CHAPTER 5 People Alignment

The need to implement behavioral change in response to a new strategy places new demands on employees. Redesigned roles, responsibilities, and relationships may require the following: formerly individualistic employees become team players; formerly internally focused employees become responsive to customers; formerly functionally oriented employees become collaborative with people from other functions; formerly technically oriented employees adopt a general management perspective; formerly autocratic managers become facilitators and coaches; and formerly parochial employees become global. Each and every one of these changes calls for new skills to support those behaviors.

This chapter looks at two steps of effective change implementation, both focused on people. People alignment involves two distinct and sequential steps. First, in Step 2, the organization seeks to *help* develop in employees the necessary skills and competencies. Then, in Step 3, the company engages in *people change* in order to meet its strategic requirements. Step 2 involves training and developing current employees; Step 3 involves attracting new employees and, potentially, removing and replacing existing ones.

Both steps deal with people alignment. They are treated as separate steps, however, to make a key point about sequencing. Step 2—*help*—involves informal changes and processes. It proceeds to Step 3—*people change*—which deals with formal human resource systems. In particular, this chapter will:

- Define people alignment and its role in implementing strategic renewal and organizational change
- Understand how to match selection and recruitment with the shifting requirements of behavioral change
- Analyze how an organization can help employees gain the new skills required of the change effort
- Present the particular choices available to organizations as they seek align employee competencies with the requirements of the organization as part of their change effort
- Analyze the role of removal and replacement in implementing change

First, we will look at an attempt by a national electronics retail chain to expand its market, and to align its people with that strategy. As you read this introductory case, ask yourself:

- What triggered the drive for change at Best Buy?
- In what ways did Best Buy need to align its people with the goal of expanding its market?
- What steps did Julie Gilbert take and how effective were they?

EXPANDING THE MARKET FOR BEST BUY

Julie Gilbert, senior vice president at Best Buy, recognized an opportunity.[1] Women were showing a growing interest in shopping for electronics. That shift was due in part to the introduction of entertainment systems and flat screen televisions that attracted the attention of women shoppers. According to the Consumer Electronics Association, women now influenced 57 percent of the $140 billion annual electronics purchases made in the United States.

Best Buy stores were often seen as unappealing, even hostile, to women. Noted one female shopper, "I avoid Best Buy like the plague. I find it difficult to get the attention of an employee, and then they seem to be somewhat terse. They rarely have offered options or helpful advice. If I really need something from there and I can't find it elsewhere, I send my husband." Other women reported a preference for shopping on the Internet for electronics.

Given Best Buy's origins, its appeal to male shoppers was hardly surprising. The company began in St. Paul, Minnesota in 1966 and catered to young male consumers. As the business expanded, that focus remained unchanged. "Our stores used to have one primary customer in mind," agreed current CEO Brad Anderson. "That was the young, techno-savvy male."

It was Julie Gilbert who noticed both the problem and the opportunity. In 2005, she calculated that of the $90 billion annual purchases in the U.S. market influenced by women, Best Buy accounted for $10 billion. Not bad, she thought, but Best Buy could do much better. Gilbert also knew that return and exchange rates were 60 percent lower on purchases when couples were involved in a purchase than when they were made by men alone. Furthermore, couples tended to buy higher end (and higher margin) products than did men when shopping alone. Gilbert saw an opportunity to expand Best Buy's market dominance by claiming a larger share of women-influenced purchases.

But how?

Some of the changes were relatively simple. "We were a boy's toy store designed for boys by boys," noted Gilbert. Stores were to be retooled. Out went the loud music and stacks of electronic components. Personal shopping assistants were added, living rooms were set up to display home entertainment systems, and aisles were widened to accommodate children and baby strollers. Although it would take time and money to implement these changes in the chain's 700 plus stores, there was little resistance to the ideas.

The more difficult challenges involved people alignment. The first step required identifying new behaviors for the sales people, known in the company as "blue shirts": greeting and making eye contact with women shoppers, asking her about her favorite movies, demonstrating those movies on systems. But simply identifying helpful new behaviors would be insufficient. Gilbert felt that for Best Buy to take full advantage of this under served market, the company would have to place more women employees on the store floors and more women in executive positions.

Blue shirts had typically been recruited from the electronics departments of rival chains such as Wal-Mart and Target. Now, Gilbert began looking at a broader spectrum of retail outlets including Victoria's Secret (women's lingerie) and Origins (make-up). "We're working with the Girl Scouts, with private female colleges, and others to recruit amazing women so we can delight our women customers," said Gilbert. The goal was for 50 percent of Best Buy's workforce to be women, with a disproportionate number working in the home theater departments.

Gilbert's 50 percent goal applied to more than just the Blue Shirts. Aiming to change the role of women in the entire organization, she focused on the management and executive level as well. She created and led "WoLF" packs, for Women's Leadership Forum. Women from all levels of the organization came together to share ideas and generate innovations designed to expand the customer base. The WoLF packs also made it easier for Best Buy to recruit and retain women employees. When Gilbert left Best Buy in 2009 to promote WoLF pacts in other organizations (through a private consulting firm, WOLF Means Business), Best Buy had grown its women's influenced purchases by 30 percent.

PEOPLE ALIGNMENT AND CHANGE

Best Buy had identified a new product marketing strategy:

- New products—increasing emphasis on high-end home entertainment systems rather than components.
- New market—increasing emphasis on women shoppers.

Julie Gilbert's initial insight was that Best Buy would need to change the behaviors of its Blue Shirt employees. Greetings, eye contact, and demonstrating systems for women would all be required behaviors.

