



Developing Human Resources

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

Effective change implementation offers current employees an opportunity to acquire the new skills and demonstrate the new behaviors required of the renewed strategy. Effective implementation also recruits new employees into the organization; employees who possess the skills needed for the future. That is why this stage of the implementation process calls for a focus on developing the human resources of the firm.

This chapter will explore the relationship between human resource development and the dynamics of implementing change. In particular, this chapter will:

- Define human resource development and its role in implementing strategic renewal and organizational change
- Understand how to match selection and recruitment with the shifting requirements of behavioral change
- Present the particular choices available to organizations as they seek to move employees into, through, and out of the organization as part of their change effort
- Analyze the role and usage of removal and replacement in implementing change

First, we can look at an attempt by the CEO of a troubled fast-food chain to drive strategic renewal through the behaviors of his frontline employees.

◆ STRATEGIC RENEWAL AT TACO BELL

In 1978, PepsiCo purchased the independent fast-food chain Taco Bell, hoping to make significant inroads into the family restaurant business while selling Pepsi soda drinks.¹ When the chain failed to produce growth or profits, the parent company hired John Martin, the president of La Petite Boulangerie, as Taco Bell's CEO.

The path to recovery and renewal would come, Martin believed, from what he described as a "value strategy." Schlesinger and Heskett describe the premise of Martin's strategy:

Taco Bell's new model is based on a very simple premise: customers value the food, the service, and the physical appearance of a restaurant and that is all. Everything that helps deliver value to customers along these dimensions deserves reinforcement and management support. Everything else is nonvalue adding overhead.²

Desirous of using service and customer responsiveness as a differentiator between Taco Bell and fast-food giants such as McDonald's and Burger King, Martin undertook a dramatic redesign of the roles and responsibilities of store-level employees. Store managers became general managers with responsibility for recruiting and developing store employees. Instead of being supervisors, the new store general managers would be creative problem solvers, decision makers, and change agents. Crew members—those employees who prepared the food, served customers, and maintained the facility—became part of a team managed unit. That team would possess the breadth and depth of skills necessary to run all day-to-day store operations. The teams would work together with store managers to "create a culture of interdependence and information sharing . . . that would be essential to creating both self-sufficient crew-run stores and a learning organization, in general."³

Martin also pursued an ambitious growth strategy that relied on aggressive pricing and multiple outlets (known as points of access). His approach produced explosive sales growth for several years. With great pride, he pointed to the high-responsibility/high-autonomy culture he had introduced to the highly mechanized fast-food industry.

Taco Bell's human resource policies and practices, however, proved incapable of supporting that strategy. Store managers lacked the requisite competencies to adapt effectively to the new environment. Part-time, inadequately trained store employees proved unable to sustain a culture of self-sufficiency. As quality, service, and cleanliness deteriorated, growth leveled off. Same-store sales plummeted and profitability eroded rapidly. PepsiCo replaced Martin and eventually spun off its restaurant business.⁴

◆ HUMAN RESOURCE DEVELOPMENT, AND CHANGE

Identifying new behaviors required of a strategic renewal is one thing; developing those behaviors among current employees is another. Taco Bell was fully staffed with employees recruited and trained to work in the previous culture. Even assuming that store managers and employees could be motivated to work as an interdependent team

engaged in creative problem solving, did they have the requisite skills to be successful? John Martin's renewed strategy—differentiating Taco Bell from other fast-food chains on the basis of customer service and value—needed to be matched with an implementation process that developed required human resource capabilities.

Because change often calls for new skills and behaviors on the part of the organization's employees, leaders must find ways of developing those skills. **Human resource development** involves the creation of required knowledge and skills within an organization to enable the effective implementation of shifting strategies.⁵ Effective change requires fusion between the development of people—the selection, training, evaluation, promotion, even removal of employees—and the shifting goals of the organization.

In developing required competencies, leaders can select a “make” or “buy” approach. *Making* implies developing the needed new set of competencies and behaviors in current employees. Making assumes that employees are both capable of and motivated to acquire and utilize new skills and engage in new behaviors. Not all employees can or will make that shift, of course. Additionally, the time required may be too long. Leaders, therefore, will also have to consider a buy approach.

Buying involves injecting the organization with new employees who possess the desired set of competencies. The choice between making and buying (summarized in Exhibit 6-1) is not meant to be an either/or choice. All effective changes involve some combination of the two. Getting the make/buy mix “right” means doing them both appropriately and doing them in the appropriate sequence. That matter of sequencing will be addressed later in the chapter.

Key learning

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

Key learning

Employees attracted to an organization in an early stage are not necessarily employees for defined strategic goals of the organization.

