

Managing Organizational Transformations

- Noel M. Tichy

The response to managing in turbulent times requires organizations to return to basic questions about their nature and purposes. The fundamental character of their technical system will need re-examination resulting in new missions and strategies, major restructuring and re-vamping of the financial, marketing, production, and human resource systems. Organizations' political systems as reflected in who gets ahead, how they get rewarded, and who has power to make decisions will also need major overhaul. Organizations' cultures are perhaps the most complex and subtle yet most pervasive influence on their effectiveness. Thus, major change will require addressing issues of values and beliefs of organization members.

Figure 1 lists a set of environmental pressures and specifies some of the impacts they will have on the technical, political, and cultural systems of organizations. The technical systems will be buffeted by forces requiring much attention to efficiency, the auto industry being an obvious example with its \$1500 to \$2000 a car price differential with Japanese auto makers. Other parts of the industrial economy have been less successful than even the auto industry in production efficiency such as steel and consumer electronics which have lost out to more efficient foreign competition. Technological adaptation is another major technical system challenge. The configuration and skill mix of the future workforce is yet to be determined based on telecommunication, robotic, or microelectronic innovations. Jobs, work groups, and organizational designs will all be altered by technological adaptation.

As organizations face massive realignments in their technical systems' they will also need to realign their political systems; that is, how power and resources are allocated and how reward systems function. Decisions in this area get reflected in compensation programs, career decisions, budget decisions, and the internal power structure of the organization.

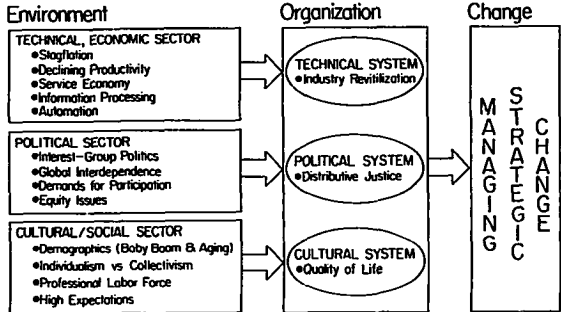


Figure 1. The mandate for organizational transformation.

Unlike the 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 will be given to strategic political issues as is evident by activity before and after a new chief executive officer or other key executive change, or when a major acquisition occurs, or when relationships with unions and management are altered. The human resource management area will be at the center of the political system changes in the 1980s as reward systems are revamped, succession systems are changed, and measurement and appraisal systems are altered.

The cultural system of organizations will be the third area needing transformation in the 1980s. New norms and values will be required by members in many organizations. These will range from massive cultural reorientations as exemplified by AT&T (which is moving into the competitive communication field out of the regulated telephone monopoly) to more subtle cultural changes regarding the quality of work life and how people communicate and treat each other in the worksetting. In the AT&T example, a new culture will be required for the competitive American Bell organization, one which values competition, innovation, and making a profit in the marketplace—all three values alien to the old regulated telephone monopoly. Other examples of major cultural shifts include the changes occurring at Westinghouse in their massive productivity improvement effort which is based on a participative management approach (Borucki and Childs, 1984). The modification of culture will be largely dependent on how the human resource management systems are used to shape and mold the changes. New hiring criteria will be needed to culturally screen people as they enter organizations; development programs will need revamping as will appraisal systems which reflect the desired culture of an organization.

The key to strategic management in the 1980s will be to align the components of organizations, their missions and strategies, their structures

and human resources—technically, politically, and culturally. The argument is made that an effective organization is one in which there is good strategic alignment, that is, the organizational components are aligned with each other and the political, cultural, and technical systems are in good alignment with each other.

This article presents a concept of strategic management which helps to integrate these organizational factors and identifies the challenges inherent in trying to change large organizations. The political area is seen as the most intractable and requiring the modification of human resource systems to manage. The paper ends by reviewing the state of the art in the link between strategic planning and human resource management with a focus on the political requirements for any meaningful change.

STRATEGIC MANAGEMENT FRAMEWORK

In order to overcome resistance to change and actually transform organizations, some tools are required. The first is a conceptual framework for understanding the problems. This section presents such a framework.

Core Problems

The framework is built around the assumption that organizations have three fundamental problems to resolve (Table I). These problems are never totally resolved but managed as dilemmas over time (Tichy, 1983). These problems are dealt with by the organization developing systems to cope with each other.

