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People management in work organizations: Fifty years of learnings

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Contents

This note is about what I have learned about the best ways organizations manage their people in my wonderful career working with, studying, and writing about work organizations. In my career I have always had two foci when working in, studying and writing about organizations: (1) in what ways does the management of people get reflected in how successful they are in their marketplaces and (2) what are the consequences of people management tactics for the people in those organizations. My most fundamental learning is that the two foci are intimately related and that is the story I want to tell.

What I have to say may not be new in the details but in the package or bundle I have identified that make for success with people and, through them, organizational success. You can read lots about everything I write about as separate topics but it is tough to find in one place a relatively compact and relatively comprehensive picture of people management and its consequences. So, I present this integrated bundle of what I have learned about work organizations that are successful both with their people and, as a consequence my work shows, also in the marketplace.

Most importantly the burden for people management and success through people rests on the CEO and his or her senior leadership team[2] attending vigorously to a set of interre-

[1] I appreciate the comments on an earlier version of this paper by Katherine Klein, George Hollenbeck, Rhody Downey, and Lee Schneider; the *Organizational Dynamics* editor and four very constructive reviewers helped improve the paper in many ways.

[2] I write this article from the perspective of my work with large work organizations. I have not worked with or studied many smaller organizations though I know 75—80% of workers work in organizations with fewer than 500 people. So, when I say the CEO and his or her senior leadership team, this can mean a single person with two or three employees as well as with 100,000 employees. In this case the CFO, the CHRO and so forth are all the same person but the same principles apply.

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lated policies, practices and procedures vis a vis people. They must ensure that people are carefully hired who fit the company and the jobs that need doing. They must engage their people by communicating with them frequently and consistently about everything (the present and likely futures), by being fair to them, by supporting them and, in general, treating them as assets. They must lead them by serving as role models for what they want done and how they want it done. They must choose specific strategic goals—and continuously alter them as times change—on which to focus their employees' capabilities and energy. They must make it perfectly clear through their behavior that they understand that achievement of those goals can only happen when there exists a strong positive culture of well-being that has been created by how they deal with their people.[3] I note some details about these central people management issues in what follows.

HIRING PEOPLE

There are no organizations without people. Years ago, I wrote an article called "The People Make the Place." This may be my best known work and in it I argue that what an organization is depends on the kinds of people there—the people who are attracted there, the people who are selected there, and the people who remain there. Accounting firms are different from advertising agencies because different kinds of people go into these occupations. Chrysler is different from Mercedes because they have different foci in the design, servicing, selling and manufacturing of cars—so they could not make the merger work because they had different kinds of people. Think of what it would be like to merge Starbucks with McDonalds or Target with Nordstrom? What an organization is and how it does its thing in part determines who will be attracted to go and work there and stay there. What the organization looks like and feels like to those who work there and those who come in contact with it—like suppliers and customers and the communities in which they function—is largely determined by the people there. Successful organizations have HR systems for ways to attract, select and retain people who fit the jobs there, the ways the organization works, and the strategic goals senior leadership has targeted.

Just like companies differ from each other in the kinds of people in them—as do occupations—so do jobs differ in the kinds of people who are effective at doing them. People differ in their skills and their personality and their motivations and the challenge for HR is to find the right people with the right attributes to do the variety of jobs that need doing. I am shocked by how poorly these vital choices organizations must make are sometimes handled. It is almost as if senior management feels people are completely interchangeable—like batteries in a flashlight—and that the specific skills and motivations they bring to a job are not even worth considering since all that is required are warm bodies. Some companies will have the hiring manager do an interview with a candidate or look at a resume and think this is the way to hire people. But this is like choosing a pilot based on an interview by someone who does not know how to do interviews and is therefore not equipped to make valid decisions. And, anyways, would you fly on a plane where you knew the pilot was hired after a five minute interview with a manager at the airline? Senior leadership through HR must ensure that those who do the hiring understand that they are hiring the "pilots" who will be "flying" the company and that the decision they make must be based on valid evidence.