SELECTING THE “RIGHT” EMPLOYEES

Individuals are attracted to organizations, to some significant extent, by their perception of personal alignment. “The attraction process concerns the fact that people's preferences for particular organizations are based upon an implicit estimate of the congruence of their own personal characteristics and the attributes of potential work organizations,” write Schneider, Goldstein, and Smith. “That is, people find organizations differentially attractive as a function of their implicit judgments of the congruence between those organizations' goals (and structures, processes, and culture as manifestations of those goals) and their own personalities.”⁶

Make/Buy Options for Changing Human Resources

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

Key learning

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

Organizations take on personalities shaped by a combination of values and goals. Individuals, of course, have their own personalities with personal values and goals. During the joining-up process, individuals tend to seek out, and organizations tend to select for, a match between organizational values and individual personalities.

“We’re looking for personality,” noted a recruiter for Disney World (known in the company as a “director of casting”). “We can train for skills.”⁷ When organizations undertake a change effort, leaders can pay particular attention to the **joining-up** process: the process of attracting and selecting employees.

Individuals attracted to and selected by the organization in an earlier phase are not necessarily the right employees for the newly defined strategies and goals of the changing organization. Store managers at Taco Bell, for instance, may have joined the company in part because of their perceptions of compatibility with the culture and its behavioral and performance expectations. When John Martin embarked on a new strategy, Taco Bell required an alteration in employee behaviors. In redefining the personality of their organizations, change leaders are, in essence, overturning the sense of personal alignment that existed in the past. They are changing what they are looking for in the “right” employee.

But what, exactly, is meant by the right employee? It is useful to introduce the concept of *fit*. The right employee means an employee who fits certain needs or requirements. Even that explanation does not tell us enough, because the question still remains: *what* needs or requirements? The requirements may be technical, behavioral, attitudinal, or some combination of the three. To help clarify the choices an organization faces in the selection process, it is useful to approach fit in two ways. The first involves fit with a specific job, and the second involves fit with the larger organizational culture and values.

Person-task fit is the most common approach organizations take to hiring employees. The organization has specific tasks that need to be done, so it hires individuals with the requisite skills. In pursuit of person-task fit, human resource specialists work in a structured way to define the key knowledge, skills, and abilities required in the performance of core organizational tasks. Individuals are sought, and often tested, to determine their competency levels to perform specific tasks. The best-qualified individuals are then selected to fill the organization’s job vacancies.

The second approach to selection involves what can be thought of as **person-organization fit**: seeking “congruence,” according to Chatman, “between patterns of organizational values and patterns of individual values, defined here as what an individual values in an organization, such as being team-oriented or innovative.”⁸ Person-organization fit looks beyond specific jobs to the desired future state of the organization. What are the mind-set, the personality, and the competencies that the organization seeks through its change? What newly defined roles, responsibilities, and relationships are sought? Most importantly at this stage, what new competencies—both technical how-to competencies and interpersonal (creative problem solving, decision making, collaboration, communication, and so on)—are required of this desired future state?

Screening for Fit

Just how can organizations screen for person-organization fit? Microsoft prides itself in screening potential hires for intelligence and creativity as much as—if not more than—depth of technical expertise. Even “technical” interviews for potential software

developers focus more on “thought processes, problem-solving abilities, and work habits than on specific knowledge or experience.” *How many times does the average person use the word “the” in a day?* an interviewer might ask. The manner in which the individual organizes his thought processes and attacks the problem is the key, not providing any technically “right” answer.⁹ Microsoft considers creative problem solving to be a cornerstone of the company’s culture and uses the screening process to find individuals who will fit with that desired culture.

Particularly when an organization is attempting to implement change, there is an urgent need to attract employees whose behavior exemplifies the desired future state. In the case of Taco Bell, upper managers and employees may have agreed on the need for a new service-oriented culture that would, they hoped, allow the chain to compete with industry giants such as McDonald’s and Burger King. But would employees actually behave in the desired new manner? Would they internalize the desire to act differently? Unless a company can change patterns of employee behavior, strategic renewal will fail.

Paying attention to the selection of new employees is a key to change implementation. Attracting and hiring employees who already possess both the motivation and competencies to enact the new culture will enhance the effectiveness of the desired change. This is not to say that *all* issues of person-organization fit must be resolved in the selection process. Behaviorally focused training can help, while removing employees who cannot or will not adopt new behavioral patterns may be necessary. The chapter will address the challenges of training and removal later. Getting it as right as possible in the selection phase certainly will reduce both the cost and time associated with training and minimize the difficulties—both emotional and financial—associated with removal and replacement.

Key learning

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

Selection Techniques

Companies can use any number of techniques to screen for person-organization fit, starting with what is anachronistically called **paper-and-pencil tests**: standardized, self-administered, and quantifiable tests. Whether using paper or interactive computer software, these tests assess any number of attributes, ranging from general intelligence and mental ability to mechanical aptitude and technical and industry-based knowledge. When strategic renewal requires an alteration in the culture of the company, the most obvious paper-and-pencil instruments to call upon involve personality and psychological tests. These tests offer insight into whether an individual is open or defensive, extroverted or introverted, individualistic or team oriented, easygoing or reserved, suspicious or trusting, and so forth.