Identifying new behaviors required of a strategic renewal is one thing; developing those behaviors among current employees is another. Best Buy was fully staffed with employees, overwhelmingly male, recruited and trained to implement the company's past strategy: selling components to tech-savvy male customers. And they had been remarkably successful. But the new strategy required change, and Gilbert knew there was no "before" and "after" switch. She looked to make sweeping changes in the firm's human resource practices.

People alignment involves assuring that the skills and behaviors of employees within the organization will enable the effective implementation of the organization's strategy. Effective change requires alignment between employees—the selection, training, evaluation, promotion, even removal of employees—and the shifting strategic goals of the organization.

In seeking people alignment, leaders can select a "make" or "buy" approach. *Make* implies developing the needed new set of competencies and

Building a Vocabulary of Change
People alignment organizational efforts taken to match the skills and behaviors of employees within the organization with the business' strategy.

EXHIBIT 5-1
Make/Buy Options for Changing Human Resources.

Option	Steps	Advantages	Disadvantages
Make	Training Altered incentives	Takes advantage of existing knowledge/ skill base	May be slow. Not all current employees willing or able
Buy	Recruitment selection	Can quickly add required knowledge/ skills	May undercut morale/ commitment of existing employees

behaviors in current employees. *Making* assumes that employees are both capable of and motivated to acquire and utilize new skills and engage in new behaviors.

Not all employees can or will make that shift, of course. Additionally, the time required may be too long. Leaders, therefore, will also have to consider a buy approach. *Buy* involves injecting the organization with new employees who possess the desired set of competencies.

The choice between making and buying (summarized in Exhibit 5-1) is not either/or. Best Buy's change effort involved both. Getting the make/buy mix "right" means doing them both appropriately and in the appropriate sequence. That matter of sequencing will be addressed later in the chapter.

THEORY INTO PRACTICE

In order to develop required human resource competencies, organizational leaders need to align the selection, training, development, and removal of employees with the behavioral requirements of the desired change.

HELP

When organizations seek to redefine their strategy—Best Buy altering its product—market mix, for instance—they face the requirement of developing new competencies among their employees. Thus, once the required new behaviors and their supporting competencies are defined in Step 1, effective change implementation seeks to help employees gain the new competencies and skills. That is why training and development provides the key intervention in Step 2.

Training

Quite a lot of training occurs in organizations. U.S. companies alone spend more than $60 billion a year on training, plus another $180 billion on informal day-to-day instruction. Not all of that training, of course, is designed to be a part of strategic renewal and change. Training is often called upon to teach basic literacy, update technical skills, as well as to develop management skills in individuals

This component:	Focuses on:	By:
Knowledge development	Developing understanding within employees of new strategy and requirements for change	Classrooms, lectures, discussion groups, etc.
Skill development	Developing capability within employees to enact required new behaviors	Role-playing, experimentation, real-time feedback, etc.

EXHIBIT 5-2
The Two Components of Training for Change.

leaving functional areas and assuming management responsibilities. In these cases, training programs are intended to improve individual performance within current organizational arrangements rather than changing the organization.

To be part of a change effort, training programs need to contain two components, as summarized in Exhibit 5-2. The first is a *knowledge component*: an awareness of the forces demanding strategic renewal and change and the options available to the organization in response to those forces. What are the relevant changes in the external environment? What are the design choices available to the organization? And what are the strengths and weaknesses of those choices? Understanding both the reasons for abandoning the status quo and the options available to the organization in the future helps motivate employees to change.

THEORY INTO PRACTICE

Training can help convey to employees how their competitive environment is changing and why their own behaviors need to be altered.

The second component of training involves *skill development*. As the organization moves toward greater collaboration and teamwork, for example, people will have to acquire a set of skills associated with teamwork: effective communications, conflict management, trust building, norm setting, diversity awareness, negotiations, and so on.[2] Traditional training approaches such as classrooms, lectures, and discussion groups are more effective at achieving the knowledge component than at skill development.

THEORY INTO PRACTICE

Training can, under the right circumstances, help employees gain new behavioral competencies.

As a way of impacting behavior, organizations can supplement traditional knowledge-based training with **experiential training**. Traditional training programs emphasize the delivery of knowledge from the instructor to the learner.

Building a Vocabulary of Change
Experiential training training programs that focus on behaviors and typically include role-playing and feedback.

Experiential learning, on the other hand, focuses on behaviors while allowing participants to try out the new behaviors required of the change effort.

Companies attempting to promote teamwork and collaboration, for instance, can engage employees in experiential training. Trained facilitators are made available to provide real-time feedback to participants and to model the very behaviors the organization is now seeking. Experiential learning occurs in a protected environment, allowing participants to experiment with new behaviors.

The problem with experiential learning is that new behaviors acquired in a training program often disappear quickly once the participants return to their jobs. That phenomenon is known as **training fade-out**. The extent to which the learning gained from a training opportunity is transferred back into the work environment is impacted by three factors:

Building a Vocabulary of Change
Training fade-out the failure of behaviors learned as part of a training exercise to transfer to on-the-job experience or behaviors that disappear over time.

