop an image of the organization with its loosely coupled technical, political and cultural systems aligned. The desired state must include a panoramic view of the technical, political and cultural systems. The desired state should not be developed with an image of only one system or even of all three focused on individually. For example, the desired state for AT&T must include an alignment of all three systems. To actually start creating the change, however, requires being able to work on individual strands.

(3) Strategic change requires uncoupling or unbundling of the three systems. Organizations tend to evolve to states in which the three systems are mutually reinforcing. For example, the technical system--the way in which work is organized and products are sold, is generally supportive of the political structure within which it operates. There is generally a culture present within organizations which rewards and encourages behavior congruent with the technical and political systems. For strategic change to occur, it is necessary to be able to unhook or uncouple these systems from each other, thus making it possible to intervene separately in each systems, much as it is necessary to pull the strands of a rope apart to work on a single strand.

(4) Plan for recoupling the systems. Explicit attention is required so that the three systems can be helped to recouple with each other. A major part of a strategic change process involves reconnecting the three strands.

T,P,C THEORY IN SUMMARY

-Change can be managed in all three of its modalities: technical, cultural and political;

-Change is multifaceted and paradoxical;

-Change management is a major portion of the manager's role and as such calls for the development of requisite concepts and skills;

-T,P,C Theory provides guidance in keeping the three strands--technical, political and cultural--of the strategic rope woven together.

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