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

Paper-and-pencil tests are not without flaws. Opportunity for abuse and misuse of data are significant. Additionally, their use tends to produce a less diverse workforce in terms of race.¹⁰ Byham cites differences in early cultural experiences, unfamiliarity with test-taking techniques, and unintended biases in the formulation of test questions as potential reasons for differentiated outcomes.¹¹ Minority job seekers often express deep

Key learning

To support strategic renewal, the selection process can focus on attracting and hiring individuals who already possess the desired attributes that are most difficult to develop, which will reduce the need for future training to acquire those attributes that can be developed more easily.

suspicion of these tests and their use. Organizations desirous of seeking greater diversity within their workforce may find paper-and-pencil tests working against that goal.

Two mechanisms, both focusing explicitly on behaviors, offer supplements or alternatives to paper-and-pencil tests. **Behaviorally anchored interviews** ask potential hires to recount specific examples from their past experience to illustrate how they have responded to challenges and opportunities. *Give me an example of a work related problem that you had to deal with, and interviewer might ask, and how you responded. Or talk about a recent group experience you had at work and the role that you played.* When a group of employees participates in the interview, each asking questions and rating responses, the validity of the assessment increases. The goal is to increase the likelihood of achieving fit between new hires and the behavioral goals of the change without driving out diversity.

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

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

Human resource specialists performed the initial screening. Soon, shop floor workers—team members in the parlance of the plant—entered the process. Teams did their own hiring in order to ensure fit with their particular orientation and set of expectations. In addition to conducting interviews, team members observed applicants in role-play situations—typically, team exercises (see Exhibit 6-2 for a description of a typical behavioral simulation). After conducting this kind of informal assessment, team members worked together to select future colleagues.

The techniques for person-organization fit screening (summarized in Exhibit 6-3) focus on personality and interpersonal behavior. Screening cannot ignore technical skills, although it is useful to remember that many technical skills can be learned relatively quickly. Interpersonal skills are often more difficult to develop. Organizations

would do well to screen for traits that are both critical to performance success and the *most difficult to develop*. Attitude, values, and cultural fit are attributes that are difficult to develop within the context of organizational life yet vital to the sustained outstanding performance of a company.¹²

Patagonia, an outdoor clothing and gear company, bases its personnel selection decisions more on who applicants are than on what specific skills they possess. "This is a unique culture, extremely unique," said founder/owner Yvon Chouinard. "Not everyone fits in here." That is why the company places its greatest effort into looking for creative and committed "dirt bags," its term for outdoor types. "I've found that rather than bring in businessmen and teach them to be dirt bags," Chouinard observed, "it's easier to teach dirt bags to do business."¹³ Learning business skills, Chouinard

Key learning

To support strategic renewal, the selection process can focus on attracting and hiring individuals who already possess the desired attributes that are most difficult to develop, which will allow future training to focus on attributes that can more easily be developed.

Components of a Behavioral Simulation

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

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

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

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

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

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

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

Techniques for Person-Organization Fit Screening

Mechanism	Description	Strengths	Weaknesses
Paper-and-pencil tests	Standardized, quantifiable, self-administered instruments	<ul style="list-style-type: none"> • Easy to administer and score • Inexpensive to use on large scales • Simple to compare • Valid job success predictors when used in combination with other mechanisms 	<ul style="list-style-type: none"> • Produce homogeneous workforce • May be resisted/resented by applicants
Behaviorally anchored interviews	Applicants recount specific examples of past experiences	<ul style="list-style-type: none"> • Can focus on specific behaviors • Valid supplement to other screening mechanisms • Validity increases when multiple interviewers score results 	<ul style="list-style-type: none"> • Deal with recounted rather than actual behaviors • Can be slow and expensive to administer
Behavioral simulation	Applicants engage in role-playing exercise while observed by screeners	<ul style="list-style-type: none"> • Focus on actual rather than recounted behaviors 	<ul style="list-style-type: none"> • Can be slow and expensive to administer

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

DEVELOPING COMPETENCIES AND BEHAVIORS

Because change requires new competencies and behaviors on the part of current employees, organizations will need to look at training as part of the implementation process. In fact, quite a lot of training occurs in organizations. U.S. companies alone spend more than \$60 billion a year on training, plus another \$180 billion on informal day-to-day instruction. Not all of that training, of course, is designed to be a part of strategic renewal and change. Training is often called upon to teach basic literacy, update technical skills, as well as to develop management skills in individuals leaving functional areas and assuming management responsibilities. In these cases, training programs are intended to improve individual performance within current organizational arrangements rather than change the organization.

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

The second component of training involves skill development. As the organization moves toward greater collaboration and teamwork, for example, people will have to acquire a set of skills associated with teamwork: effective communications, conflict management, trust building, norm setting, diversity awareness, negotiations, and so on.¹⁴ Traditional training approaches such as classrooms, lectures, and discussion groups are effective at achieving the knowledge component; far less so at skill development.