1. Supervisory/managerial support—Does the employee's supervisor/manager endorse, encourage, provide feedback, and reward new behaviors, or does that supervisor/manager discourage or oppose the application of new skills and behaviors?
2. Peer support—Do the employee's peers support the application of new skills and behaviors, inquire about that learning, provide feedback, and encourage, or do they ignore, discourage, and even attempt to prevent the application of new skills and behaviors?
3. Work conditions—Does the employee have the opportunity to use new skills and behaviors when back on the job, or are new skills and behaviors overtly or covertly discouraged by time pressures, inadequate resources, and/or unchanged responsibilities?[3]

An organizational context that encourages, even demands, the use of new behaviors will lead to greater peer and supervisory support and help to prevent fade-out. Most importantly, to avoid the fade-out problem, participants need to understand and believe that the competencies transferred as part of the training process are useful in order to enact behaviors required of the new strategy.

THEORY INTO PRACTICE

Watch out for fade-out—whatever is learned in training opportunity can lose its impact over time.

Feedback

One of the most important opportunities for developing new competencies and skills among existing employees arises from a simple but powerful mechanism: feedback. The challenge in using feedback in order to develop new competencies is twofold:

1. To make sure that the feedback is offered in a way to maximize its impact on behaviors.
2. To make sure that the feedback moves employees toward new behaviors rather than reinforcing old behaviors.

Organizations can, under the right circumstances, use the traditional tools of performance feedback and appraisal to help support change implementation.

In a change implementation process, expectations and definitions of outstanding performance are in flux. It becomes valuable, then, for employees to evaluate the performance of employees for four reasons:

1. It allows an assessment of the current state of the firm's human asset.
2. It helps identify the gap between what skills and organization currently possess and what gaps need to be filled.
3. It identifies poor performers and potential future leaders.
4. It identifies needed development and training efforts.

From the data generated by the performance evaluation process, organizations can construct developmental tools—training, career pathing, mentoring, etc.—as well as guide future recruitment and selection.

Individual employees also gain value from performance feedback. An assessment of their effectiveness can offer employees invaluable answers to a number of questions:

- How is my effort being perceived and received by the organization?
- What is my future with the company?
- What gaps do I need to address between my efforts and the organization's expectations?
- What set of experiences do I need to construct for myself in order to advance my own aspirations?

The desired goal of the process is alignment between the future needs of the organization and the desires and motivations of employees.

Much of the feedback on performance occurs informally. Informal feedback can occur in both obvious and obscure ways. Regular, real-time feedback discussions between superiors and subordinates or among peers can occur spontaneously and/or as part of the culture of the organization which creates expectations that evaluation and performance dialogue will occur regularly and routinely.

Organizations typically seek to supplement such informal feedback with a more formal approach to evaluation: the **performance appraisal**. Although firms implement performance appraisals quite differently, there are some generalizations that can be made. Performance appraisals tend to:

Building a Vocabulary of Change
Performance appraisal a formal, regularly scheduled mechanism designed to provide employees with performance feedback, typically resulting in a performance rating.

- Be regularly scheduled events, occurring annually, semi annually, or even quarterly
- Be individual, one-on-one sessions between a supervisor and a subordinate
- Be guided by a form designed by the organization's human resource department
- Involve some sort of grading system, covering both specific performance elements and an overall evaluation of effectiveness
- Be designed for both administrative purposes—documentation of poor performance, distribution of performance-based rewards, etc.—and developmental purposes

Formal evaluation such as performance appraisal often fail to enhance desired behavior. Extensive research has demonstrated that both appraisers and appraisees are highly dissatisfied with their performance appraisal experience.[4] Appraisers fear that, except in the case of a "superior" performance rating, they will be doing more harm than good, leaving the employee demoralized, demotivated, even alienated.

Apparently, those fears are justified. Managers often report that subordinate performance actually *deteriorates* as a result of conducting a performance appraisal, and indicate that the only reason they conduct such interviews is to comply with company mandates. Employees report greater uncertainty *after* the performance appraisal than before. Most likely, that confusion results from a mismatch between the informal feedback described earlier and the formal feedback offered as part of the performance appraisal.

When performance appraisals become exercises in compliance, as they apparently do with great regularity, they are unlikely to generate commitment on the part of employees to increased effectiveness.

Employee commitment is also impacted by issues of validity and accuracy. Is the performance appraisal actually assessing what it claims to be assessing, and is it doing so accurately? Employees often leave an interview doubting whether either validity or accuracy has been achieved. Empirical evidence suggests that their suspicion is well founded. Supervisory ratings are regularly and significantly distorted by subjectivity, personal bias, deliberate distortion, and unintended but common rating errors.[5]

To increase employees' perceptions that the feedback they are receiving from the appraisal process is valid—and thus increasing their commitment to enhancing their own high performance behaviors—organizations have tried a number of innovations.

Building a Vocabulary of Change
360° feedback performance feedback gathered from peers, subordinates, supervisors, and customers.

One—the **360° feedback**—attempts to expand the data and bring multiple points of view into the effectiveness appraisal process. Peers, subordinates, and even customers are invited to contribute data on an employee's effectiveness relating to both dimensions: task performance and behavioral patterns consistent with the organization's culture.

Approximately 90 percent of Fortune 500 companies use some form of 360° feedback for purposes of employment evaluation, development of needed competencies, or both.[6] The effectiveness of 360° feedback will be enhanced if the organization's culture emphasizes openness and learning, deemphasizes strict power distinctions based on hierarchy, and places a high value on customer responsiveness.

Another innovation relies heavily on *self-appraisal*, where the appraisal discussion is based on the subordinate's view of himself or herself. When employees perceive themselves to be active participants in the appraisal process, they are more likely to alter their behavior in ways desired by the organization.[7] Both self-appraisal and 360° performance appraisals represent attempts by organizations to increase employee acceptance of the feedback, thus leading to improved behavior and performance.

