Harvard Business Review

Planning: Part II

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Editor's note

Many of the articles we include in this se-
ries were written before women started to
play an important role in management in
impressive numbers. For this reason, the
authors of certain pieces assumed all read-
ers were men and that the typical man-
ager was a "he" instead of a "he or she."
In planning this series, we wanted to cor-
rect our older articles but found that the
expense of resetting them would increase
the price of the series and thus limit its
distribution.

The editors ask that whenever you read
the words "he," "him," or "his" in an ar-
ticle, you take it to mean "she," "her," or
"hers" as well. Whenever you see "man"
either alone or as part of a word, think of
a person of either gender. We hope that
the archaic use of the masculine gender
does not undermine the effectiveness of
the articles.

Summary of contents

This collection of 16 articles reprinted from HBR is the second in a series dealing with the topic of planning. The importance of recognizing the forces of change and the type of executive leadership that enables the company to plan successfully for and adapt to change are discussed in this volume. New methods and techniques applicable to planning include technological forecasting, a systematic analysis of a company's technological profile, and the application of ROI to marketing investment. Also discussed are specific problems related to planning for small businesses, international patent planning, strategic planning in conglomerate companies, and branch store planning. Finally, this volume includes articles dealing with the importance of personal values in the choice of corporate strategy, techniques for developing a hierarchy of objectives, and strategies for allocating funds.

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▶ Top executives must recognize the forces of change in the world around them and do the necessary planning to change their own organizations.

The Change Seekers

*By Patrick H. Irwin
and Frank W. Langham, Jr.*

"You don't need to convince me," said Frank Hood, president of an important Midwestern manufacturing company. "I know we must introduce change at an increasing rate. The trouble is I can't even find time to think about it, let alone do anything. And I haven't succeeded in getting the others in our top management group to carry the ball."

Hood was talking to his good friend, John Miller, the chief executive of a major supplier to Hood's company. Together, they frequently discussed common problems of business and management.

"I'm aware of the forecasts," continued Hood. "World population will *double* in 40 years; our gross national product will *double* in 15 years; scientific research expenditure will *double* in 10 years. It's awesome. And when I think of the effect of these things in terms of customers, markets, products, working and living conditions, capital requirements — why, it's nothing short of frightening."

"I understand your feelings, Frank," said Miller, "though I would rather look on the whole thing as a challenge — almost as an accelerating spiral of opportunity. But my dilemma is similar to yours. I'm not sure where to begin. I recognize some of the forces that are at work; I know I have a responsibility to mount a continuing program to plan and introduce change; I'm under pressures of all kinds to get moving (both forwards and backwards depending on where the pressure is coming from); and, subconsciously, I probably resist the whole idea of changing just as any other normal person does."

The problem of Hood and Miller is shared by thousands of executives: how to lead a business enterprise into successive radical changes in order to keep pace with accelerating technology and shifting social and economic forces.

New & Old Patterns

It is the purpose of this article to discuss some of the things top management should be doing to foster meaningful change. If some of the points we make seem obvious or well accepted . . . well, we know of too many failures caused by disregarding principles almost as old as history. So we have repeated some of the basics, at the same time noting danger signals for the unsuspecting executive who feels change is simple. On the other hand, we shall discuss a somewhat new approach to organizing for change because, in our view, the traditional patterns of managing are not adequate to cope with change factors in our swiftly developing world, and bold methods are called for.

The concepts put forth here should not be misconstrued to be some "magnificent obsession." Rather, they should be considered the "heart, blood, and guts" of a philosophy for growth which carefully marries the abilities of men and of machines to magnify the strengths of each in mastering a dynamic and improving business society.

We propose to examine the management of change under ten topics:

1. Recognizing the forces of change affecting you and your business.
2. Determining your ability to change.
3. Establishing a climate for change.
4. Involving people in change.
5. Organizing for change.
6. Generating action.
7. Planning change.

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8. Implementing change.
9. Minimizing risks and conflicts.
10. Providing leadership.

The list is by no means exhaustive, and each topic could be dealt with at length as a separate subject. Our purpose is not to cover this complex subject in depth, but rather to bring out the key points of a sometimes practical, sometimes novel, philosophy in order to stimulate thinking. Our views are based on a syndicate study in which we participated last year as members of the 46th Advanced Management Program at the Harvard Business School. A score of executives from a wide variety of companies and backgrounds collaborated in this study, which we entitled "Top Management's Role in Planning and Implementing Change."

Recognizing Change

No subject deserves greater attention from top management than planning and implementing purposeful change. Yet frequently it is very badly handled or virtually ignored. There seem to be two basic reasons for this:

1. *Failure to accept the inevitability of change* — Anyone can easily recognize and accept the changes which have occurred during the past 10, 50, and 100 years. But the flaw in the reasoning of many people is that they think of change as final rather than continuing. They somehow feel that the latest change is the last change — that there will be no more.

2. *Failure to comprehend the accelerating rate of change* — This shortcoming is perhaps due to the fact that a heavy proportion of senior management jobs are occupied by administrators rather than innovators — men whose inclinations are to operate the business tidily for today rather than to imagine what tomorrow might bring.

Consequently, the first requirement in grappling with change is to understand the forces of change and to gain an appreciation of the kinds of technological and social developments that are being introduced. While you should give particular attention to your own industry and markets, your research should not be confined to these areas. Curiosity about developments in all areas of human endeavor may be rewarding.

As part of this learning process, it would pay a senior manager to take a sabbatical to renew contact with learning institutions, either on a formal or informal basis.