I have designed interviews and tests and simulations for companies for all kinds of jobs—and have written a book in its third edition about the topic. The startling thing is that Peter Capelli of the Wharton School at the University of Pennsylvania has shown that about 60% of all hires are made without any formal testing of their ability, job knowledge or aptitude, much less their personality. Formal tests and simulations can be used to document numerically where candidates for jobs stand compared to what research shows is required for effectiveness, persistence, and good fit to the organization and its ways. So, simulations that get at the kinds of skills and persistence required by specific jobs can be designed for all jobs, and structured interviews that target competencies and personality that get at the fit of the person for the job and the company can be designed as well. HR should emphasize to everyone that formal validated tests plus simulations plus carefully developed structured interviews yield a system that will develop valid evidence for the hiring managers who make the final decision. Such a system will permit hiring managers to see only qualified candidates—and then they can choose among them.

HR and the hiring manager are not and cannot be blind to issues having to do with differences between people that are irrelevant to job performance like race, gender, sexual orientation, disabilities, and age. We all have implicit biases about people who are different from us as a function of where and with whom and how we grew up and we have to learn to explicitly confront those stereotypes and biases and be sure they do NOT play a role in our decisions. Well, you say, talent will always rise to the top like cream in a bottle of unpasteurized milk.

But, consider this. In 1970 about 5% of the top five orchestras in the U.S. were female but the advent of auditioning for new members using a screen (so they were not observable to the judges) changed that percent to 25% by the year 2000 (and now it is likely 40% (https://www.nytimes.com/2019/12/23/arts/music/women-vienna-philharmonic.html). Two economists, Claudia Golden (of Harvard) and Cecilia Rouse (of Princeton), showed in a field experiment that the use of the screen increased by 50% the probability that a woman will be advanced in the auditioning process.

We are not likely to get hiring managers to make decisions with people behind a screen but for surgery in hospitals we know that checklists given to surgeons prior to them operating cuts down significantly on errors they might make. Think about that for a moment: a simple checklist cuts down on errors in surgery—wrong foot, incorrect side of the brain, bladder not kidney and so forth (see the World Health Organization surgery checklist at: https://kitaylaw.com/do-surgical-checklists-reduce-medical-error/). CHROs must ensure that every hiring manager has a checklist of irrelevant

[3] At the end of this note I present, for each topic I cover, a list of suggested readings that could be of interest. If I mention someone's writings in the text, it will be available in detail in the selected bibliography.

issues in making the decision and that the checklist must contain at a minimum issues having to do with gender, race, sexual orientation, disabilities, and age—just to be sure they are not a basis for the decision. This works because it stops people from making offhand and impulsive decisions and forces them to stop and think—and gain some control over their implicit biases. No one is immune to implicit biases; own up to that fact as you do the checklist.[4]

For some time now senior leadership in companies has been claiming to try and improve the ratios of under-represented groups in their hiring, promotion, and pay decisions—but the evidence is not good they are succeeding. It is difficult of course to succeed when the history of a company and its leadership is to make decisions and take actions about people the ways they always have. But we know it is possible when specific goals for representativeness are set and achievement of those goas is monitored to make it happen. If you doubt that look at Andrew Parks' *Harvard Management Update* about diversity and inclusion at Coca-Cola where they set tangible and measurable (not "do your best") goals and timetables and monitored progress against them. True, Coca-Cola was operating under a consent decree after being found guilty of discrimination but by setting specific goals and timetables for representativeness across hiring, training, promotion, pay and so forth—and by monitoring accomplishments against those goals—within five years it was able to show somewhat startling progress as detailed in Parks' *Update*.

In summary, Peter Capelli titled his very informative *Harvard Business Review* paper on hiring that I mentioned earlier this way: "Your approach to hiring is all wrong." And in personal communications I have had with him he summarized his work on the issue this way: "The most stunning thing about contemporary hiring is lack of interest in the quality of hires. Companies track time to hire, cost per hire, and rarely quality of hire." Hiring can be and must be done right because organizations are the people in them—the people make the place—and you want the best fit, the most qualified, and the most representative for your organization.

The evidence for the benefits of having in place techniques for making smart hiring decisions like I have promoted here is so overwhelming I almost forgot to make that point! Industrial and Organizational (I/O) psychologists have demonstrated for more than 100 years that great improvements in the performance of the workforce are achievable through the use of these formal aids to making hiring decisions. Check out the books and articles I have in the Selected Bibliography for the evidence; this hiring stuff produces significantly more effective people who fit the job and enhance the probabilities of success for companies.