THEORY INTO PRACTICE

Self-appraisal and data from multiple sources can help increase the validity and effectiveness of performance feedback.

Top Management Development

Concentrating on the development of new competencies at lower and middle levels of the organization is a necessary component of effective change implementation; it is not, however, sufficient. Effective change will also demand new behaviors from executives at the top of the organization.

THEORY INTO PRACTICE

Behavioral change requires attention to the behavioral pattern of those at the top of the organization as well as lower level employees.

Greater coordination, higher levels of innovation, speedier response to a dynamic marketplace—all these outcomes are associated with the behaviors and interactions of top managers. Both behavioral and cognitive training interventions are useful in developing new skills among executives, but Richard Boyatzis has suggested that on-the-job experience is far more effective in developing required competencies.[8]

At the CEO level, corporate boards often pursue a "buy" rather than "make" strategy in search of change. Insiders, especially those who have stayed with the company long enough to rise to the top, are products of the culture that have been targeted for change. A change in business fortunes requires a change in top leadership, which means, in turn, injecting the top of the organization with "new blood."[9] Outsiders such as Meg Whitman at eBay and Archie Norman at ASDA have been effective at implementing significant and successful change.

Experience suggests, however, that outsiders are *not* a requirement for out-of-the-box thinking and organizational change. Three longtime insiders who rose to the top of their organizations—Vineet Nayar at HCL, Judy McGrath at MTV Networks Group, and Sam Palmisano at IBM—demonstrated that understanding the existing culture and connecting to the founding mission of the company enabled them to transform business strategies and organizational performance.

No organization can rely entirely on outsiders, of course. To meet the challenge of developing internal leaders capable of transforming their organization, companies can systematically manage the careers and experiences of executives. Those experiences can provide individuals with the opportunity to learn new knowledge, attitudes, and behavior within the unique and special environment of the firm.

Within organizations, career experiences are typically managed through a **succession planning** process in which top executives regularly review all managers at or above a certain hierarchical level, looking at both performance and potential, and devise developmental plans for their most promising individuals.

Building a Vocabulary of Change
Succession planning a formal process in which top executives regularly review all managers at or above a certain hierarchical level, looking at both performance and potential, and devise developmental plans for their most promising individuals.

The implementation of succession planning is often flawed by inadequate—even nonexistent—follow-up. Said one executive of her company's succession planning system, "Our procedures are as good as any… The only problem is that people don't pay any attention to them."[10]

Lack of follow-up is not the only limitation. Succession planning can pay a great deal of attention to so-called fast-trackers, while ignoring the potential of others. The problem here is twofold. First, it is possible that those identified as

EXHIBIT 5-3 Practices for Developing Executives Capable of Adaptation and Leading Change.

Structural and design changes	Delayering, increased span of control, matrix, or horizontal structures—all of these work to develop generalists far earlier in their careers and place a greater premium on interpersonal competencies.
Explicit international movement	Assigning managers to work in a non native culture for a significant period of time develops cross-cultural awareness and skills that can be vital in a culturally diverse environment.
Career mazes	Explicit lateral movements replace rapid upward functional mobility with a far broader set of experiences. Functional blinders are removed, general management skills are enhanced, and commitment to the organization as a whole is enlarged.
Slower velocity to allow greater learning	So-called fast-track managers often fail to stay in one position long enough to deal with the consequences of their actions (and the reactions of employees). Learning about and dealing with the consequence of actions requires greater length of tenure in a position.

non-fast-trackers have been held back less by their lack of potential than by contextual constraints imposed by the organization. Second, fast-trackers may be individuals who possess skills more associated with past successes than the future demands of change.[11]

THEORY INTO PRACTICE

Companies can manage the careers of executives in order to create a continuous stream of leaders from inside the organization capable of overseeing and leading effective change.

Career development can also help develop executives capable of adaptation and change. Effective change requires individuals who have learned, through a set of on-the-job activities, to be flexible and adaptive. Exhibit 5-3 offers a number of career development practices that can help organizations develop managers capable of moving out of their comfort zones, taking risks, and leading change.

PEOPLE CHANGE

In his study of companies that moved from "good" to "great"—companies such as Walgreens and Kimberly-Clark—Jim Collins noted that these successful transformations were built on getting "the right people on the bus"—that is, attracting, selecting, and retaining individuals whose skills and behavioral patterns aligned with the transformed requirement of outstanding performance—and getting "the wrong people off the bus."[12]

The challenge of getting the right people on the bus and the wrong people off the bus lies at the core of Step 3. At this stage of implementation, leaders will have to ask and answer two key questions:

1. What does the organization mean by the "right" and "wrong" employee?
2. What are the most effective ways to manage this stage of the change process?

Let's start with the question of identifying and selecting the "right" employee in a situation of change.

THEORY INTO PRACTICE

People alignment—getting the right people on the bus and the wrong people off the bus—is a key to effective change implementation.

Selecting the "Right" Employees

Individuals are attracted to organizations for a number of reasons: money, to be sure, as well as location, opportunity for advancement, prestige, and so on. There is also an attraction that derives from a perception of personal alignment. Potential employees may believe that the "personality" of an organization—its goals, structures, ways of working, and so on—matches well with their own. Conversely, they may feel that there is too much of a discrepancy between them and the organization.[13]

"We're looking for personality," noted a recruiter for Disney World (known in the company as a "director of casting"). "We can train for skills."[14] Undoubtedly, organizations, especially those with strong corporate cultures such as Disney, take on personalities shaped by a combination of values and goals. Individuals, of course, have their own personalities with personal values and goals. During the joining-up process, individuals tend to seek out and organizations tend to select for a match between organizational values and individual personalities. Individuals attracted to Disney, for instance, are likely to be quite different from people interested in working for General Electric.