A major responsibility of top management is to ensure that its organization has a capability to gather and analyze information on those forces which may have a profound influence on the corporation in the future. Forecasting must reach well beyond extrapolation of present activities and give particular consideration to:

• Long-term changes in size and nature of markets, including the effect of social, political, and economic forces locally and throughout the world.

• The long-term effect of technology on products or services.

• The long-term effect of technological innovation on all aspects of materials, manufacture, distribution, and so forth.

• Strategic moves by competitors.

Careful attention should be paid to the *timing* of forecast changes ("When will they come?") and the *rate* at which they will materialize ("How great will be their impact?").

Ability to Change

The ability of an individual or a corporation to change is closely interrelated with its success in recognizing the forces of change and establishing a suitable climate. These are all preparatory steps.

It takes time to undertake a program of change. In fact, just to stand back and gain a perspective of the forces at work requires many hours. And it means delegating increased responsibilities to subordinate executives, for this is essential if change is to be treated truly as a key area for top executives.

Ability to change successfully depends on:

• Willingness of top executives to devote substantial time to the process.

• Commitment of top management to long-range profit planning.

• Recognition by top management of the normal human reaction to resist change and the consequent need to adopt a strategy designed to overcome reaction.

• Achieving a tolerable balance in top management between administrative and innovative types.

Thus, as part of the preparatory work, a chief executive must take time to remove himself long enough from the frenzied activity of his business to get a clear picture of himself, his working colleagues, and his business so as to determine

their collective capability to lead in (let alone cope with) the race to higher entrepreneurial achievement.

He should ask himself how well he and his people have responded to change in the past. Who were the innovators? Who were the preventers? Were the moves due to a recognition of an exciting new opportunity, or a restless dissatisfaction with the status quo, or were they in reality forced by competitive advances?

Establishing the Climate

One key to success — indeed, to survival — in the future must surely be to generate an attitude that change is normal. Top managers must be change seekers. Their leadership role is to provide a climate for rapid improvement toward excellence. The success their business achieves in the future will be in geometric proportion to their understanding of, planning for, dedication to, personal involvement in, and self-motivation toward the implementation of purposeful change. For many companies this demands a reorientation in the thinking of senior executives. It means honest commitment to a new concept. Insincerity or lip service will soon destroy confidence.

To establish a suitable climate, a philosophy for corporate living should be developed and communicated. Here is an example of the kind of statement management might draw up:

The XYZ Company is committed to the following principles and strategy which we believe will help in establishing a climate of continuing success in a rapidly changing world society.

1. We must redouble our efforts for improvement and understanding in the area of human relations if the rapidly compounding developments in technology are to be effectively actuated and controlled in tomorrow's business.

2. All members of the corporation (employees and shareholders alike) must accept their moral and social responsibilities which reach beyond the corporate family to society in general.

3. Members of top management consider it essential that they become better generalists with a concept of the broad corporate goals, how they should be implemented, and the impact they will have on business and society.

4. Each employee will be encouraged to participate in purposeful change for improvement.

5. Top management will strive to develop the talents and conceptual skills of the members of the work force to a point where they become involved increasingly in the total corporate situation in concert with management.

6. Top management accepts its responsibility to make a concerted attack on uncertainties, imperfections, and variables to reduce their effect on the work situation in order to clear the road toward greater excellence.

7. Top management dedicates itself to —
    a. Establishing a positive organizational climate for change.
    b. Initiating and seeking out change.
    c. Planning so as to
        . . . maximize the happiness and usefulness of the total work force;
        . . . measure the advantages and disadvantages of instituting change;
        . . . react intelligently and rapidly to external change;
        . . . anticipate the overall effect of change;
        . . . time change for greatest beneficial effect.

8. Service should be maximized in a manner that is consistent with adequate profits.

9. The alternative to acceptance of these principles could result in loss of competitive position, reduction in profits, loss of prestige, negation of good work climate, and, possibly, eventual business failure.

10. Implementation of these principles will assure continuing healthy growth. Our corporate family will be assured a position of industry leadership with business and public acceptance.

But words, of course, are not enough. They must be backed up with action. Far too often flowery statements about planning, change, or new developments are included in annual reports, apparently to impress the stockholders, when in reality there is little substance to support them. The danger is that management will tend to believe that something is being accomplished. For example, we know of an instance where top management really felt it had an efficient long-term planning unit when all that existed was an undirected group of people doing market research in an indifferent way.

Involving People

Any change should be approached simultaneously on two fronts: the logical and the psychological. The logical aspects are concerned with

determination of all of the facts, forecasts, alternatives, and practical advantages and disadvantages of the situation. The psychological approach is required in order to gain acceptance of the change with a minimum of resistance. If the logical factors are often dealt with superficially, too frequently the psychological factors are wholly ignored.

Top Management's Role

The objective of establishing a suitable climate is to get people involved and committed. Top management's role in this connection should cover the following steps:

1. Stimulating an interest in purposeful change oriented toward improvement.

2. Understanding and communicating the elements or components of the change.

3. Selling the advantages of the change to members of the corporate family who may resist future change while enjoying the results of past changes.

4. Instilling the concept of progressive change which is so necessary to maintain equilibrium and concert in a rapidly changing environment.

5. Deciding the priority and timing of changes.

6. Integrating outside change into the corporate work climate.

7. Upgrading the tolerance level to change of those affected by it.

8. Coordinating and controlling change in the total work situation for maximum improvement.

9. Delegation of the authority for implementing change to those who will be both responsive and responsible.

The psychology of involvement might be expressed as follows:

• Plan change far enough in advance so that . . .