ENGAGING PEOPLE

If you give it just five minutes thought, you have to be astonished by how engaged and committed people are to their jobs. The recent Pandemic has shown this so vividly with health care workers literally devoting their lives to helping Covid 19 victims, to the U.S. postal service workers continuing to deliver the mail, and to EMTs working at all hours of the day and night. Here is the rule: people will be engaged and committed if you let them. The problem is that in so many situations I have encountered there are roadblocks placed in the way of people being engaged. Recently, for example, with people working from home, some companies were monitoring their workers' every moment via their fingers being on their keyboards or not. This is an astonishing way to get people to be productive—by showing how little you trust them!

Trust is at the key to engagement and commitment. When people trust their company they feel safe to be engaged and committed; when they do not trust their company, forget it. Senior leadership earns the trust of their people by always acknowledging that their people are humans with feelings and not robots, by never going back on a promise, and by understanding what their people think are the promises the company has made to them. So, as Denise Rousseau of Carnegie-Mellon University has so elegantly shown, people have psychological contracts with their employers—expectations and beliefs about their relationship—but it is quite remarkable how many companies are unaware of what these are. Let me list a few.

Communication

My work and others' (for example, Michael Beer at the Harvard Business School) show that people are engaged and committed when they know what the heck is happening in their companies—and likely to happen in the future. So, people want to know not only details about what exists in the present and how we are doing but what may exist in the future as market demands and society may change, Knowing about possible futures before they happen is psychologically helpful or, as Beer puts it, such knowledge helps people fit.

They are even more engaged and committed when they feel they have input into what is happening and will happen. And what they hear might happen must be updated with what is actual so there are not a lot of surprises and inconsistencies or ambiguities in what they hear. During the Pandemic senior leadership in most companies realized how much they had to communicate with their increasingly dispersed and at-home workforce through a variety of technologies. The lesson learned should be that this is the way they should have been communicating with their people all along. Ambiguity is deadly to people and it is the job of senior leadership to reduce it through communication—and reducing ambiguity increases trust.

Not always understood is that communication is a two-way street; Mike Beer speaks about conversations, not communications. Managers at all levels who think they have to just *tell* their people do not get it; companies have to listen as well. Companies in which their people feel they are listened to trust those companies and are engaged and committed. How does the trust of senior leadership emerge for people?

Fairness

People expect to be treated fairly. This means that *what* they receive in the way of rewards must be commensurate with

[4] If you think you do not have these biases please read the book by Banaji and Greenwald and go to this website and take this test: https://implicit.harvard.edu/implicit/takeatest.html.

their performance. It also means that the *procedures* for how rewards are determined must be fair and clear. There are few secrets in companies about who got what recognition or rewards so it is imperative that people feel that they were fairly treated compared to the way others are treated. The star sales person who is known by others to cheat on her reimbursement requests and the construction worker who sets more roof tiles than anyone else by failing to pay attention to safety guidelines but gets the biggest plaudits is a disaster for people feeling they are being fairly treated. The rule is to never reward/promote someone who fails to play by the rules since everyone will know it. I was involved in a project about how job applicants experienced the hiring process and we showed that the more fair they said the process was (they had to have an interview to feel it was fair), the more likely those applicants were to purchase the company's products and services—even if they did not get a job offer!

On the issue of listening, I have had a lucrative consulting practice doing organizational diagnoses for companies. These diagnoses are done to gather information from the people in the company so that senior leadership has information from people who do the work as input into plans for the future. I keep telling senior leaders that I am perfectly happy to take their money to listen to their people but perhaps they should be out there doing the listening. They rarely listen to me.

Supportive organization

Senior leadership needs to actually demonstrate—not just say—that they care about and for their people. People show up for work to get paid; they are engaged and committed when they implicitly feel they want to pay back how their company supports them. As James Kurtessis (of George Mason University) and Bob Eisenberger (developer of the perceived organizational support construct) and their colleagues show in a meta-analysis (a study of studies) of this research literature, people who feel they get support believe that their company really cares about their well-being, extends itself to enable them to do their jobs to the best of their abilities, and cares about their opinions. So, research repeatedly shows that in companies where senior leadership actually provides the resources needed to be able to be productive (e.g., through health care, break times, balancing work and life demands, and so forth), then their people are more engaged and committed. They are also less likely to be absent, to be an addict (of pills and/or alcohol), and to have accidents, and they are more likely to stick with the organization as it copes with a demanding and ever-changing future. And, lo and behold, the research shows that such companies have higher levels of customer satisfaction and profits too (details later)!