THEORY INTO PRACTICE

Employees attracted to and selected by the organization in an earlier phase are not necessarily the right employees for the newly defined strategies and goals of the changing organization.

The idea of attracting the right employees is important to any organization. When an organization is attempting to implement change, the matter becomes even more complex. The personality of the organization is changing. Individuals attracted to and selected by the organization in an earlier phase are not necessarily the right employees for the newly defined strategies and goals of the changing organization. In redefining the personality of their organizations, change leaders are, in essence, overturning the sense of personal alignment that existed in the past. They are changing what they are looking for in the "right" employee.

But what, exactly, is meant by the right employee? It is useful to introduce the concept of *fit*. The right employee means an employee who fits certain needs or requirements. Even that explanation does not tell us enough, because the question still remains: *what* needs or requirements? The requirements may be technical, behavioral, attitudinal, or some combination of all the three.

CRITERIA FOR SELECTION To help clarify the choices an organization faces in the selection process, it is useful to approach fit in two ways. The first involves fit with a specific job, and the second involves fit with the larger organizational culture and values.

Building a Vocabulary of Change
Person-task fit screening and selecting individual employees based on their ability to perform certain tasks and fulfill specific jobs.

Person-task fit is the most common approach taken to hiring employees. The organization has specific tasks that need to be done, so it hires individuals with the skills required of those tasks. Need an electrical engineer? Hire the most skilled electrical engineer available (keeping costs in mind, of course).

To help ensure that the organization hires people with the requisite skills, human resource specialists work in a structured way to define the key knowledge, skills, and abilities required in the performance of core organizational tasks. Individuals are sought, and often tested, to determine their competency levels to perform. The best-qualified individuals are then selected to fill the organization's job vacancies.

Building a Vocabulary of Change
Person-organization fit screening and selecting employees based on congruence between patterns of organizational values and patterns of individual values.

The second approach to selection involves what can be thought of as **person-organization fit**. Unlike the person-task approach, person-organization fit looks beyond the specific skill demands of a task, focusing instead of the values of an individual. Now, the organization asks: how do the values of potential hires fit with the values we are trying to promote?

Person-organization fit looks beyond specific jobs to the desired future state of the organization. What are the mind-set, the personality, and the competencies that the organization seeks through its change? What newly defined roles, responsibilities, and relationships are sought? Most importantly at this stage, what new competencies—both technical how-to competencies and interpersonal (creative problem solving, decision making, collaboration, communication, and so on) competencies—are required of this desired future state?

THEORY INTO PRACTICE

Talent is important but fit with where the organization is headed is vital.

Determining who fits with the organization is a complex, even tricky business. Supervisors often make decisions about which employees fit or do not fit, implicitly, perhaps even subconsciously, based on the goal of reproducing themselves. Instead of asking whether the employee behaves in ways consistent with the values and culture of the organization, the supervisor may ask whether the employee thinks and acts like the evaluating supervisor.

When supervisors seek—consciously or otherwise—to clone themselves, the effect can be damaging both to employees and to the organization. Employees may rightly wonder just how valid supervisory decisions are. Additionally, if organizations become homogeneous, they are in danger of weakening both diversity and creativity.[15]

That approach can be particularly harmful in periods of change. The supervisors' past successes may be the result of behaviors that no longer fit with the desired future state of the company. Additionally, the reproduction phenomenon risks eliminating diversity and promoting conformity within the organization. When change efforts are designed to enhance creativity and innovation, actions that drive out diversity, however inadvertently, will be detrimental. Finally, employees themselves may experience replacement less as a valid measure of ability to adopt new behaviors and more as a self-serving device that enhances supervisors' views of themselves.

An explicit and shared understanding of the new behaviors required of strategic renewal and outstanding performance can help to overcome the dangers of selective perception and reproduction. That understanding is developed in the diagnostic and redesign phase of transformation. Once the requirements have been made explicit, managers are better able to make valid assumptions about whether individuals are displaying the required behaviors. Simultaneously, employees are more likely to accept the validity of those decisions.

SCREENING FOR FIT Particularly when an organization is attempting to implement change, there is an urgent need to attract employees whose behavior exemplifies the desired *future* state rather than the organization as it had been in the *past*, even if that past had been successful. But just how can organizations screen for person-organization fit?

Microsoft prides itself in screening potential hires for intelligence and creativity as much as—if not more than—depth of technical expertise. Even "technical" interviews for potential software developers focus more on "thought processes, problem-solving abilities, and work habits than on specific knowledge or experience." *How many times does the average person use the word "the" in a day?* an interviewer might ask. The manner in which the individual organizes his thought processes and attacks the problem is the key, not providing any technically "right" answer.[16]

Microsoft considers creative problem solving to be a cornerstone of the company's culture and uses the screening process to find individuals who will fit with that desired culture.

Paying attention to the selection of new employees is a key to change implementation. Attracting and hiring employees who already possess both the motivation and competencies to enact the new culture will enhance the effectiveness of the desired change.

This is not to say that *all* issues of person–organization fit must be resolved in the selection process. Behaviorally focused training can help, while removing employees who cannot or will not adopt new behavioral patterns may be necessary. Getting it as right as possible in the selection phase certainly will reduce both the cost and time associated with training and minimize the difficulties—both emotional and financial—associated with removal and replacement.