• All people affected will have sufficient lead time to . . .

• Understand the change and accept the need for it, then . . .

• Decide how their individual talents can be employed to contribute to the change so that . . .

• They can adjust their wants and needs to be compatible with corporate wants and needs so . . .

• They can receive recognition for improving the total work situation through . . .

• Solving an interesting and exciting problem which will . . .

• Prove beneficial to the corporate family (of which they are members) and to society in general through . . .

• Improved efficiency leading to lower consumer prices and higher profits which can be . . .

• Shared by the members of the corporate family in the form of higher wages and fringe benefits, more leisure time, happier work climate; dividend increases to stockholders; higher tax contributions for government support; and corporate grants of talent and capital for improvement in the area of social concern.

Strategy of Motivation

A simpler way to describe involving people in change might be to say that top management must become the motivators of middle management, and that middle management must become the motivators of the general work force. But this can only be done successfully if the hierarchy of needs of each group is recognized and understood; that is, in order to stimulate a group, you must know what its members will and will not respond to.

As a basic premise in this connection, it can be assumed that the corporation undergoing change is operating profitably in an affluent society. As such, we would venture to suggest that the basic needs — food, shelter, clothing — of the entire work force are already satisfied. Therefore, any attempt to motivate employees to accept change on the grounds of satisfying these needs is not likely to be successful. The appeal must be to satisfy higher needs — those in the areas of security, social interaction, and recognition and dignity. More specifically:

Nonmanagerial employees — For these people, participation should be structured to provide a broader range of skills, greater knowledge of the total corporate situation, more responsibility, and more group involvement with others throughout the company.

Supervisory and middle management — In the case of this group, the approach just described is not enough. Motivation should be directed to higher, unsatisfied needs by providing an environment where the supervisors can achieve greater influence upwards and downwards, be key implementers and communicators, and participate to a far greater extent in management situations.

Top management — Men at this level must be appealed to not on the grounds of satisfying personal needs so much as benefiting others — society in general or a future generation.

To the hardheaded businessman all this may appear to be an idealistic sop to coddle the work force. Our point is that management has fre-

quently failed to recognize that people's needs shift upwards as their lower needs are satisfied. Thus, to capitalize on opportunities for improvement brought by technology, the appeal in mobilizing human resources must be aimed at satisfying the higher needs of the individual.

About now you may be making one of these statements to yourself — "This is too idealistic." "Because of circumstances peculiar to our operation, this format won't fit our organization." "We're successful doing it the way we are now." "This is for the large corporate structure only." Or, "I wish we had the people with the capacity to accept this challenge."

We caution you. Keep an open mind. Begin to think positively about the application of this concept. Think of adaptations and modifications which tailor it to your organization. Don't be led down the primrose path of complacency toward management obsolescence.

Organizational Steps

One of top management's responsibilities is to set up the machinery for planning and implementing change in a way which encourages the maximum use of human resources and effort. To the chief executive going about this task, we would suggest the following practical measures:

(1) Never forget that you must organize for big changes, the kind which will revolutionize your business. There will be many of them; they will come quickly; they will be dramatic; they will be continuous. Therefore, you must think in bold terms to organize for them.

(2) Recognize that senior officers have a double responsibility: (a) they must keep operations running smoothly while (b) spearheading programs of change. Insist that they spend a substantial proportion of their time in planning, implementing, and controlling programs of change (not less time than 50% and possibly up to 90%). Also insist that they delegate responsibility for current operations to the greatest extent to subordinates.

(3) Fill top management positions with change seekers. Measure their performance by achievement in recognizing and introducing worthwhile improvement.

(4) Make provision for top management to be exposed to fresh thinking, both from within and without the company. Include men from outside the company on the board of directors, and try to arrange for at least one of them to spend a day per week for, say, three months working with senior officers or project teams. Also, invite a small group of selected senior or middle managers (not on the board) to participate, on a rotational basis, in meetings of top management as a means of communicating upwards and downwards as well as providing a means of training and selection.

(5) Arrange for weekly meetings of the directors, executive committee, or other top management groups to provide adequate time for discussion and decision on all matters pertaining to change. Change has become so rapid and radical that business must organize to deal with it much as a nation mobilizes for total war. A "war cabinet" which meets less frequently than once a week is neglecting its duty.

(6) Provide for flexibility in staffing the organization so that people are available to be moved quickly into new situations.

(7) Set up task forces to deal with projects involving change. Each task force should be composed of a number of individuals assigned on a part- or full-time basis and having particular talents relating to the purpose of the project.

One member of the task force should be appointed leader of the group. He should be given the authority and charged with the responsibility for guiding and motivating the group toward decisions, action, and achievement of established goals. A member of top management should be appointed liaison officer to the task force in order to provide for effective communication. He and the leader should together set the goals to be accomplished, plan the work, and decide on bench marks for measuring progress. He should also keep in close contact with the group on progress, offer encouragement, be available for counsel on problems, and extend congratulations and recognition on accomplishing goals.

(8) In order to promote freedom of thought and a feeling of participation, the leader should try to establish a climate that permits an egalitarian network of communication and action among group members rather than act in an authoritarian way.

There isn't anything particularly new or revolutionary about the the foregoing measures in organizing for change. They may be quite acceptable to executives — *in principle.* The real problem or danger is that too many corporations are overly concerned with preserving the status quo to organize for tomorrow's challenges and opportunities. The fact that their officers agree with the need to

organize for change does not necessarily imply that action will be forthcoming.

Generating Action

Keeping the foregoing needs and problems in mind, one can see a new pattern of management emerging in a few years.