As a way of impacting behavior, organizations can supplement traditional knowledge-based training with **experiential training**. Traditional training programs emphasize the delivery of knowledge from the instructor to the learner. Experiential learning, on the other hand, focuses on behaviors while allowing participants to try out the new behaviors required of the change effort. When General Motors' Livonia plant (see Chapter 1) needed to reorient behavior to focus on teamwork and collaboration, they engaged employees in experiential training. Trained facilitators provide real-time feedback to participants and often model the very behaviors the organization is now seeking. Experiential learning occurs in a protected environment, allowing participants to experiment with new behaviors.

The problem with experiential learning is that new behaviors acquired in a training program often disappear quickly once the participants return to their jobs. That phenomenon is known as **training fade-out**. The extent to which the learning gained

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from a training opportunity is transferred back into the work environment is impacted by three factors:

1. **Supervisory/managerial support**—Does the employee's supervisor/manager endorse, encourage, provide feedback, and reward new behaviors, or does that supervisor/manager discourage or oppose the application of new skills and behaviors?
2. **Peer support**—Do the employee's peers support the application of new skills and behaviors, inquire about that learning, provide feedback, and encourage, or do they ignore, discourage, and even attempt to prevent the application of new skills and behaviors?
3. **Work conditions**—Does the employee have the opportunity to use new skills and behaviors when back on the job, or are new skills and behaviors overtly or covertly discouraged by time pressures, inadequate resources, and/or unchanged responsibilities?¹⁵

Key learning

New behaviors acquired during experiential training will fade out unless the work environment to which participants return supports new behaviors and participants understand and accept the fact that outstanding performance will require those behaviors.

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

TOP MANAGEMENT DEVELOPMENT FOR FIT

When John Martin talked about the need to transform employee behaviors, he focused on employees in the field. Concentrating on the development of new competencies at lower and middle levels of the organization is a necessary component of strategic renewal and change; it is not, however, sufficient. Effective change will also demand new behaviors from executives at the top of the organization.

Greater coordination, higher levels of innovation, speedier response to a dynamic marketplace—all these outcomes are associated with the behaviors and interactions of top managers. Both behavioral and cognitive training interventions are useful in developing new skills among executives, but Boyatzis has suggested that on-the-job experience is far more effective in developing required competencies.¹⁶ The issue of developing leadership competencies for change through job experience will be addressed more fully in Chapter 8.

At the CEO level, corporate boards often pursue a “buy” rather than “make” strategy in search of change. The reasoning—that outsiders are better able to oversee fundamental change—is a topic of considerable debate (see “Join the Debate” feature). No organization can rely entirely on outsiders, however.

Join the Debate—Should Organizations Seeking Fundamental Change Look Outside for New CEOs?

“Yes”—Insiders, especially those who have stayed with the company long enough to rise to the top, are products of the culture that have been targeted for change. A change in business fortunes requires a change in top leadership, which means, in turn, injecting the top of the organization with “new blood.”¹⁷ Outsiders are more likely than insiders to change dramatically the composition

Key learning

Companies can build careers of executives in order to create a stream of leaders inside the organization capable of implementing change.

of the entire top executive team, and Tushman and Rosenkopf have shown that strategic renewal is most typically associated with dramatic changes not just in the CEO but in that top group.¹⁸ In practical terms, outsiders such as Louis Gerstner at IBM and Archie Norman at Asda have been effective at implementing significant and successful change.

“No”—Experience suggests that outsiders are *not* a requirement for out-of-the-box thinking and organizational change. Three longtime insiders who rose to the top of their organizations—Jack Welch at General Electric, Judy McGrath at MTV Networks Group, and Charlie Bell at McDonald’s—demonstrated that understanding the existing culture and connecting to the founding mission of the company enabled them to transform business strategies and organizational performance. When outsiders attack the organization’s culture, they may run into overwhelming resistance.

What do you think?

To meet the challenge of developing internal leaders capable of transforming their organization, companies can systematically manage the careers and experiences of executives. Those experiences can provide individuals with the opportunity to learn new knowledge, attitudes, and behavior within the unique and special environment of the firm. Within organizations, career experiences are typically managed through a **succession planning** process in which top executives regularly review all managers at or above a certain hierarchical level, looking at both performance and potential, and devise developmental plans for their most promising individuals.

The implementation of succession planning is often flawed by inadequate—even nonexistent—follow-up. Said one executive of her company’s succession planning system,

“Our procedures are as good as any . . . The only problem is that people don’t pay any attention to them.”¹⁹ Lack of follow-up is not the only limitation. Succession planning can pay a great deal of attention to so-called fast-trackers, while ignoring the potential of others. The problem here is twofold. First, it is possible that those identified as non-fast-trackers have been held back less by their lack of potential than by contextual constraints imposed by the organization. Second, fast-trackers may be individuals who possess skills more associated with past successes than the future demands of change.²⁰

Career development can also help develop executives capable of adaptation and change. Effective change requires individuals who have learned, through a set of on-the-job activities, to be flexible and adaptive.