THEORY INTO PRACTICE

Selecting the "right" employees—that is, employees who possess the values and competencies required of the change—will reduce time, cost, and other revenues required in later developmental interventions.

Building a Vocabulary of Change
Standardized tests self-administered and quantifiable tests used as part of a screening, selection, or assessment process.

SELECTION TECHNIQUES Companies can use any number of techniques to screen for the "right" employee, starting with **standardized tests** which are typically self-administered and quantifiable. These tests assess any number of attributes, ranging from general intelligence and mental ability to mechanical aptitude and technical and industry-based knowledge.

When strategic renewal requires an alteration in the culture of the company, the most obvious standardized instruments to call upon involve personality and psychological tests. These tests offer insight into whether an individual is open or defensive, extroverted or introverted, individualistic or team-oriented, easy-going or reserved, suspicious or trusting, and so forth.

Using standardized tests in the screening process offers some obvious advantages to a company in transition. The tests are relatively easy to administer and score. Quantifiable results are simple to compare. Most importantly, there is validity to the tests as predictors of on-the-job success as long as multiple tests are used in combination.

Standardized tests are not without flaws. Opportunity for abuse and misuse of data are significant. Additionally, their use tends to produce a less diverse workforce in terms of race.[17] Differences in early cultural experiences and unfamiliarity with test-taking techniques on the part of applicants, especially when combined with unintended biases in the formulation of test questions, can produce undesired outcomes.[18] Minority job seekers often express deep suspicion of these tests and their use. Organizations desirous of seeking greater diversity within their workforce may find standardized tests working against that goal.

Building a Vocabulary of Change
Behaviorally anchored interviews potential hires are asked to recount specific examples from their past experience to illustrate how they have responded to challenges and opportunities.

There are alternatives to standardized tests. B**ehaviorally anchored interviews** ask potential hires to recount specific examples from their past experience to illustrate how they have responded to challenges and opportunities:

- Give me an example of a work-related problem that you had to deal with, and how you responded.
- Talk about a recent group experience you had at work and the role that you played.

When a group of employees participates in the interview, each asking questions and rating responses, the validity of the assessment increases. The goal is to increase the likelihood of achieving fit between new hires and the behavioral goals of the change without driving out diversity. Exhibit 5-4 offers examples of behaviorally anchored interview questions.

EXHIBIT 5-4 Behaviorally Anchored Interview Questions.

- Describe a time when you were placed on an ineffective work team and how you dealt with it.
- Tell me about a specific employee with whom you had difficulty managing and how you dealt with it.
- Describe how you handled going into a new work situation.
- Describe how you went about learning what was going on in a unit to which you were just moved.
- Tell me about a change process you were involved in and what role you played.
- Tell me about the best performing team you ever worked on and what your contribution was.

Building a Vocabulary of Change
Behavioral simulation potential hires are asked to demonstrate behaviors, usually in a structured role-play exercise with external observers.

A selection process keen on exploring fit between a potential hire and the new behavioral demands might go beyond asking potential hires to recount past actions. A technique known as **behavioral simulation** asks applicants to *demonstrate* behaviors. An illustration of behavioral simulation in screening occurred at Cummins Engine Company's Jamestown, New York, plant.

Collaboration and teamwork were among the core values of plant management as they sought to create high employee commitment. As the diesel-engine plant grew beyond its original start-up levels, the management team realized that they would have to pay close attention to person-organization fit in the recruitment and selection process. The plant's high wage structure assured an abundant supply of applicants, but not just any employee would do. The management team focused the selection process on behaviors that matched the plant's culture and values.

Human resource specialists performed the initial screening. Soon, shop floor workers—team members in the parlance of the plant—entered the process. Teams did their own hiring in order to ensure fit with their particular orientation and set of expectations. In addition to conducting interviews, team members observed applicants in role-play situations—typically, team exercises (see Exhibit 5-5 for a

EXHIBIT 5-5 Components of Behavioral Stimulation.

A group of individuals are assigned a complex problem to solve.

- Solving the problem requires multiple skills.
- The problem's solution is such that effective performance can be rated objectively.

Individuals are placed in teams and asked to solve the problem jointly.

- A facilitator is on hand to offer behavioral observations.
- The joint problem-solving phase may be videotaped to allow participants to observe their behaviors.

A trained facilitator leads the team through a discussion of behaviors.

The solutions of the teams are measured, providing an effectiveness metric for each group.

Team members engage in a further discussion of behaviors based on their performance.

EXHIBIT 5-6 Techniques for Person-Organization Fit Screening.

Mechanism	Description	Strengths	Weaknesses
Paper-and-pencil tests	Standardized, quantifiable, self-administered instruments	• Easy to administer and score • Inexpensive to use on large scales • Simple to compare • Valid job success predictors when used in combination with other mechanisms	• Produce homogeneous workforce • May be resisted/ resented by applicants
Behaviorally anchored interviews	Applicants recount specific examples of past experiences	• Can focus on specific behaviors • Valid supplement to other screening mechanisms • Validity increases when multiple interviewers score results	• Deal with recounted rather than actual behaviors • Can be slow and expensive to administer
Behavioral simulation	Applicants engage in role-playing exercise while observed by screeners	• Focus on actual rather than recounted behaviors	• Can be slow and expensive to administer

description of a typical behavioral simulation). After conducting this kind of informal assessment, team members worked together to select future colleagues.