Table I. 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

The technical problem of rationally looking at an organization's environment to see what the present opportunities are, their organizing capital, information, and technology to produce an output, assumes that the organization exists in a marketplace to somehow be efficient and effective. Economists might refer to this as solving the production problem. Organizations develop a technical system to deal with this problem.

This is one-third of the story. The other two problems organizations face are a political allocation problem and a cultural ideological mix problem.

One political issue is how we deal with the distribution of rewards that are important to people in society such as money. *Business Week* prints an annual list of chief executive salaries. It is amazing to me to look at some of these and see the financial packages that some get—\$53 million was the record in 1982 by the CEO at Federal Express (*Business Week*, May 9, 1983). Of course that wasn't just annual compensation, it included long-term stock options.

Nevertheless, we also know that at Federal Express, there are people making twelve, thirteen, fourteen thousand dollars a year. I have yet to find a technical formula that says that's a proper ratio between the top and the bottom. Rather, the ratio represents a political allocation decision. We use work organizations to distribute wealth in this society. Therefore, we need some mechanisms for doing it.

Secondly, organizations distribute career opportunities also associated with salary which are probably more important resources to people. We design our organizations shaped like pyramids resulting in a lot of win-lose allocations of career opportunity. This too requires some way of managing it. Influence and power are also allocated in our organizations. The political system in organizations governs the allocation process.

The cultural ideological mix problem reflects the need for an organization to have its own set of values and norms. Organizations have to determine what are the appropriate set of values for people who are members. For example, the IBM values and norms are not those of Digital Equipment Corporation. They're not the same even though, technically and politically, the companies may look very similar.

The dilemma for management is that all three of these problems need resolution simultaneously. If you were in a world where things weren't changing very rapidly, you could probably tinker with the technical area and not worry about the political and cultural.

We are now in a world where a lot of organizations (not all, but a lot of them) are undergoing major transformations. I think we're beginning to recognize this in the cultural area but not yet in the political. Therefore, we need a way to think about and manage all three of these modalities.

The real strategic problem that we face is really not an alignment of strategy, structure, and human resources—but using the strategy of the organization, the structure of the organization, and the human resources of the organization to align the technical, political, and cultural systems.

It is important to see that power is supportive of the technical direction and the culture is supportive of both the political and technical direction of the organization. That's the real strategic balancing act.

We use the way we set the mission and strategy and the way we structure the organization and who we promote and how we manage the human resources as tools for doing that.

The Strategic Matrix

Figure 2 is a matrix which defines the strategic management tasks facing organizational leaders.

These tasks are technical, political, and cultural, and deal with strategy, structure, and the human resources.

Included in the strategy area is basic strategic planning. These essentially consist of tools for looking at the environment, for doing some analytic work on market's organizational resources, and in setting technical direction for the organization. This is a limited concept of strategic planning.

To expand it requires dealing with such interesting strategic issues as the political aspect of who gets to decide on the strategy. Does the chair go off and do it by himself or herself, the chairman and three golfing buddies, the chairman and ten division presidents? Do they all have equal power?

The textbooks, business school professors, and consultants have had little to say about the political aspect of who gets what power in making the strategic decisions. Nevertheless, the allocation of decision making power around strategic decisions is a key determinant at what decisions get made.

MANAGERIAL AREAS ↓	MANAGERIAL TOOLS		
	MISSION AND STRATEGY	ORGANIZATION STRUCTURE	HUMAN RESOURCE MGT.
TECHNICAL SYSTEM	<ul style="list-style-type: none"> Assessing environment Assessing organization Defining mission and fitting resources 	<ul style="list-style-type: none"> Differentiation Integration Aligning structure to strategy 	<ul style="list-style-type: none"> Fitting people to roles Specifying performance criteria Measuring performance Staffing and development
POLITICAL SYSTEM	<ul style="list-style-type: none"> Who gets to influence mission and strategy Managing coalitional behavior around strategic decisions 	<ul style="list-style-type: none"> Distribution of power Balancing power across groups of roles 	<ul style="list-style-type: none"> Managing succession politics Design and administration of reward system Managing appraisal politics
CULTURAL SYSTEM	<ul style="list-style-type: none"> Managing influence of values and philosophy on mission and strategy Developing culture aligned with mission and strategy 	<ul style="list-style-type: none"> Developing a managerial style aligned with structure Development of subcultures to support roles Integration of subcultures to form company culture 	<ul style="list-style-type: none"> Selection of people to build or reinforce culture Development to mold organization culture Management of rewards to shape the culture

Figure 2. Strategic management areas and tools.