Centers of Action

First, the top management team will be working in an environment that might be described as a "gravity center," to indicate a cohesive unit at the center of a corporate universe. Members of this team will devote their time and energies to thinking through broad concepts and their interrelationship with the corporation and the world at large; to acting as the climatizers of change; to providing the resources, motivation, and communication for achieving continued progress; and to demonstrating willingness to share the management situation with a growing number of members of the corporate family.

EXHIBIT 1 is a detailed picture of the gravity center. The operating board is made up of full-time executives of the corporation. They meet weekly to plan strategy and make joint decisions. The advisory board is comprised of directors who work for other organizations. (In the case of partnerships and sole proprietorships, the advisory group may be made up of the firm's attorney, CPA, banker, and one or two executives from the chief suppliers or customers.)

In this new pattern, at least one member of the advisory board works a minimum of one day per week with the operating officers for a 13-week quarter. This practice is continuous on a rotating basis. During the first orbit of temporary operating duty, he attends briefings on organizational structure, company philosophy, and current project status. He attends executive meetings with "voice and voting status." One day is spent in each of the major gravity center areas of plans, implementation, and controls. His second orbit is spent as a member and spokesman in "talent centers" at both central and field locations.

The rotating board is comprised of carefully selected middle management and senior officers who are not board members. The ages range

EXHIBIT 1. GRAVITY CENTER
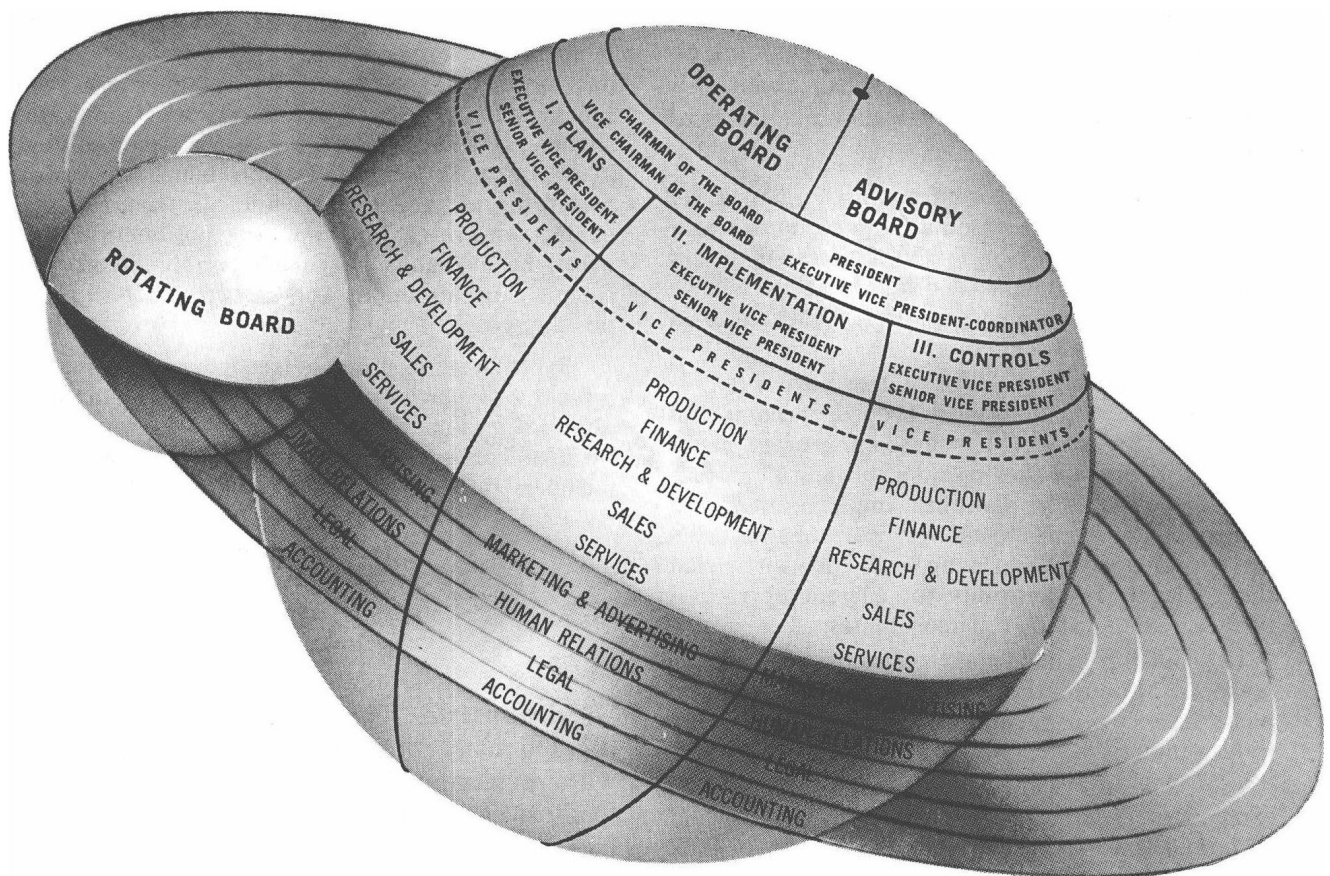
EXHIBIT II. TALENT CENTERS
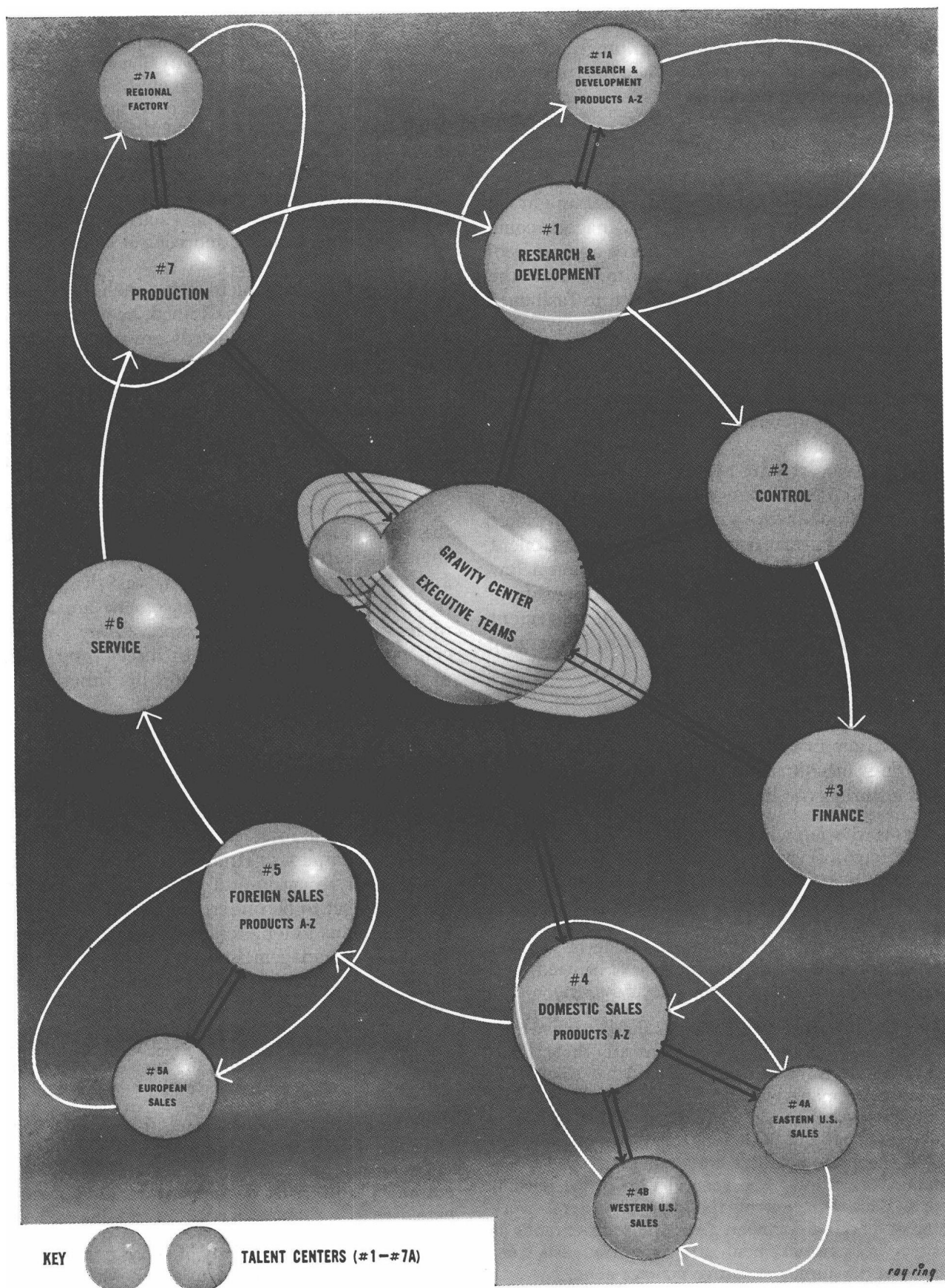
from about 25 to 50. Several members of this group serve on the operating board on a semi-annual rotating basis. They have "voice but no vote" privileges. This leadership program serves as a training and selection vehicle for future top management members.