The techniques for person-organization fit screening (summarized in Exhibit 5-6) focus on personality and interpersonal behavior. Screening cannot ignore technical skills, although it is useful to remember that many technical skills can be learned relatively quickly. Interpersonal skills are often more difficult to develop. Organizations would do well to screen for traits that are both critical to performance success and the *most difficult to develop*. Attitude, values, and cultural fit are attributes that are difficult to develop within the context of organizational life yet vital to the sustained outstanding performance of a company.[19]

Patagonia, an outdoor clothing and gear company, bases its personnel selection decisions more on who the applicants are than on what specific skills they possess. “This is a unique culture, extremely unique,” said founder/owner Yvon Chouinard. “Not everyone fits in here.” That is why the company places its greatest effort into looking for creative and committed “dirt bags,” its term for outdoor types. “I’ve found that rather than bring in businessmen and teach them to be dirt bags," Chouinard observed, "it's easier to teach dirt bags to do business."[20]

Learning business skills, Chouinard insisted, is far easier than learning how to be a true dirt bag. Hiring individuals with the desired personality traits and behavioral competencies and then teaching required skills (rather than hiring for skills and attempting to teach personality and behavior) is far more likely to be successful.

THEORY INTO PRACTICE

It is often easier to teach new skills than to develop new values.

Removal and Replacement

In support of strategic renewal and change, a company may attempt to improve its mix of competencies rapidly by increasing the outflow of personnel through early retirement programs and/or layoffs. Early retirement increases the percentage of recently hired employees who may bring with them new skills, new values, or both. At the same time, personnel reductions allow for a rapid lowering of payroll costs, which will, it is hoped, improve profitability in the short term.

Although a workforce reduction approach (turnaround) may be popular, it has not been terribly effective in helping an organization transform itself into an outstanding performer. Given the short-term severance costs of large-scale reductions (a cost that is considerably higher in Europe than in the United States), the savings in compensation to the organization and subsequent impact on the bottom line are often minor.

THEORY INTO PRACTICE

Don't count on workforce reductions and employee layoffs to produce the competencies required to support strategic renewal and sustain outstanding performance.

Layoffs represent large-scale interventions designed mainly to improve short-term financial performance. **Removal and replacement** is a more specific, targeted people alignment tool. Removal and replacement deals with individuals who cannot or will not develop new competencies and behaviors.

Although well-designed training programs can indeed be helpful in supporting new patterns of behavior, success will not be universal. Not all employees, after all, are capable of developing the new skills or enacting the new behaviors. Others might simply prefer not to alter their past behaviors.

Building a Vocabulary of Change
Removal and replacement a change tool that targets individuals who cannot or will not adopt behaviors required for the redesigned organization.

IMPLEMENTING REMOVAL AND REPLACEMENT When ASDA, a large U.K.-based grocery store chain, sought to transform its failing business in the 1990s (see

Chapter 1), removal and replacement became a vital part of the effort. A cross-functional renewal team started ASDA's store-based change by designing a new set of roles and responsibilities for store employees at all levels. Team members realized that the targeted new behaviors would require store managers who were both willing and able to support the desired new culture.

After selecting three stores to pilot the "new" ASDA—a store culture focused on value, offering customer responsiveness, with high levels of autonomy for individual department managers and strategic planning on behalf of store managers—the renewal team called on the corporate human resources department to evaluate current managers. In the terms Collins used, the team wanted to make sure they had "the right people on the bus" within the targeted stores. That review revealed that much of the challenge of change would focus on getting "the wrong people off the bus."

A sense of urgency required that the early change build on a store management team that displayed the potential for being able to make the required changes. Within the first three stores, about 40 percent of the existing managers were removed and replaced. Some were fired, others moved to other stores not immediately targeted for change. The renewal team brought in managers to the selected pilot stores who had been identified by the human resources staff as more likely to be effective in the new environment.

Removal and replacement does not necessarily involve firing individuals. When the general manager of Rubbermaid's Commercial Products division decided to redesign his operation around cross-functional business teams, it became clear that many employees were uncomfortable with the new approach. The vice president of marketing used a sports analogy to characterize the differences among employees in their reactions to the requirement for teamwork:

> When we first formed the business teams, we had a lot of tennis players and golfers on the team, not team players. They had good functional expertise, but because they weren't team players we were getting into trouble. They didn't try to understand how and what they were doing on their piece of the product was affecting other functions.[21]

Having the wrong people on the bus at Rubbermaid Commercial Products hurt team performance. A member of the upper-management operating team responsible for creating and supporting the various business teams in the division acknowledged the requirement to engage removal and replacement as a human resource development tool:

> When we have seen teams fail, the majority of the time, it was not due to lack of technical expertise. It was because there was a person on the team who was not a team player. We, as an operating team, have to recognize this, and insure that non–team players are relocated from the business team to another position which best complements their personality.[22]

Individuals who could not make the change were replaced and then carefully located in positions where their behaviors would not block or slow down the sought-after change to a team-based operation.

There will be situations in which replacement and removal is not an immediate option to change leaders. Collins described the change at a medical school where the institution of tenure—essentially, guaranteed employment for professors—constrained the actions of the school's academic director. Because he could not remove tenured professors, the director of academic medicine waited for openings to hire "the right people." By doing so, he created "an environment where the wrong people felt increasingly uncomfortable and eventually retired or decided to go elsewhere."[23] When leaders are clear about the behavioral implications of the desired new strategy, and employees are clear that behavioral change is required, individuals may elect to remove themselves.