The companies that perform well have a fairly good fit here between their cultural values and their strategic direction. Core values such as "IBM means service" help drive the business strategy at IBM. Peters and Waterman (1982) found that excellent companies have identifiable core values which fit their strategies.

In the structure area there are distinct technical, political, and cultural issues. We start with basic technical organization design, answering such questions as: Do we need a functional matrix? How do we get our structure to fit our strategy? Then we have at least two other major strategic issues.

The first is political.. How do you drape power across whatever technical structure is created? How much power is allocated up and down the organization? How centralized is it? Then there is horizontal power balancing—how much power do you give finance versus marketing versus human resources, or division X versus division Y. A good manager balances power both ways. This is an organization design issue which needs managing.

The third area is cultural. Developing managerial styles aligned with the structure is one issue. The literature and conventional wisdom reflects the litany: if you move to a matrix organization, you better not have the same style manager you have running a functional organization or vice versa. An illustration of a structure shift requiring a cultural shift occurred at Union Carbide Corporation which recently went from a large matrix structure affording benefits of economies of scale to a more market-responsive line of business structure. The least effective managers for the lines of business organization are the good matrix managers who can't change their style. The unchanged matrix managers continue to negotiate and compromise with others in the corporation. This style is inconsistent with the structure which was set up so that managers would run their own businesses in a more solo entrepreneur fashion.

Another cultural organization design issue is dealing with subcultures. There is not just one culture at companies such as Hewlett-Packard and IBM. There are parts of IBM that have subcultures. Every organization has subcultures. The fact of subcultures faces organizations with a strategic dilemma. Should everybody have a strong feeling that they work for the same organization? If the answer is yes, it is necessary to have an overarching corporate culture. I don't think the answer to this question is straightforward because it comes with a price tag no matter how you answer it.

If you're at Gulf & Western Industries, there is no Gulf & Western culture. There are free-standing businesses that are held together by financial strings not by cultural strings. The cost of this arrangement is that moving someone from one business to another is like moving them from outside the organization. On the other hand, at GE, IBM, or Exxon above a certain level, there is a strong corporate culture. The price for this is in development and transfers needed to build and maintain the culture. What these companies get for their investment is an ability to

move people across boundaries, and tie the organization together with a common culture. So there is no right or wrong answer regarding a common culture, but there are strategic consequences.

The final area is human resource management. Technical personnel issues involve selection, development, appraisal, and reward practices as prescribed in most personnel textbooks.

These often exclude a number of strategic issues in the political system. One such issue is the powerful process of succession politics.

Reginald Jones, retired GE chairman, described the political management of selecting his successor to the chairmanship of General Electric from among seven technically qualified candidates. His objective was to pick three to be in the executive office and one to head up the team. He managed the process by involving the candidates in talking about each other regarding who each felt would make a good chairman, who would work best with whom, etc. Mr. Jones kept reanalyzing the situation to find the three out of the seven who could best work together. He knew he would lose the others to jobs outside of GE once the decision as to who the chairman and vice chairman were was made. Mr. Jones was counting on a process which kept the two vice chairmen as key, cooperative team players. This was accomplished. It is a unique example of the political management of succession and contrasts with most situations in which there is more win-lose politics with the result being one winner and all the other candidates leaving the organization. Such an overt win-lose competitive approach appears underway at Citicorp as the time draws near for Walter Wristan's successor to be chosen (Bennett, 1983).

Other strategic political issues include reward system adjustments both at the lower levels and upper levels, and the appraisal process. Companies that do a reasonable appraisal have recognized that it's partly a political process and they build in checks and balances. They don't allow managers to do what the financial and accounting community would say is heresy; namely: "I received one-over-one approval on my appraisal. My boss approves it, therefore it is accurate." One can't imagine going to the Securities and Exchange Commission or to the controller of an organization and saying, "I got one-over-one approval on my budget, so it's honest and accurate." In the financial area there are checks and balances. There are external auditors as well as internal control systems. In contrast there are very few checks and balances on the cheating that goes on with appraisals and in the human resource area. There are tremendous political issues in this area. Managers have a tendency to rate people high, to miss appraisal feedback meetings, to not spread out merit increases, to name a few practices requiring political checks and balances to occur effectively in organizations.