Exhibit 6-4 offers a number of career development practices that can help organizations develop managers capable of moving out of their comfort zones, taking risks, and leading change.

Key learning
Companies can manage the careers of executives in order to create a continuous stream of leaders from inside the organization capable of implementing change.

◆ REMOVAL AND REPLACEMENT

In support of strategic renewal and change, a company may attempt to improve its mix of competencies rapidly by increasing the outflow of personnel through early retirement programs and/or layoffs. Early retirement increases the percentage of recently

Practices for Developing Executives Capable of Adaptation and Leading Change²¹

Structural and design changes	Delaying, increased span of control, matrix, or horizontal structures—all of these work to develop generalists far earlier in their careers and place a greater premium on interpersonal competencies.
Explicit international movement	Assigning managers to work in a non-native culture for a significant period of time develops cross-cultural awareness and skills that can be vital in a culturally diverse environment.
Career mazes	Explicit lateral movements replace rapid upward functional mobility with a far broader set of experiences. Functional blinders are removed, general management skills are enhanced, and commitment to the organization as a whole is enlarged.
Slower velocity to allow greater learning	So-called fast-track managers often fail to stay in one position long enough to deal with the consequences of their actions (and the reactions of employees). ⁵ Learning about and dealing with the consequence of actions requires greater length of tenure in a position.

Key learning

Effective change management is about “getting the right bus” by replacing employees who have not made behavioral c

hired employees who may bring with them new skills, new values, or both. At the same time, personnel reductions allow for a rapid lowering of payroll costs, which will, it is hoped, improve profitability in the short term. In the United States, this scenario has been used by companies in many industries as a response to rapid swings in either the particular competitive environment of the company or in general economic conditions. Pressured by quarterly earnings expectations, management has used workforce reductions as a strategy to maintain earnings and dividends expected by investors, stock analysts, and financial institutions.

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

Key learning

Workforce reductions and employee layoffs may be effective in improving short-term performance but will not by themselves produce the human resource competencies required to support strategic renewal and sustain outstanding performance.

We did not find significant, consistent evidence that employment downsizing led to improved financial performance . . . firms cannot reliably assume that layoffs are a quick fix leading to productivity improvements and increased financial performance.²²

A more broadly based turnaround involving the restructuring of assets through acquisition and divestiture, as well as significant changes in plant and equipment, could over time lead to improved performance.²³ Companies that simply reduce labor force in order to become “lean and mean,” however, find little if any long-term performance improvement.

Layoffs represent large-scale interventions designed mainly to improve short-term financial performance. **Removal and replacement** is a more specific, targeted tool for developing required new human resource competencies within the organization. Removal and replacement deals with individuals who cannot or will not develop new competencies and behaviors.

An optimistic view of human nature would suggest that many, perhaps even most, employees will be willing and able to learn the new competencies and enact the required behaviors of change. Some portion of past store managers at Taco Bell, for instance, would be willing and able to operate in an interdependent, team-oriented culture. Training and development could help with the transition.

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

Key learning
 Effective change requires “getting the wrong people off the bus” as well as “getting the right people on the bus” by removing and replacing employees who have not made the required behavioral change.

In his study of companies that transformed from “good” to “great”—companies such as Walgreens and Kimberly-Clark—Collins noted that these successful transformations required more than getting “the right people on the bus”—that is, attracting, selecting, and retaining individuals whose skills and behavioral patterns aligned with the transformed requirement of outstanding performance. These successful companies were also able to get “the wrong people off the bus.”²⁴ Removing and replacing employees who have not made the required behavioral change will be a necessary component of developing required competencies.

Implementing Removal and Replacement

When Asda, a large U.K.-based grocery store chain, sought to transform its failing business in the 1990s, removal and replacement became a vital part of the effort. A cross-functional renewal team started Asda’s store-based change by designing a new set of roles and responsibilities for store employees at all levels. Team members realized that the targeted new behaviors—quite similar to the new behaviors articulated at Grand Union (see Chapter 1)—would require store managers who were both willing and able to support the desired new culture.

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

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

Removal and replacement does not necessarily involve firing individuals. When the general manager of Rubbermaid’s Commercial Products division decided to

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redesign his operation around cross-functional business teams, it became clear that many employees were uncomfortable with the new approach. The vice president of marketing used a sports analogy to characterize the differences among employees in their reactions to the requirement for teamwork:

When we first formed the business teams, we had a lot of tennis players and golfers on the team, not team players. They had good functional expertise, but because they weren't team players we were getting into trouble. They didn't try to understand how what they were doing on their piece of the product was affecting other functions.²⁵

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

When we have seen teams fail, the majority of the time, it was not due to lack of technical expertise. It was because there was a person on the team who was not a team player. We, as an operating team, have to recognize this, and insure that non-team players are relocated from the business team to another position which best compliments their personality.²⁶

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

There will be situations in which replacement and removal is not an immediate option to change leaders. Collins described the change at a medical school where the institution of tenure—essentially, guaranteed employment for professors—constrained the actions of the school's academic director:

The director of academic medicine changed the entire faculty, but it took him two decades. He could not fire tenured professors, but he could hire the right people for every opening, gradually creating an environment where the wrong people felt increasingly uncomfortable and eventually retired or decided to go elsewhere.²⁷

When leaders are clear about the behavioral implications of the desired new strategy, and employees are clear that behavioral change is required, individuals may elect to remove themselves.