GETTING THE SEQUENCE RIGHT: FAIR PROCESS

The change implementation model presented in Exhibit 2-6 separates sequentially the Help (Step 2) interventions from People Change (Step 3). In that sequence, organizations offer employees training in the new required skills and behaviors (Step 2) before decisions are made about moving employees (Step 3).

That sequence—first Help and *then* People Change—raises an interesting question. Why invest in training an employee if, in the very next step of the sequence, the organization may have to remove the same employee? The answer lies in the concept of fair process.

Building a Vocabulary of Change
Fair process a widely shared perception that decisions are being made on the basis of valid criteria.

Fair process is a widely shared perception that decisions are being made based on valid criteria. Perceptions of unfair process lead to declining morale, increased turnover, and deteriorating commitment. Conversely, perceptions of fair process lead to higher levels of individual motivation and commitment to the organization and its changing goals.[24]

W. Chan Kim and Renée Mauborgne suggest that a fair process derives from three factors:

1. ***Engagement*** —involving individuals in decisions that impact them, both at the front end (collecting valid data) and the back end (allowing individuals to refute ideas and assumptions).
2. ***Explanation*** —making transparent the thinking that underlies decisions.
3. ***Expectation clarity*** —making clear the criteria that have been and will be used for decision making.[25]

Employee commitment will remain high even if employees disagree with the decision, Kim and Mauborgne conclude, "If they believe that the process the manager used to make the decision was fair."[26]

In terms of Step 3 people change decisions, fair process is, in large part, a function of validity. Are people change decisions based on selective perception or on the requirements of the new strategy?

Perceptions of fairness can also be impacted by the degree to which an organization provides employees with due process and appeal mechanisms. What avenues are available to employees who believe that they have been treated by people change decisions such as evaluation, promotion, or even firing?

Union contracts typically offer grievance and appeal avenues with union officials advocating for members. In nonunion settings, employers may provide their own grievance and appeal mechanisms—panels of managers and employees; trained fact finders, mediators, or arbitrators—that can either make suggestions or overturn decisions if they find an employee has been treated unfairly.

THEORY INTO PRACTICE

Unless people change decisions are viewed by employees as being fair in process, valid in content, and appropriate in sequence, the decisions can undermine commitment to change implementation.

Finally, perceptions of fairness will be based on the timing of people changes. Perceived fairness will be enhanced by a sequence of actions that has already been included:

- A shared diagnosis that has surfaced the relationship between past behavioral patterns and current performance shortcomings
- A redesign process that has identified new patterns of behavior required for sustained outstanding performance
- Training and development has offered current employees an opportunity to gain and demonstrate required new behaviors

At this stage, individuals who cannot or will not make the required changes have been identified. People change decisions—promotion, removal and replacement—can be seen as conforming to the imperatives of outstanding performance rather than to the selective perception of individual supervisors.

Conclusion

Transformational change demands new behaviors from employees. Patterns of behavior that have sustained a company in the past will need to be altered in response to the dynamics of the competitive environment. The diagnostic stage of change has surfaced a misfit between current behaviors and competitive realities. Global customers, for example, may be expecting greater coordination between a company's various units, local customers may be expecting greater employee responsiveness to their specific and special needs, and increasing competition may be demanding faster innovation and greater speed to market with new products and offerings.

In the redesign stage (Step 1), employees create a behavioral model for how the business will respond to those shifts in order to achieve and maintain outstanding performance. At this stage, leaders face a new challenge. Employees who have succeeded in the past may not possess the skills required to excel in the future. Companies may do an assessment to analyze "old" and "new" patterns of behavior and identify the gap that exists within their current human resource.

Now is the time in the change implementation process for leaders to turn their attention to people alignment. Organizations first seek to help (Step 2) employees acquire the necessary competencies and skills. Then, in Step 3, change implementation looks at ways to change the people in the organization. When Step 3 involves removal and replacement, those decisions are viewed by employees as being both fair and valid, those decisions will support the change effort.

Now at the final stage (Step 4), organizational leaders can seek to reinforce behavioral patterns. For that purpose, they turn to new structures and systems. That will be the subject of Chapter 6.

Discussion Questions

1. What are the important differences between Step 2 (Help) and Step 3 (People Change)?
2. What are the main differences between hiring for task and hiring for organizational fit? When is each one most appropriate?
3. What specific recommendations would you make to an organization seeking to avoid training fade-out?
4. The author sees removal and replacement as a key element of aligning people with the requirement of a new strategy. Do you agree or disagree? Why?

Case Discussion

Read "*'Employee First, Customer Second': Vineet Nayar Transforms HCL Technologies*," and prepare answers to the following questions:

1. Explain how—or *if*—Vineet Nayar's new strategy for the company and his approach to people alignment reinforce each other.
2. Do you see potential problems implementing Nayar's people alignment initiatives within India?
3. Are Nayar's ideas about people alignment transferable to other industries and other countries?

"EMPLOYEE FIRST, CUSTOMER SECOND": VINEET NAYAR TRANSFORMS HCL TECHNOLOGIES

Headquartered in Noida, a suburb of New Delhi, HCL Technologies competed in India's hyperdynamic information technology (IT) sector.[27] Founded in 1976, HCL defined itself as "one of India's original IT garage startups." For its first 25 years, HCL found success offering IT hardware. However, as the global IT industry shifted from hardware to software and to offering infrastructure services, HCL proved to be less than nimble.

In April 2005, the company looked within and promoted Vineet Nayar to the position of president. Nayar immediately set his goal for HCL: transformational change within the company in order to position HCL as a global leader in transformational outsourcing services "working with clients in areas that impact and redefine the core of their business."