Catalysts & Talent Centers

Also there is emerging a new and vitally important group in management, what might be called the "catalysts." These managers come from all segments of the work force and are people who demonstrate a capacity to harness the talents of members of a task force to fashion a positive, workable proposal for improvement from an innovator's wild idea. Catalytic managers are the key communicators and implementers; their influence increases as they participate to an increasing extent in the total management situation.

These catalysts are heavily involved with various task forces of change, called "talent centers" in recognition of the varied skills their members require. EXHIBIT II portrays a system of talent centers as it might exist in a corporation a few years hence. EXHIBIT III lists the distinguishing characteristics of top and middle management and the general work force under this emerging system.

Changing Needs

EXHIBIT IV is an attempt to depict the shift in the composition and needs of the total work force during the next 10 years:

⊄ At the *left* are shown four divisions of the work force of 1965, from the general work force to executive management, with ascending levels of needs. Here one sees, for instance, that junior executive management, having as a class attained most of its needs at the three lowest levels, aspires to recognition and dignity (next level of need) and rewarding realization (second level higher).

⊄ On the *right* side is shown the pattern which might develop by 1975. There are three main divisions of the total work force, rather than four. Future top management is made up of most of the present executive group and some of the junior executive groups. Catalytic management emerges and includes members from all segments of the total work force. The general work force is comprised of segments of the present general work force, marginal members from the present ranks of supervisory management, and some specialists from present-day junior executive management.

Each of these three divisions achieves satisfaction of a higher level of wants and needs in a maturing business environment. The striped color areas marked "holistic improvement" result from management's greater sensitivity toward and perception of the interdependence of the body, mind, and soul; because of this sensitivity, managers seek fulfillment in all three facets of the human dynamotor which, through interaction, contribute to the whole man. In short, as man ascends the hierarchy of needs, he is motivated to penetrate the jungles of his subconscious and soul in an effort to gain new understanding and control of his being.