Finally, there are cultural human resource issues. Companies that really have strong cultures manage it largely through the human resource system: who you let in the door, how you develop them, how you appraise them, and how you reward them are strong shapers of culture. That's

why the Japanese have people on the shop floor doing the interviewing. They're doing a cultural screen, seeing how well potential candidates will fit with their style.

Tremendous attention is paid at IBM to who comes in the door. I've watched IBM hire MBAs out of Columbia and Michigan and it is only partly a technical screen. More of the process is a cultural screen. IBM only looks at the academic top of the class. From this pool they select their final potential hires and run them through many interviews. In these interviews they are not giving them IQ tests. Instead the process is a cultural screen, one that leaves IBM happy to have people discover their style won't fit and thus both IBM and the individual decide to look elsewhere. Once people are selected they develop them and appraise them and reward them to shape and mold the culture.

This concludes a description of the nine cell strategic matrix. More elaborate descriptions can be found in Tichy (1982, 1983). The strategic matrix can be viewed as a nine-cell dynamic jigsaw puzzle. I predict that the most problematic part of this matrix in the eighties is going to be the middle row, the political.

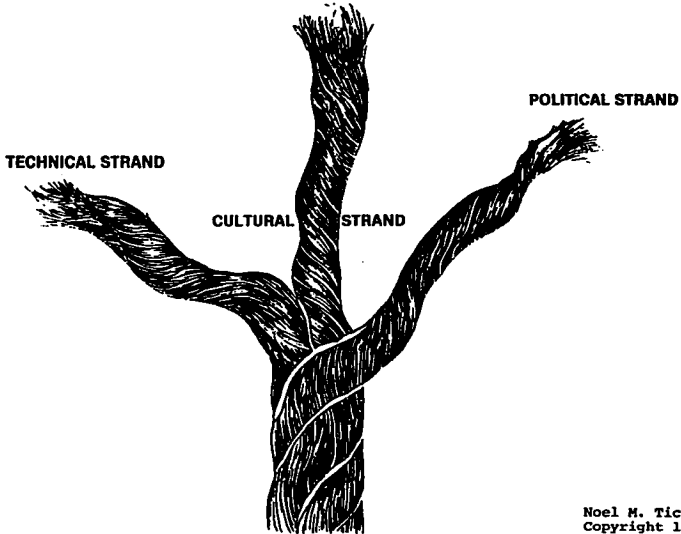
It's already okay to talk about cultures. That's a recent phenomenon. Much of the business media and popular books have talked about corporate culture. I think it's been important to raise this consciousness. But to go and try to change the values and the culture of the organization without having come to grips with what I think is the more intractable part of the organization, namely the political, can lead us right back to where we were with the ninety-nine quick-fix panaceas that we've had over the last twenty years.

In a time of major organizational transformation, the most intractable or hardest bullet to bite is going to be political. I believe it is the most central and that too much emphasis on symbols, myths, stories, and corporate culture will move the organization no further than a diet of technical strategic planning tools. Thus my emphasis on basics of getting managers to understand the political nature of change, how to build governance systems, checks and balances, and to essentially weave together all three of these systems.

I use a rope metaphor (Figure 3) to make the point that ultimately transforming organizations is a reweaving of three strands, the technical system, the political system, and the cultural system. An organization is effective to the extent that the technical, political, and cultural are in concert. If we look at the transformation of General Motors or AT&T the strand that's least talked about explicitly, on the table, is the political.

THE POLITICAL CHALLENGE FOR STRATEGIC HUMAN RESOURCE MANAGEMENT

The strategic human resource challenge for the 1980s is to actually learn to carry out the tasks listed in the strategic matrix in a more closely



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Figure 3. The strategic rope metaphor.

aligned fashion. This provides a great opportunity for the human resource function.