Treat people as assets, not liabilities

This will require re-educating the financial folks in companies. I recently read Richard Thaler's autobiography *Misbehaving*. Thaler won the 2017 Nobel Prize in economics for his work on behavioral economics, otherwise known as psychology. Thaler documents how resistant economists and finance people both in academe and industry were to the introduction of human psychological issues into the rational economic man theories that pervaded these fields. As Thaler notes, MBA students take more courses in Finance than anything else and they learn that there are assets (property, equipment) that companies have and there are liabilities that companies have—and guess where people are on the balance sheet? Fixed costs; liabilities. Think about the psychology of believing people are liabilities! People are sometimes just fixed costs to those in Finance so the logical thing to do is to keep them minimized. The fact that managing people in ways I am describing produces sales and customer satisfaction and lower turnover and absenteeism and higher levels of engagement—these are all more difficult to assess in dollar terms though there are a number of recent articles by me (and others) that document how employee engagement gets reflected not only in individual job performance and good citizenship behavior but organizational financial performance as well (see my Schneider et al., 2017 reading in the selected bibliography).

When was the last time you saw on a company's quarterly report the level of engagement of the workforce? Or saw numerical evidence on the diversity and inclusion initiative announced with such fanfare? I worked with one company where the work I did with it resulted in two senior leadership meetings per quarter, one to discuss financial issues and the other to discuss people issues. I recommend this practice very strongly to senior leaders because doing so will send a very clear message about how important they believe people are.

Companies that fail to think about and identify the unintended human consequences of their obsession with short-term financial decisions are doomed to have to live with them. Recently companies had difficult questions to answer due to the Pandemic. For example, lay off workers during the Pandemic vs. put them on lower salaries so their lives are not horribly interrupted and they will be available when it is time to reopen? Close the restaurant or keep it open to produce meals for people who need them—like for those who were working extended shifts in hospitals? Many companies did the right "people" thing taking a longer time perspective when possible—and they will benefit long-term from this because of the message it sent to the employees about how much senior leadership values them (e.g., see this Wall Street Journal article: https://www.wsj.com/articles/companies-try-to-preserve-jobs-by-cutting-pay-amid-cororona-virus-crisis-11585906200). In addition, the fact that the U.S. Government facilitated such preservation of work and salaries through the Paycheck Protection Plan was very important to say the least.

A similar people orientation mind-set should prevail with regard to technology as COO thinks through future technology. John Boudreau (of the Center for Effective Organizations at USC) and I are now asking this question: How can new technology (e.g., AI) be introduced into a company by senior leadership and managers in ways that make sense for the people who will be affected? How AI is introduced and the reasons for AI purchases must be seen as simultaneously considering the human issues (need for upskilling, need for changing what facets of the work are best done with human attention) with the potential for efficiency and cost-savings. All levels of management must be sensitive to the negative unintended human consequences of their decisions that look to be doing this for purely short-term financial reasons. Job analyses conducted with employees who might be affected to help identify the best AI to purchase that will capitalize on human as well as technology capabilities will help (a) produce important information for the fit of the new AI to the company and the job as well as (b) demonstrate through action that human issues are being taken into account and that senior leadership is listening.

I have been tough on the CFO and his or her staff but they do not stand alone in sometimes ignoring the effects they have on how people experience the company. For example, I have done numerous studies of the relationship between the service orientation employees report their work unit or company has and how customers experience those same units (bank branches supermarket department and sales regions). When I began doing these studies it was almost impossible to get Marketing to share customer satisfaction data with me so I could link it to employee survey data to examine the relationship between the two. It is a bit easier now with the data analytics movement gaining strength but it is imperative that data from various functions be able to be linked back to the experiences the people have. Speaking of Marketing, one of the key items in my service climate measure is this one: "We are well-prepared by Marketing for the introduction of new products and services." When employees in a unit respond positively to this item there is higher *customer satisfaction* in those units.