Proceeding with Caution

Removal and replacement has as much potential for doing harm as for doing good to the implementation process. In order to be beneficial, the process by which removal and replacement is applied needs to meet two criteria: *validity* and *fairness*. Validity means that employees understand and accept (this does not mean they have to welcome) decisions being made based on fit with the requirements of outstanding performance.

Supervisors often make replacement decisions based implicitly, perhaps even subconsciously, on the goal of reproducing themselves. This phenomenon derives from *selective perception*. People have a tendency toward a perceptual bias that interprets the external world in ways that conform to their views of themselves.²⁸ *I have been successful in this organization*, a supervisor may think. *Therefore, I need to keep and promote people who are like me and replace those who aren't.*

When removal and replacement decisions are made based on selective perception, supervisors risk undermining the goals of strategic renewal and change. The supervisors' past successes may be the result of behaviors that no longer fit with the desired future strategy of the company. Additionally, the reproduction phenomenon risks eliminating diversity and promoting conformity within the organization. When change efforts are designed to enhance creativity and innovation, actions that drive out diversity, however inadvertently, will be detrimental. Finally, employees themselves may experience replacement less as a valid measure of ability to adopt new behaviors and more as a self-serving device that enhances supervisors' views of themselves.

An explicit and shared understanding of the new behaviors required of strategic renewal and outstanding performance can help to overcome the dangers of selective perception and reproduction. An organization seeking higher levels of coordination and teamwork, for instance, might provide an explicit statement of the personal attributes and competencies required of managers in the future, including:²⁹

- Inclination toward collaboration and the skills that go with it
- Competencies to engage in group problem solving
- Willingness and ability to confront conflict rather than to soothe or avoid
- Higher levels of interpersonal competence than are normally required

Once the requirements have been made explicit, managers are better able to make valid assumptions about whether individuals are displaying the required behaviors. Simultaneously, employees are more likely to accept the validity of those decisions.

Whatever the specifics of an organization's approach to removal and replacement, employee commitment to those policies—and the organization responsible for their implementation—will be quickly eroded unless management actions meet a second criterion: fairness. Perceived unfairness leads to declining morale, increased turnover, and deteriorating commitment. Conversely, perceptions of fairness lead to higher levels of individual motivation and commitment to the organization and its changing goals.³⁰ Exhibit 6-5 summarizes the sources of fairness in removal and replacement decisions.

Fairness is in large part a function of validity. Are replacement and removal decisions based on selective perception or on the requirements of the new strategy?

EXHIBIT 6-5 Sources of Fairness in Removal and Replacement Decisions

Validity	Are decisions made according to personal biases and beliefs of individual supervisors (low fairness) or in alignment with the clear requirements of outstanding performance (high fairness)?
Due process	Are decisions seen as final and arbitrary (low fairness), or are employees able to voice their opinions and appeal what they consider to be invalid conclusions (high fairness)?
Sequencing	Are decisions made before an employee is given an opportunity to acquire the required skills (low fairness), or are employees given an opportunity to develop and display the desired new behaviors (high fairness)?

Key learning

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

Perceptions of fairness can also be impacted by the degree to which an organization provides employees with due process and appeal mechanisms. What avenues are available to employees who believe that they have been treated by human resource development decisions such as evaluation, promotion, or even firing? Union contracts typically offer grievance and appeal avenues with union officials advocating for members. In nonunion settings, employers may provide their own grievance and appeal mechanisms—panels of managers and employees; trained fact finders, mediators, or arbitrators—that can either make suggestions or overturn decisions if they find an employee has been treated unfairly.

Finally, perceptions of fairness will be based on the timing of the removal and replacement decisions. When using removal and replacement as implementation tools in support of strategic renewal and change, perceived fairness will be enhanced by a sequence of actions that has already included:

- A shared diagnosis that has surfaced the relationship between past behavioral patterns and current performance shortcomings
- A redesign process that has identified new patterns of behavior required for sustained outstanding performance
- Training and development that have been offered to employees as a way of gaining and demonstrating required new behaviors

At this stage, individuals have been offered the opportunity to alter their behaviors, those who cannot or will not make the required change have been identified, and a removal and replacement decision for organizational leaders can be seen as conforming the imperatives of outstanding performance rather than the selective perception of individual supervisors.

CONCLUSION

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

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

Now is the time in the change implementation process for leaders to turn their attention to human resource development, an explicit and systematic effort to develop among organizational employees the competencies to enact desired new behaviors.

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The selection process becomes a key element of that process. Attracting and hiring individuals already in possession of the desired skills—especially those competencies that are difficult to develop—will infuse the organization with employees capable of enacting the desired future model.