Open Door Versus Closed Door Dilemma

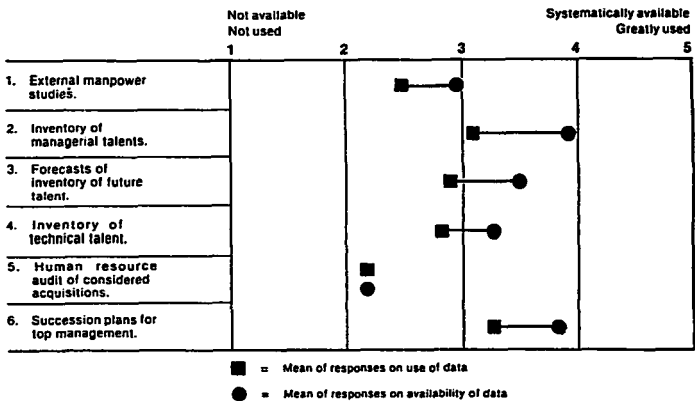
Until 1980 the major complaint heard by human resource managers was "I never get included in the strategic decision making around this organization." The dilemma was better characterized as the closed door dilemma. Senior line management was not letting them in on the important action. Much effort went in to how to get human resource issues taken seriously. This dilemma has given way to a more serious dilemma in the 1980s, the open door dilemma. Management in many companies has now invited the human resource people in to participate in the strategic decision making activities of the organizations. Once in the door, the challenge is to perform and the pressure is to perform heroics around productivity, cultural change, and workforce reconfiguration in response to technological innovations. The open door dilemma is more serious as it demands strategic performance. This raises the first major political dilemma for human resources, how to manage expectations. Unrealistic expectations will lead to early perceived failure when there are no heroic changes attributable to human resources. The challenge is to develop a realistic partnership among management to work toward an integrated strategic human resource management activity.

Strategic Human Resource Management at the Start of the 1980s

In a study by Tichy, Devanna, Fombrun, and Warren (1982) conducted in 1981 with data from 252 executives, both strategic planning and human resource, representing 168 companies, some interesting findings emerged regarding both strategic planning and human resource management. First, it was interesting to note that the strategic planners and human resource executives did not differ significantly on any item of the survey. They viewed the issues similarly. Second, strategic planning is a relatively new management practice in this sample of FORTUNE 500 companies with less than 20% reporting involvement with strategic planning for more than ten years and more than 50% reporting less than five years of experience with it. Third, few of the respondents gave strategic planning high marks for contributing to their organization's overall effectiveness. Less than 20% rated strategic planning as extremely effective in impacting the company's overall performance with the majority of the responses in the middle indicating moderate effectiveness. This is important to keep in mind in light of the proclivity of managers to search for quick fixes. All is not well with strategic planning. It is a relatively new management practice, the linkage of the human resource management activities to strategic planning has a danger of becoming a cart hooked up to a not so healthy horse. The task should be approached more as a joint effort of how human resource and strategic planning activities can both be improved. As it is today, many human resource people are trying to fit in with some rather inadequate strategic planning activities. The political relationship between strategic planners and human resource executives will be key to how well integration can occur. This integration can occur in two areas: the strategy formulation area and the strategy implementation area.

The Role of Human Resource Management in Strategy Formulation

Perhaps some of the most difficult challenges are found in this area. In the study mentioned above we found evidence that both strategic planning and human resource executives would like to see human resource considerations in the formulation of corporate and business strategy. There was also evidence that this was not happening and that the human resource information that might be considered for use in the formulation of strategy was not being used. Figure 4 presents the responses to questions which asked whether human resource data were available and the extent to which it was actually used in formulating strategy. As the results show, in all but the case of "human resource audit of considered acquisitions" there was a perception that data were more systematically available than were being used in strategy formulation.



IMPACT OF HUMAN RESOURCE CONSIDERATIONS ON STRATEGY FORMULATION

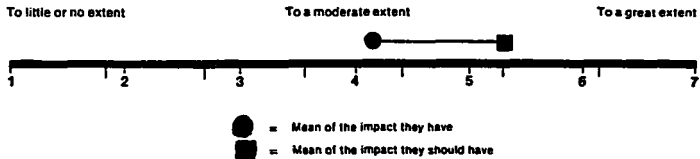


Figure 4. Analysis of the availability and use of Human Resource data.