In implementing such a program as that described, be careful that people's needs are not oversatisfied. This can lead to overstimulation and frustration as great as unfulfilled needs. Top management often has a tendency to swing the pendulum of action too far and too fast once it becomes enthused about change.

Also, the key to continuing improvement in this program weighs heavily on the catalyst. He should be carefully selected, constantly trained, and adequately motivated. The vast diversification of activity by top management and ever-increasing acceptance of responsibility by the general work force will be in direct proportion to the catalyst's ability to fulfill his function.

Criteria for Planning

Top management must insist that thorough plans be made before embarking on a program of change. The interaction of functional activities in a complex environment makes it essential to analyze cause and effect in every phase of the project to be undertaken. It is important to relate plans to long-range corporate objectives and to top management's statement of its philosophy on change. Here are some criteria to consider:

√ Be sure to establish the objective of the change (economic, social, political). Be sure that it is compatible with corporate goals and philosophies.
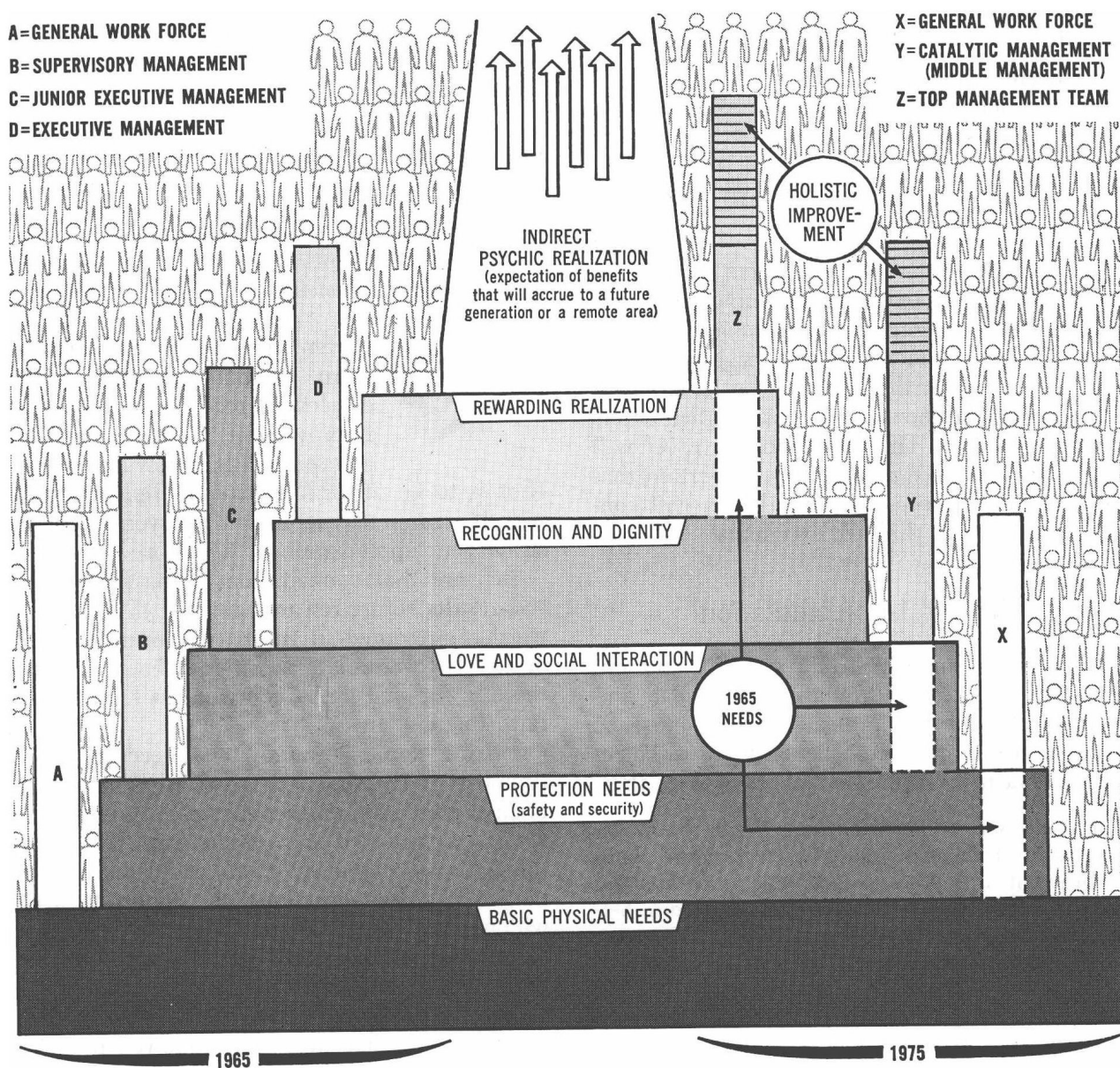
√ In analyzing the effect of the change, consider the outside world, the government, industry, the company, the customer, management, employees and the union as a group, and the individual employee.