Actually, one of the most comprehensive combined consulting and research efforts I have done was in a chain of supermarkets where the lead person I worked with in the company was the COO. He understood that how the people experienced their work world would to be reflected in customer satisfaction and sales—and, by golly, we showed that to be true.

In summary, there is no silver bullet to managing people but a series of interrelated policies, practices and procedures that send messages to people that they matter and are cared for. I interviewed once with a company that was potentially interested in hiring me to do an organizational diagnosis of their people practices. One member of the senior leadership team interviewing me said this: "We are interested in discovering how we can become lean and mean." Before I could stop myself I replied "You can become lean without becoming mean." I did not get the gig.

The central issue in effective people management after having the right people is one of trust and how senior leadership and management at all levels develop it and maintain it and enhance it. They do this through consistent and frequent communication about where the company is headed and how it will get there with their peoples' help, by treating employees fairly both in the procedures used to determine issues like pay and promotion and the outcomes they actually receive in the form of pay and promotion, by supporting employees with the resources they require to do their work and demonstrating an understanding of their psychological contract, and in general treating people as assets and not just fixed costs. These kinds of conditions, when positively carried out and implemented, yield people who will devote their energies and competencies to doing their work effectively and in adapting with resilience and agility to changes in their companies and their work. People take on increased responsibilities (to help newcomers learn the ropes, for example), they craft their jobs to make themselves more effective, and they tell their friends and family about what a great place their company is to work for; the employer brand is enhanced which circles back to the attraction of not only more applicants but people who will fit the company and be more qualified.

And, when the chips are down, recent research by Jim Harter (of Gallup) and his colleagues shows that business units and companies that score more positively on their G12 measure of employee attitudes significantly out-performed lower-scoring companies during periods of recession. I need not go into the details here but the meta-analysis they did of 171 companies reveals this very powerful effect for positive employee experiences, especially in times of turmoil—perhaps like the current Pandemic. Engaging the people now produces the best they have to offer when the company needs it most.

LEADING PEOPLE

As is likely clear from what I have presented so far, my own research and consulting as well as the work of many others indicates that it is the actions by the CEO and his or senior leadership team that are really critical for how people experience their workplaces. In short, they are the role models for everyone and to be effective with them they must become a positive presence in the heads of their employees through their behavior. These top-level people set the tone for where the company is headed and how they are going to get there, what its challenges are now and in the future and how they, with their peoples' help, will meet them. And they are explicit and consistent about the ways people will receive the support they deserve and on whom the company so desperately depends.

I have recently completed a major study that reveals how important senior leadership is. It was a study of workforce engagement—the average work engagement of people in companies—and its antecedents and consequences (see the Schneider et al., 2017 reading under the engagement topic). This was a study of peoples' experience of engagement in the work they do and you might suspect that it would be the characteristics of the work itself that would be the lead antecedent of work engagement. You would be wrong. The lead antecedent of work engagement was the regularity and clarity with which senior leadership communicated with its employees about who they were and where they were headed. Importantly, work engagement was in turn a statistically significant correlate one and two years later of organizational financial performance (Net Margin and ROA), customer satisfaction (the American Customer Satisfaction Index or ACSI) and corporate reputation (the Harris Reputation Quotient) for 102 companies from diverse industries.

The CEO and his or her senior leadership team must be an active presence in people's lives. They cannot hide in their corner offices (or in the Hamptons during the Pandemic) and expect their people to be engaged and committed; they are role models for how to behave and for ensuring their people know what is important to them for the long-term success of the firm. I know there were many CEOs and their senior leadership teams who took pay-cuts to lead by example and I am willing to bet it will be the people in those companies who have been and will be most engaged and committed and resilient and agile in the difficult times ahead—because they will trust their senior leadership.

But sometimes, these role models do not do the right thing by their people and the consequences are severe for all concerned. Look at what happened at BP with the stress on productivity at all costs including safety. Or think about Wells-Fargo where branch people had goals they had to achieve or be fired yielding a plethora of illegal sales to customers versus customer service. Regaining trust of employees and customers in these circumstances would be of course near impossible, especially in the short term.