Not all significant human resource development interventions occur at the selection point. All employees need to be evaluated regularly and frequently. As long as the evaluation, feedback, and assessment process aligns with the articulated future state of the organization and not the past from which change is attempting to move, evaluation, assessment, and feedback will promote and reinforce the desired changes.

Training programs can be helpful at this stage, especially experiential training that offers employees an opportunity to learn new behaviors. The danger of experiential training, however, is that unless the work environment to which participants return supports and even demands that participants enact those newly learned behaviors, the impact of learning will quickly fade out and employees will retreat to their old ways. That is why training is most effective and impactful when it *follows* redesign to ensure that employees leave training and find a newly altered work context to support and reinforce their new behaviors.

Not all employees can or will make the required transition. Once the performance requirements of the future model have been articulated and employees have been offered an opportunity to develop the required new competencies, organizations will be able to identify individuals whose behaviors do not support that future model. Some of these individuals will choose on their own to leave the organization. Others will have to be removed and replaced. When removal and replacement decisions are viewed by employees as being both fair and valid, those decisions will support the change effort.

These steps of change—diagnosis, redesign, human resource development—have identified and created new behaviors among employees. Now at the final stage, organizational leaders can seek to reinforce behavioral patterns. For that purpose, they turn to new structures and systems. That will be the subject of the next chapter.

Chapter Vocabulary

Human resource development the creation of required knowledge, skills, and attitudes within an organization to enable the effective implementation of shifting goals and objectives.

Joining up the process of attracting and selecting employees.

Person-task fit screening and selecting individual employees based on their ability to perform certain tasks and full specific jobs.

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

Paper-and-pencil tests standardized, self-administered, and quantifiable tests used as part of a screening, selection, or assessment process.

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

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

Experiential training training programs that focus on behaviors and typically include role playing and feedback.

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

Succession planning a formal process in which top executives regularly review all managers at or above a certain hierarchical level, looking

at both performance and potential, and devise developmental plans for their most promising individuals.

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

Discussion Questions

1. What specific suggestions would you have made to John Martin at Taco Bell in order to develop the required human resource competencies to support the firm's new strategy?
2. Is the increasing diversity of the workforce—in terms of race, gender, national origins, health status, cultural values, and so on—a positive or negative in terms of helping organizations make successful transformations? Explain your answer.
3. What are the main differences between hiring for task and hiring for organizational fit? Why is hiring for organizational fit so difficult to do? What techniques might an organization use?
4. What specific recommendations would you make to an organization seeking to avoid training fade-out?
5. The author sees removal and replacement as a key element of devolving human resource competencies. Do you agree or disagree? Why?

Case Discussion

Read “It’s Only Rock ‘n’ Roll (But I Like It)” and prepare the following questions:

1. What were the criteria applied by Keith Richards and the Rolling Stones when they needed to replace lead guitarist Mick Taylor?
2. Were those criteria valid—that is, were they objectively associated with the success of the Rolling Stones?
3. What lessons about selection and replacement can be applied to more traditional business organizations based on the experiences of the Rolling Stones?

“It’s Only Rock ‘n’ Roll (But I Like It)”

It was 1975—at the peak of their popularity—and the group known as the best rock ‘n’ roll band in the world faced a vital personnel decision.³¹ The Rolling Stones had recently completed a double album, *Exile on Main Street*, and released several best-selling singles, including “Angie” and “It’s Only Rock ‘n’ Roll.” For the first time in the band’s history, a member had resigned. And it was not just any member. Lead guitarist Mick Taylor had been blending his playing with band front man and lead vocalist Mick Jagger and rhythm guitar virtuoso Keith Richards since 1969. Now Taylor announced that he was leaving. That loss offered the band an important opportunity to create the next generation of Rolling Stones music.

Jagger and Richards had every intention of keeping the band together—making records, touring the world—for years, perhaps decades. Given the band’s

popularity and reputation in 1975, there would be no shortage of candidates. The top guitarists from England, Europe, and the United States lined up to audition to be the next Rolling Stones lead guitarist. Richards joked that the band should charge a fee for the privilege of auditioning. However, the joke did not undermine the seriousness of the decision. What precisely would be the criteria for making the selection?

Band Background

Starting in the early 1960s, a group of young London-based musicians found their paths crossing with some regularity. Mick Jagger and Keith Richards had attended the same primary school and now found themselves hanging out in various jazz and blues clubs around town. Jagger became the lead singer for a group known as Blues, Inc. Richards often joined

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Jagger in freewheeling, late-night jam sessions before retiring to Jagger's flat to listen to blues recordings. At the same time, the multitalented Brian Jones got to know drummer Charlie Watts. By January 1963, the group had coalesced under the name Rolling Stones, adopted from a Muddy Waters blues song. One final addition rounded off the group: bass player Bill Wyman. "They didn't like me," Wyman recalls, feeling at the time a bit like the odd man out, "but I had a good amplifier, and they were badly in need of amplifiers at that time! So they kept me on."³² The group was now in place to make music history.