√ Be sure to allow plenty of funds and time for problems which are bound to arise. Many worth-

EXHIBIT III. ROLES OF DIFFERENT EMPLOYEE GROUPS

TOP MANAGEMENT (GRAVITY CENTER)	MIDDLE MANAGEMENT (CATALYTIC ROLE)	GENERAL WORK FORCE (TALENT CENTERS)
1. LIVES THE TOTAL MANAGEMENT SITUATION	1. LIVES MOST OF THE MANAGEMENT SITUATION	1. LIVES PART OF THE MANAGEMENT SITUATION
2. EXERTS GREAT INFLUENCE ON THE EXTERNAL WORLD	2. EXERTS GREAT INFLUENCE UP AND DOWN IN THE ORGANIZATION	2. EXERTS GREAT INFLUENCE ON THE CORPORATE IMAGE
3. IS THE KEY CLIMATIZER	3. IS THE CHIEF IMPLEMENTER	3. HAS GREAT AUTHORITY AND RESPONSIBILITY
4. POSSESSES BROAD CONCEPTUAL PATTERN	4. ACTS AS THE KEY COMMUNICATOR	4. POSSESSES BROAD RANGE OF SKILLS
5. IS MORE FRATERNAL — LESS PATERNAL	5. IS THE CATALYST	5. IS GROUP-GOAL ORIENTED
6. HAS MORE "THINK TIME"	6. HAS MORE COORDINATING TIME	6. HAS MORE INTERACTION TIME

EXHIBIT IV. CHANGING HIERARCHY OF NEEDS IN AN AFFLUENT SOCIETY

A=GENERAL WORK FORCE
B=SUPERVISORY MANAGEMENT
C=JUNIOR EXECUTIVE MANAGEMENT
D=EXECUTIVE MANAGEMENT

X=GENERAL WORK FORCE
Y=CATALYTIC MANAGEMENT (MIDDLE MANAGEMENT)
Z=TOP MANAGEMENT TEAM

INDIRECT PSYCHIC REALIZATION (expectation of benefits that will accrue to a future generation or a remote area)

HOLISTIC IMPROVEMENT

REWARDING REALIZATION

RECOGNITION AND DIGNITY

LOVE AND SOCIAL INTERACTION

1965 NEEDS

PROTECTION NEEDS (safety and security)

BASIC PHYSICAL NEEDS

1965   1975

while changes fail because of inadequate financial resources to carry the schemes through periods of unexpected difficulty. Implementation rarely goes as well as planned.

√ Be sure to commit the plans to writing. If a plan has not been written down, it probably has not been thought through.

√ Be sure to consider the changes in working relations between the people who will be affected. This particularly applies to those in the middle and lower levels of the organization.

√ Before implementing plans, be sure to communicate them to those who will be affected by the changes. Prepare people for what is to come and give them the opportunity to rationalize the new conditions. Allow plenty of time for this step.

√ Be sure that responsibility, authority, and accountability for implementation are clearly assigned.

√ Begin change in an area where the chances of success and benefits are greatest. Minimize the risk of failure at the outset. Change is more acceptable if it follows a series of successful projects than if it follows failure. People like to play on a winning team.

Some managements become so enamored with change that they change just for change's sake. The results are negative — no worthwhile goal attained. Future changes will be viewed by the implementers with skepticism. The motivation to excel will be dulled. When making plans, be certain that the change is purposeful and that it will contribute to growth through excellence.

Project Implementation

Top management's strong support and enthusiasm must carry through the complete implementation of the project. People must be kept excited if maximum benefits are to be realized. Let us examine several ways to do this:

Enthusiasm — Those entrusted with the implementation of the plan must be enthusiastic about it and what it proposes to accomplish. Enthusiasm can be contagious, and people tend to perform better in an optimistic environment than in the "won't work" environment. It is because of this that it is so important to choose the implementers with great care and to ensure that they are sold completely on the plan.

Communications — Tell people what is happening to the plan; fresh news keeps people excited and receptive to further changes. There are cases in which extensive plans have been prepared and agreed on, but then nothing seems to happen. People become skeptical, old fears are re-created, and the initiative is lost. Just as it is necessary to bring those affected by the change into the picture early in the planning stage, so it is necessary to feed back the results of implementation as quickly as results are known. An expression of progress dispels fears, assures confidence, encourages the doubters to join the team, provides the background for further achievements.

Bench marks of progress — Participants in a new program become encouraged when they realize progress early. While word of mouth can contribute to this process, measuring accomplishments against yardsticks is a more meaningful way to demonstrate the point. Just as "a picture can be worth a thousand words," so in comparing achievements with targets, a chart or graph can be a valuable tool.

Rewards — These are tangible ways to motivate people to greater achievements. They are a concrete way to let those who are contributing to the success of the plan know that their efforts are recognized and appreciated. Rewards can be issued in the form of increased financial compensation, additional fringe benefits, or even a "well done."

Never fail to feed back management reactions rapidly on an employee's recommendations for improvement. If the idea is to be used, tell him how and when. If it is to be discarded, explain diplomatically why it is impractical. In either event, demonstrate your appreciation of his efforts.

Be sure that contributions bring forth positive results before rewards are issued. If the reward is presented in the background of doubt or merely to stimulate an interest that was never there in the first place, contributors tend to lose faith in the plan.

During implementation it is necessary continuously to reappraise progress. It is important to ensure that communications about the change have been received and understood. Failure in this area can obviously create problems not anticipated. Also, situations are bound to arise which were not foreseen. Therefore, constant reappraisal is needed to identify these conditions, and necessary modifications should be rapidly introduced.

Implementation should be followed up with

a careful evaluation of results. All aspects of the project must be compared with the plans previously prepared. Has the objective been achieved? How does the cost in money, time, or disruption of human and physical resources compare with what was anticipated? What errors were made? What was not anticipated? Top management has a lot to learn about dealing with change. The evaluation of results will provide valuable experience in planning the next change.