Senior leadership and managers at all levels have to ask themselves this question—how is what I do likely to be interpreted? If they do not anticipate the unintended as well as the intended consequences of their actions they are not doing their job because, like it or not, what they do will be interpreted for its deeper meaning. This is a good segue to the topic of organizational culture, climate and change.

ORGANIZATIONAL CULTURE, CLIMATE AND CHANGE

Culture and climate

Culture and climate are the unwritten senses employees in organizations develop about how their organizations function and what it values (culture) and where their energies and competencies should be focused (climate). Culture is about how the organization goes about its daily life while climate is the focus of that daily life (service safety, innovation). The two are both important for an organization to be effective, with climates being built on a positive and strong foundation of culture. Culture and climate are absorbed by people through their everyday experiences and daily interactions with others, and they serve as implicit roadmaps for daily life. As such, they can become subconscious messages for how to behave and on what to focus; they reduce ambiguity for people about how to go about their daily work lives and on what to focus. Charles Duhigg (of the New York Times) calls these organizational habits, the habitual behaviors we engage in at work without even thinking consciously about them.

Readers will likely have guessed that the learnings I have so far presented have emphasized what makes for a people-oriented culture in organizations—the senior leadership is seen by its people as valuing people and goes about its daily life by treating people fairly, supporting people, by engaging its workforce, and by serving as role models for "the way things are done around here." That is, I have described in some detail what senior leadership in organizations does vis a vis people through the policies, practices and procedures they implement and promote and the actions they take—or fail to take. While I have emphasized repeatedly that senior leadership must be clear about the direction the organization is going, I have focused less to this point on the people management issues necessary for employees to have a clear sense of the focus or foci necessary for them to facilitate strategic organizational effectiveness. In short, I have written about how to engage people at work but not *in* what or *on* what they should be engaged.

Climate is about more specific tactics and strategy implementation and the policies, practices and procedures that emphasize more immediate company goals, e.g., for service, for safety, for innovation. There is substantial research that shows that strategic climates produce the outcomes that are the emphasized; this is especially true in the areas of safety and service. Dov Zohar (of The Technion in Haifa, Israel) has repeatedly shown since 1980 how safety climate gets reflected in lower injuries and accidents and I in the same time period have shown how a service climate produces higher levels of customer satisfaction—and organizational financial performance as well. Ying Hong (of McMaster University) and her colleagues document this in a meta-analysis (a study of studies) of the service climate literature. Indeed, Jeremy Beus (of the Department of Management at Louisiana State University) and his colleagues have recently shown in another meta-analysis convincing evidence that strategic climates of all kinds produce statistically significant effects.

Lisa Nishii (of Cornell University) demonstrates, for example, that a climate for inclusion can also be a focus for a company. This is created through people management policies, practices and procedures that begin with who gets hired, how senior leadership and HR manage the engagement and commitment of generally under-represented people (earns their trust, treats them fairly, communicates with them honestly and listens, to them) and then serve as role models for how people with all of their differences are managed. Strategic climates rest on foundations of positive and strong cultures. So, it is tough to have a strong and positive service climate or a strong and positive climate for inclusion in a weak and/or negative people culture.

We know for sure that cultures that promote the well-being of their people are generally more effective and that climates that focus their policies, practices and procedures on specific strategic outcomes are more likely to achieve those outcomes. So, culture has to do with enabling people to feel comfortable with where they are and how the company works and climate has to do with at what and on what people think they should be focusing—safety, service, innovation.

Ed Schein (emeritus at the Sloan School of Management at MIT) has shown in his research how culture is very early determined by the founder and his or her actions and the people brought on board to be colleagues. They then try to find the keys to success—and the actions they take that produce success become the ways the organization will begin to function going forward. So, if the organization is successful early on with people working in teams, then teams will persist; if the organization is successful early on by being active on the internet with blogs and such, then this will be a style for the organization going forward. If the firm is a manufacturing firm and it also wants to create a climate for safety then it must focus in on safety in its people practices. What does this mean? It means it must hire people who are more likely to be safe (e.g., high in conscientiousness), it must invest in safety as well as productivity, it must continuously communicate how important safe behavior is, it must publically track safety (reportable accidents and injuries), and it must ensure that people who are unsafe never get promoted or recognized no matter how otherwise productive they may be. The rule for climate is to focus policies, practices and procedures on what is deemed critical for success; success is not just how the organization functions on a daily basis but on what it focuses.

