

STRATEGY DIRECTIVE (MA 208-2)

6.3 STEPS OF TICHY FOR CHANGE IN ORGANIZATIONS

6.2 Analysis of the Three Systems

Change has become a way of life in America and within the diagnostic model, changes exist in both the external and internal environments of an organization. Noel Tichy categorizes the forces that exert pressures for change on organizations into three management areas;

- **Technical** which refers to pressures for change brought about by changes in technology and economic conditions, e.g., advanced high-tech equipment, changing interest rates, and increased competition.
- **Political** which refers to pressures for change brought about by issues associated with power, influence, and the allocation of resources, e.g., who has authority, who is rewarded, and who decides how rewards and resources are allocated.
- **Cultural** which refers to pressures for change created by the values and beliefs of people, e.g., demographic composition and cultural diversity of the labor pool and societal values.

All three areas continually present problems that must be refined and dealt with on an ongoing basis, but are not solved. Technology tests managerial ability to strategically allocate people, money, and technological resources; politics tests how and to whom resources and influence are allocated; and culture tests managerial ability to build human resource systems that strategically create the “normative glue” that connects organizational members. The three areas are interrelated as a “strategic rope”.

Additionally, Tichy also believes that success in dynamic conditions requires a strategic realignment and strengthening of technical, political, and cultural systems. Managers have three fundamental tools with which to accomplish these tasks;

- Mission and Strategy - The use of mission and strategy tools consists of defining the organization's purpose, setting goals, developing action strategies, and all the managerial processes necessary to carry these out.
- Organizational Structure - The use of structural tools includes the ways in which tasks are defined and grouped, the ways in which people are coordinated to accomplish tasks, and the managerial processes that are utilized to make the structure work.
- Human Resource Management - Human resource management tools include recruiting, selection and placement, training and development, performance appraisal, and developing financial and non-financial rewards.

Tichy places the three areas of managerial responsibility and the three fundamental management tools into a nine cell strategic management matrix to illustrate the usefulness of each particular tool in aligning the elements of all three systems. The use of the strategic management matrix forces an expanded awareness of managerial areas and their related tools. To be successful in dynamic environments, organizations must be willing to expend considerable amounts of energy in examining fundamental questions regarding their technical, political, and cultural systems. Strategic realignment that anticipates changes in operating environments can be facilitated by a straightforward analysis of the nine cell, strategic management matrix.

With his theory of transformational leadership which was developed in 1986, Tichy remains focused on organizational change. He proposes that organizational effectiveness (output) is a function of the characteristics of each of the components of the model and how the components interrelate and align into a functioning system. Within his framework, there are nine change levers that he mentions. They are outlined below;

1. External interface of the organization's external environment (input)
2. Mission
3. Strategy (Mission & Vision)
4. Managing organizational mission and strategy processes
5. Task
6. Prescribed networks (formal organizational structure)
7. Organizational processes
8. People
9. Emergent networks (informal organizations)

The concept of technical, political and cultural (TPC) systems represent the three primary systems that cut across the nine levers. Tichy thinks of the three systems as dominant one to understand organizations in general and organizational change in particular. All three systems must be aligned for change to be successful. They can be understood separately, but for effective change to occur, all must be managed together. Overlaying these three with the nine change levers create a matrix. Technical systems are based on science and hard data so it represents a highly rational perspective. Political systems are based on power dynamics and in some organizations there are some groups and individuals who are more powerful than others. The primary behavior which represents this perspective is negotiation. With cultural systems, the focus is on shared values and norms (cognitive schemes). These schemes link people together and make up an organization's culture. Cultural change occurs by developing new norms and values. According to Tichy, only dealing with one or two of these systems will lead to ineffectiveness in an organization's performance.

6.3 Development of a Plan of Combining Systems

According to researchers, transformational leaders define the need for change, create new visions, mobilize commitment to those visions, and ultimately transform an organization. Transforming an organization is compared to a human drama that involves both joys and sorrows. Therefore, transforming an organization also requires new vision, new frames for thinking about strategy, structure, and people. There are three themes central to the transformational organization: (a) recognizing the need for revitalization, (b) creating new vision, and (c) institutionalizing change. Managing an uncertain future and its environment is central to the transformational organization and leadership. The uncertainty of the organization's environment and the effect of that uncertainty on its future call for change. The change and its paradoxes create dramatic tensions. These dramatic tensions in transformational drama include;

1. A struggle between the forces of stability and the forces of change
2. Dramatic tension between denial and acceptance of reality
3. A struggle between fear and hope
4. A struggle between the manager and the leader

The transformational drama theory includes both the individual and organizational level. The key concept is again leadership. According to these authors, leaders must pull the organization into the future by creating a positive view of what

the organization can become and simultaneously provide emotional support for individuals during the transition process. Moreover, Tichy's theory of leadership involves three stages called "a three act transformation drama."

The Organization During Act 1 - The need for change is the key concept in this stage. The organization needs change because of environmental pressures. In many organizations the environmental changes cannot be very significant indicators of change. The transformational leader must perceive and respond to these changes. When leaders accept that there is a real need for change, the decision makers in the organization must be made to feel dissatisfaction with the status quo because the felt need for change provides impetus for transformation.

The Organization During Act 2 - Creating a vision and mobilizing commitment is the second phase of the transformation. Vision is about the future of the organization. The leaders involved in organizational transformation need to create a vision that a critical mass of employees will accept as a desirable change for the organization. Each leader must develop a vision and communicate it in a way that is congruent with the leader's philosophy and style. Creation of new vision and acceptance of it by all members of an organization is essential for transformation. The organization, or at least some critical mass within the organization, accepts the new mission and vision and makes it happen. It is in this stage of the transformational process that leaders must tap into a deeper sense of meaning for their followers.

The Organization During Act 3 - Institutionalizing change occurs at this stage of transformation, which is a kind of reality check. As the theorists put it, revitalization is just empty talk until new vision becomes reality. The new way of thinking becomes day-to-day practice. New realities, actions, and practices must be shared so that changes become institutionalized. This new way of organizational and individual thinking requires new organizational culture. Creating a new culture is difficult, but it is crucial for the transformation of an organization.

Tichy's theory of transformational leadership also points out the importance of the individual during each of stage of this transformation. The Individual During Act I deals with endings, all individual transitions start with endings. Employees who cling to old ways of doing things will be unable to adjust to new demands. They must follow a process that includes disengaging from the past; disidentification with its demands; disenchantment with its implications and disorientation as they learn new behaviors. The Individual During Act 2 deals with the concept of neutral zones. Employees need the time to work through their feelings of being

disconnected with the past and not yet emotionally committed to the future. Passing successfully through the neutral zone requires taking the time and thought to gain perspective on both the endings. This means what went wrong, why it needs changing, and on what must be overcome to make a new beginning. This stage tests leadership skills. People have emotions and feelings about their past glories and the culture that they had been part of for a long time. The Individual During Act 3 refers to the readiness of the individual for new roles and responsibilities. Once a stage of psychological readiness to deal with a new order of things is reached, employees must be prepared for the frustration that accompanies failure as they replace thoroughly mastered routines with a new act. Adequate rehearsal time will be needed before everyone learns their new lines and masters their new roles so that the play can become again a seamless whole rather than a set of unintegrated scenes.