Risks & Conflicts

The inevitability of change, the reactions it provokes, and the accompanying pressures present a serious dilemma to top management. With so many alternatives, lengthy lead times, and heavy costs, the stakes are high and the risks are great.

Top management's obligation is to arrange the corporation's affairs so as to increase the chance of continued success and to minimize the likelihood of decline and fall. The following points are made with this in mind:

(1) Top management must expect some changes to fail. If *all* changes succeed, it can only mean lack of imaginative, competitive striving. Some failure should be anticipated rather than penalized.

(2) A lot of companies are organized against change because their compensation plan pays only for short-term profits. To be sure, a profitable base of operation is essential to organize and finance new opportunities, but the remuneration system must give encouragement to those who are spending research money today for a successful future.

(3) Innovators need encouragement from the top which frequently can be based only on belief rather than tangible results. Change requires innovators — those who have that quality of eccentricity which demands tinkering with the established order of things. The trouble is that this cuts right across the interests of the administrators — those responsible for keeping things running smoothly and routinely. The innovator or initiator, being the kind of person he is, is bound to come up with many impractical schemes which are shot down by the administrators. The role of top management, therefore, is to encourage the innovator because every so often he will come up with an idea that will keep the corporation living.

In addition, top management must continually reconcile the conflict between the administrators and the initiators. Chief Justice Hughes expressed it this way: "Conflict is one of the laws of life. It can be dangerous or it can be harnessed to progress."

(4) The time required to develop and introduce successful and bigger changes is increasingly long. Top management must resist the temptation to quit too soon.

 The real danger lies in taking the line of least resistance and in doing nothing, or practically nothing. It is often tempting to wait until strong pressures for change have built up, and everyone understands the need. But the real opportunities may be lost by that time. It may be too late to recapture the initiative.

Disservice of Lip Service

Above all, top management needs the courage to take carefully considered risks. Without such courage, much is lost, as the following example demonstrates:

After investing four years and considerable talent in building a pilot plan and a semiworks unit all at a total cost of about $4 million, a medium sized company abandoned an attempt to enter a new area with vast diversification possibilities.

The idea, the product, the entree came through the laboratory with strong support from the functional executives involved. But top management, while paying lip service to the undertaking, was not mentally adjusted to taking the risks involved, especially the prospect of moving into uncharted areas. Thinking and planning on the periphery went by default. Market research, distribution methods, and supplemental development needs for the project were pushed into the background. A favorable time advantage was lost, a competitor came to market with a similar product, and the project, with all its momentum and initiative lost, came to a halt.

While bricks and mortar had a residual value; time, effort, and motivational values could not be salvaged. The courage to implement change was lacking. The project was a failure. But the greatest loss was not time and money. It was the effect on mental attitudes toward future change.

Seeking Change Seekers

Who will be the leaders in the new age of accelerating change? Do they need to be different kinds of people from those who are now in command? In our view, the functions and qualities of leadership will not change. So much has been written on this subject that we ought not to dwell further on it except to emphasize the increasing demand for men possessing the

basic qualifications of leadership which have been recognized since the dawn of history.

However, for three reasons we believe that consideration should be given to appointing men with leadership qualifications to top management positions at an earlier age — say, 35 to 45, rather than 45 to 55 — than is commonly done at present:

First, it appears that a man's motivation is likely to shift fairly quickly after the age of 45. By this time his needs have been either satisfied or he has rationalized them, accepting that they cannot hope to be fulfilled and thereby achieving a compromise with life's frustrations. Yet this is the very period when most men now reach top management positions and are expected to lead people into new challenges.

Second, there is the problem of energy. Keeping an existing operation running smoothly requires much less physical and mental energy than introducing change which involves longer hours, more complex problems, more contacts with people, and unusual situations with accompanying stress, anxiety, and disturbance of accustomed habits. As most managers grow older, it would seem that they are less able to withstand the physical and mental rigors of administering change, although their ability to run a routine operation might be undiminished.

Third, there is the problem of assimilating new technology. There can be little doubt that our ability to lead decreases with age. While those at the top need not be technical experts, they must understand the fundamentals of rapidly developing technology. They must also be able to relate it to the social and economic environment. The older a man gets, the more difficult it becomes for him to fill this role adequately. Indeed, many senior executives might privately admit that they now "fake" their way through.

For these reasons, development and appointment of men for top management positions must take place at an earlier age. To be sure, provision must be made for exceptions — for those men who only begin to flower at middle age and those who at the age of retirement have more energy, imagination, knowledge, and dedication than those half their age. But remember that *most* men are not of this order. To get the quality and quantity of change seekers needed, candidates must be developed younger and brought up fast.

This poses the problem of what becomes of men who have served their terms as change seekers in top management but who still have many working years ahead of them. We would suggest that they continue with the corporation as operating managers; that is, continue in a role requiring a high level of administrative skill but much less innovating ability. Under business society's present thinking, this is usually unacceptable to the individual because it means loss of dignity and income to accept a subordinate position once one has had command. But if it became the practice for appointments to top management to last only a few years, say 5 to 10, for the primary purpose of providing innovating thrust, and if reappointments were accompanied by suitable rewards and recognition for achievement, then we believe that this new role could become acceptable.

This will take some doing, but the courageous chief executive who successfully tackles this problem of change will put his company in a leadership position in two ways. He will provide an effective capability to deal with change, and he will give his people a feeling of participation, achievement, and self-respect.

No great improvements in the lot of mankind are possible, until a great change takes place in the fundamental constitution of their modes of thought.

— *John Stuart Mill (1806–1873)*