In summary, a strong and positive organizational culture provides a firm foundation on which to build the important strategically-focused climates that are necessary for organizations to meet important strategic goals.

Organizational change

I have a different take than many on organizational change. Change for me is an ongoing process continuously managed by the CEO and his or her senior leadership team; change is not something that is done only in an emergency (except of course like for the recent Pandemic). This continuous change process I envision is built on the trust created in the people of a company by how they are treated; this trust provides a foundation on which people are willing to have their foci altered or even re-directed because they hear the senior leadership team continuously communicating about where the company is and where it is headed and how important their people are to make success happen. So, in my way of thinking, by continuing to do the things that engage people—having the right people, communicating, treating them fairly and supporting them—companies create a firm base on which to ask their people to respond in new ways as required for the organization to be successful.

Elaine Pulakos and Tracey Kantrowitz (both of PDRI) and I have been writing recently about what we call the "stability-agility paradox." This paradox is that senior leadership can be agile moving forward when it has created a sense of stability—trust—with its people. In a recent research article we showed that agility (and resilience—which was highly correlated with agility) was best predicted by people experiencing the company as being stable—people trusted the leadership of the company. The data on financial performance of the 95 very diverse companies studied showed that companies scoring in the top third on agility/resilience had 150%—500% higher performance than those in the bottom third for ROI and ROE, respectively.

If you find some books on organizational change you will see that change is seen as difficult if not impossible. I used to believe this—and it is likely true for companies where senior leadership has the company operating in a particular style and market niche while not exploring alternative ways of doing things or alternative foci. Senior leadership and management and employees at all levels get comfortable with standard ways of doing things and standard foci—and as the world changes, it finally becomes clear that change is necessary.

I have in my head from working with companies a model of organizational functioning based on the principle that tension is a good thing at moderate levels—too low and too high yields decrements in performance. I think that senior leadership, as I have continuously noted, must through its communication continuously note where the company is and where it may be going so that people experience moderate levels of tension and do not become stagnant. The challenge faced by senior leadership who see the need for change all of a sudden is to manage a change process that will be difficult for all concerned—and perhaps produce levels of tension that are too high.

The usual need for sudden change is stimulated by not achieving performance goals, by suddenly identifying new competitors in the marketplace who are aggressively pursuing and out-delivering to existing clients, and by suddenly becoming aware of disastrously low customer satisfaction and high customer defection data. In such circumstances, the model for change to be adopted is to think about a sequence of steps necessary to stimulate new ways of behaving and thinking; to begin a process of new habits. So the steps might include (a) the CEO and his or her senior leadership team committing to a multi-year change process to achieve new goals and priorities on which they agree; (b) creating forums for listening to a broad cross-section of the managers and employees of the company about what needs fixing to achieve these new goals and objectives (through surveys and focus groups by in-house HR and/or consultants); (c) committing to a plan to communicate consistently and persistently as the change process unfolds about how it is proceeding; and (d) ensuring that participation by all in the process is recognized and rewarded. The change process may include exploration of new kinds of hires (including on the senior leadership team) to better fit new jobs and the new company; it may include identification of ways to ensure that during the change that fairness and trust are key issues to maintain and enhance and that open forums led by the CEO and senior leadership where they answer queries are a routine occurrence. My experience and research shows that the collection of data from all levels of management and all kinds of employees about what needs fixing—they know all too well what is not working—can be an important source of what needs changing while simultaneously acknowledging how important people are to the change envisioned.

The model of change to have in one's head is the model of the formation of the organization in the first place: the senior leader (founder) is critical, those who get hired have to fit the new company and/or the new jobs, people need to be communicated with continuously and consistently, people need to be supported and treated fairly, and tangible goals and timetables for accomplishing specific outcomes (both internally and externally) must be monitored—and reported out to all. But it is better to have continuous change than sudden change for sure.