Most firms are still struggling to carve out the appropriate role for human resources. The historical view has been to treat human resources as a factor to consider after the business strategy decisions were made; thus, human resource data was not seen as useful in the formulation phase. One human resource executive put it succinctly when he said "the line job is to tell us where the business is going and then it is up to us to find and develop people." Unfortunately, this has led to some pretty disastrous strategic decisions, such as a \$50 million acquisition by a large chemical company that went sour because of human resource considerations. Both the acquired company and the acquiring company lacked the requisite management capability to run the business which looked good from a financial and marketing point of view. This was not known or even discussed during the acquisition deliberations in the chemical company management committee. Had a human resource audit of the considered acquisition been conducted the strategy formulation process would have resulted in a no-acquisition decision.

To further illustrate the problems with incorporating human resource management into the strategy formulation process, another illustration exists in this same chemical company. It had a human resource planning

group which compiled extensive data on external human resource trends, social values, etc. This resulted in environmental scan documents which were given to all executives to consider during their strategic planning process. The data were not used. Besides being irrelevant they were distracting and costly to the company and created a cynical view in management about human resource management's role in the strategy formulation process. Obviously in this case a major lesson about how to link resources to strategic planning was missed, namely, that the process must be designed around the strategic needs of the business not some theoretical view of planning which encourages activities such as environmental scanning because they are in vogue. Such behavior leads to missed opportunities such as not contributing a human resource audit of the considered acquisition in the above case which would have been appropriate.

Examples of where human resource management is an integrated part of the strategy formulation process include IBM, GE, and Intel. Many companies are formally starting to require a human resource element in their plans, such as Chase Manhattan Bank, General Foods, Xerox, and parts of Honeywell. Where it is just starting a great deal of experimentation and problem-solving is required to decide what data is required, what issues should be included, and how they should relate to the various aspects of the business.

IBM and GE both require a human resource portion of their strategic plan. In addition to figuring out the technical issues of data and substance, both of these firms have faced up to the more problematic issues of how to insure that the plans have high quality human resource components. How can you get line and human resource staff to collaboratively integrate human resources into the strategic plan? It is given serious priority at IBM, in part, because the personnel manager is required to sign off on the business unit's strategic plan before it goes forward. If there is disagreement, the personnel manager can register non-concurrence in which case if the difference is not resolved with the business unit's management then IBM's contention system is activated. That is, there are regular procedures for differences being kicked up a level for resolution. The importance of this personnel role is that political pressure exists on both the line and personnel to take the human resource portion of the strategic plan seriously. The personnel manager's professionalism is on the line in signing off on the plan. If there are inadequacies in the human resource area, his/her career is at stake. On the other hand, the line management cannot take the human resource issues lightly as consensus not contention is expected, and a line manager who cannot reach agreement with his/her personnel manager is probably not doing the job adequately. The result has been an active involvement of personnel managers in the strategy formulation process.

At GE the plans have also had a required human resource component for the strategic plan since the mid 1970s. In order to accomplish this,

several steps were taken. First, the strategic planning guidelines were modified to include a specified human resource element along with marketing, finance, technology, etc. Second, the human resource staff were given training in strategic planning and human resource planning. Third, human resource planner roles were created and assigned to the business units responsible for providing the staff support to the human resource portion of the strategic plans. The process is still evolving at GE but is an accepted part of the management process. There is senior line management political clout behind it.

Other firms which include human resources as an integral part of the strategic planning process, such as Texas Instruments, Intel, and General Foods, have or are going through a similar set of learning experiences as GE and IBM. The experiences lead to the following observations about what is required to have human resources be a part of strategy formulation:

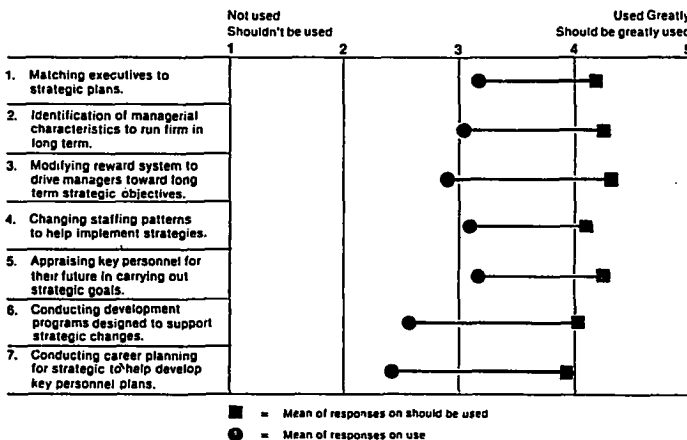
- (1) Top management must make a strong commitment to having human resource elements in the strategic plans.
- (2) Human resource staff must be developed to prepare them to support the strategic planning process—they must learn about strategic planning as well as the role for human resources.
- (3) Designated human resource time and role responsibility for supporting the strategic planning process is required. This can be in the form of a designated human resource planner as at GE or a part of the senior human resource manager role being dedicated to human resource strategic planning as is the case at IBM.
- (4) There must be a sustained effort which represents patience and persistence to develop the human resource element of the strategic planning process. It generally takes three to five planning cycles to develop a satisfactory process. Note that for many companies this is an extremely thorny issue as the strategic business planning process is both relatively new in most companies and is viewed as only moderately effective as pointed out in the previous section. The fact that the overall strategic planning process is still evolving should make it evident that the last element to join the party, human resources, will take some time to integrate.

The Role of Human Resource Management in Strategy Implementation

The most immediate and highest impact role for human resources to play in the strategic management of a firm is in implementing strategy. This is not an insignificant contribution as one of the major criticisms leveled at strategic planning is that it contributes to what my colleague David Ulrich refers to as SPOTS, Strategic Plans on Top Shelves. The major emphasis in strategic planning has been on formulation. This led

to the conclusion by the early 1980s that a lot of time and thought had gone into analyzing and planning strategy yet little to implementation. The result has been an indictment of much of the strategic planning field. The challenge in the 1980s is to do away with SPOTS. In order to do this the major emphasis will switch from marketing, finance, and environmental analysis to getting people to do the right things to make the strategies happen. The human resource tools become central, i.e., selecting the right people to run a business, rewarding them for strategic activities, staffing patterns getting matched to the strategic plans as well as development and labor relations policies. The human resource system will need to become more flexible so that they can be aligned to drive strategy.

From our study at the start of the decade, not much is being done in this area in 1981. As Figure 5 shows, out of seven possible human resource strategy implementation tools none were being utilized more than a moderate amount to help implement strategy. The strong message from that study was that many executives would like to see human resource tools used extensively in strategy implementation.



EXTENT TO WHICH HUMAN RESOURCE ACTIVITIES ARE USED AS STRATEGY IMPLEMENTATION TOOLS AND THE EXTENT TO WHICH THEY SHOULD BE USED.

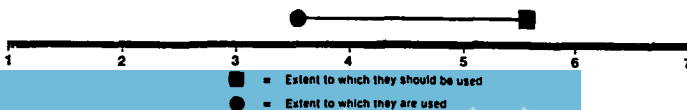


Figure 5. Analysis of the extent to which Human Resource activities are used in strategy implementation and the extent to which they should be used.

To do so will require major political and cultural realignments. It will require that movement of key executives be handled more openly with powerful checks and balances created to overcome (1) the "old boy" network forces, (2) the mixed agendas around what different moves will do for one business versus another, and (3) the interests of a division versus the overall corporation. Modifying executive rewards is also fraught with political uncertainty. Strategy implementation can be looked at as a basic reallocation of an organization's resources; when we view the human resource systems in this light we see them as the major level for channelling behavior. Implementation of strategy is not faltering because of technical issues, it is primarily because of political and cultural resistance.

CONCLUSION

The challenge is before us. Organizations need transforming and the changes are fundamental. To manage such change, organizations and their managers will have to confront basic questions regarding the organization's technical, political, and cultural foundations. This process is managed by clearly addressing the issues in the nine-cell TPC Strategic Management Matrix and seeing where alignment is required. To do this managers must be willing to talk openly about the six cells of the matrix that deal with political and cultural issues or else run the risk of the strategic rope becoming unravelled. This is counter to traditional practice of talking primarily in technical terms and leaving the political area to informal settings and totally excluding the cultural area.

The area which will require the most attention in many companies is the human resource management area, not only because it has traditionally been the most neglected but also because it will be central to implementing the needed cultural and political changes in organizations.

The human resource challenge will be to manage zero-sum decisions around careers, pay, and opportunity; to be the guardians of perceived equity and justice in the system; and to provide a governance system for people decisions which is aligned with the technical and cultural aims of the organization.

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