If you want to see organizational change in action try watching an acquisition unfold. I have done several post-acquisition organizational diagnoses as companies struggle with integrating two previously independent companies. The most important thing I learned from these diagnoses is that the future will be determined by the people put in place in every function and at every level to serve as the models for how the future organization will work. So, the acquiring company is effective at integrating the two firms when it takes a cadre of its best people and puts them in place throughout the acquired entity to show how the future will look and feel to the people in the acquired firm. Once again, the rule is that the people make the place. Given this rule it is essential when radical change is required to ensure that the people who can make this happen are in place. Especially at the senior leadership level, the chances are not good they are already there or they would not have let the need for radical change happen.

An example of recognizing this is the IBM struggle in the 1990s when Lou Gerstner (from Nabisco) replaced John Akers. Relatively swiftly he appointed a new CFO and CHRO (as well as some key line executives)—and laid off 100,000 people in an organization where lifetime employment (almost regardless of performance) had been assumed. In addition, he re-organized the basic strategy that had evolved at IBM to make it an integrated business (not separate business units) so that it could be a full-service provider to its customer base. His idea was that companies needed a service that could integrate its various IT components—and IBM would be it; service not technology was to be the focus. These people and strategic actions got the attention of people and made it clear that established and overly-comfortable routines were no longer going to be appropriate.

In summary with regard to culture, climate and change—these are inseparable ideas requiring integrated polices, practices and procedures. A goal as I have noted frequently is to avoid the necessity to embark on a radical change process. This can happen by senior leadership continuously emphasizing through communication and action where the company is and where it is headed. If sudden change is required, it will take time to essentially go through the steps of the founding of a new organization—and these steps cannot be avoided if the change is to be successful.

THE SUCCESS SPIRAL WITH PEOPLE

I have written that the keys to managing people well is to hire the right people to fit the jobs and the organization and then engage them (via communication, treating them fairly, supporting them and leading them). By adding tangible strategic foci (service, safety, inclusion) to the mix (hiring for them, engaging in them and so forth) senior leadership can achieve both a culture of well-being and strategic and market success. But this looks like a one-way street; do these things and positive outcomes will be achieved. What happens when the positive outcomes are achieved? They reinforce those policies, practices and procedures that yielded success and provide the resources necessary to continue to grow and change as necessary. Not usually identified is the fact that success also yields the attraction of increasingly competent people who are likely to also fit the organization well. Especially now with social media (e.g., Glassdoor) making the experiences of current and former employees available, every large company is now a small company in the number and quality of people who know about what it is like to work there. So, success breeds success in hiring—and this of course helps to continue the cycle of success.

As Julie Weber (of Southwest Airlines) notes in her HBR article, Southwest Airlines is a good example of this cycle of success because they have literally hundreds of thousands of applicants for jobs there based on the reputation they have earned as a fine place to work—and a fine airline to fly. Southwest hires for fit by hiring only about two percent of the people who apply for a job there. They use hiring practices that produce people —including pilots—who fit the company's fun and service-oriented style. My students and I did a qualitative study of a bank a number of years ago where we documented the fact that many of the employees in the branches of the bank were former customers who admired and liked the bank's "atmosphere" so much they applied for jobs there. My point is that success can breed success in many ways, and one that is often overlooked I fear is that it produces the kind of people who will make the future place even more successful.

CONCLUDING THOUGHTS

It is probably obvious how fascinating I find work organizations, the people in them, and the way they behave. It has been a hoot working with and studying organizations because they are so interesting; they are so complex in what it takes for them to be effective. Oh sure, the ways of companies have changed with the advent of new technology—and they will continue to change as we see with the work-at-home movement taking place as we speak. Work organizations will continue to change—but the importance of the ways they can effectively manage their people is a constant and a provably important feature of successful companies.

Most newly-founded companies actually fail so the ones out there that have been successful are worth studying for how they function. The one constant in successful companies is the way the CEO and the senior leadership team deals with their people. They hire people who fit the company and the jobs that need doing. They engage their people by communicating with them continuously and consistently about the present and the future, by being fair in what they offer and how they offer it, by supporting them and, in general, treating them as assets. They lead them by serving as role models for what they want done and how they want it done. They choose specific strategic goals on which to focus and develop ways to monitor accomplishment of those goals. They understand that achievement of those strategic goals is built on a strong positive culture of well-being that has been created by them. And they avoid the need for sudden massive change by managing to balance the seeming paradox of stability and agility.

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