The Stones quickly benefited from the shifting popular music culture in both England and the United States. A mixture of excellent musicians—especially Richards and Jones—and an unparalleled showman in Jagger, the group offered a distinctive mix of blues and rock. Then, too, there was the burgeoning popularity of a quartet from Liverpool, approximately 200 miles to the north. At first, the Beatles seemed to exist in a completely different universe from the Stones. "We saw no connection between us and the Beatles," said Richards. "We were playing the blues; they were singing pop songs dressed in suits."³³ Richards felt that he, Jagger, and Jones had created a rhythm and blues band, not a rock band, and was convinced that there was little chance that the band would make much of a living, let alone match the Beatles' newfound popularity.

But as the phenomenon known as Beatlemania swept the entire British music scene, the Stones could not help but become part of the excitement. In March 1963, when they began an extended stay at the Crawdaddy Club, the local music scene took notice. Recording engineer Glyn Johns described the appeal they exuded from the tiny Crawdaddy stage:

The first time I heard them I'd never seen anything like it. I thought they were fantastic. What attracted me to them was the way they played rhythm and blues. I had never heard a white man sing like Jagger, let alone an Englishman. I was knocked out. There was something different about them. There was the music, of course, but it was also them—they didn't look like the pop stars we were brought up on. They were not terribly good looking. In fact, they were pretty ugly. And their attitude—for the time they were incredibly rebellious, and very strange. It was just their appearance, the clothes, their hair—their whole attitude was immediately obvious to you as soon

as you saw them playing. It was just a complete *ppprt* to society and everybody and anything.³⁴

In image and attitude, the Stones seemed to be the polar opposite of the popular Beatles. But both groups were crafting an original blend of African-American blues, early Chuck Berry-influenced rock, and a uniquely English idiom into an immensely appealing sound. The Stones' first Top 15 hit, in fact, was a cover version of John Lennon and Paul McCartney's "I Want to Be Your Man."

Stones music began appearing regularly on the best-seller lists on both sides of the Atlantic. At first, they recorded the music of others: Chuck Berry ("Come On"), Buddy Holly ("Not Fade Away"), Howlin' Wolf ("Little Red Rooster"), and Irma Thomas ("Time Is on My Side"). Eventually, Jagger and Richards collaborated on their own pieces, and when in the summer of 1965 they released "(I Can't Get No) Satisfaction," the group skyrocketed into the superstar stratosphere where they remained throughout the remainder of the decade.

Jagger and Richards at the Heart of the Stones

The collaboration between Mick Jagger and Keith Richards involved much more than writing songs. In essence, they formed the heart and soul of the group. From most perspectives, they were an unlikely match. While they had crossed paths in primary school, the two had followed quite different routes since then. Richards hailed from a poorer family and took pride in a working-class, "us-against-them" ethos that involved far more street fighting than academics. Jagger took more easily to the British education system. When he and Richards met up again in 1961, he was enrolled at the London School of Economics preparing for a career in either journalism or diplomacy.

What brought Jagger and Richards together was their musical tastes, especially their shared appreciation for Muddy Waters and African-American blues. "At that time in England," Jagger recalls, "the whole thing was meeting someone who shared your point of view. Not simply your musical point of view, but someone who was also your friend." Richards says he immediately recognized a special connection: "We realised that we were really in touch—which we still are now in the weird, bizarre, night-and-day method of ours. When it comes to music, if we work on it together, there's something that just happens. I don't know how or why: I leave that to the mysteries of

alchemy.” Despite different working styles—Jagger is a spontaneous showman while Richards is a tireless rehearsal and perfectionist—that alchemy has persisted for over 40 years.³⁵

Finding a New Lead Guitarist

The first major personnel crisis in the Stones’ career occurred in 1969 with the removal of Brian Jones. Jones had a more troubled background than his musical mates. Starting at an early age, he mixed prodigious musical talents with a troubled and troubling personal life. Although Jones was not the only rock ‘n’ roll superstar to indulge in a lavish lifestyle—not even the only member of the Rolling Stones to do so—his excesses drove him and the band further and further apart. When the Stones released *Beggars Banquet* in 1968, Jones’s playing was hardly noticeable.

“Brian wasn’t really involved on *Beggars Banquet*, apart from some slide on ‘No Expectations,’” recalled Jagger. Instead of being missed, his absence was more or less welcomed by the group. “He wasn’t turning up for sessions and he wasn’t playing very well,” said Jagger. “In fact, we didn’t want him to turn up.” Richards agreed. “We were really quite happy that Brian wasn’t around on *Beggars Banquet*, because when he wasn’t there we could really get on with our work.”³⁶ Jagger and Richards, both musical perfectionists in their own ways, simply could no longer tolerate Jones’s increasingly lackadaisical approach to recording.

The time came for the band to fire Jones. Recalls Richards: “We didn’t have time to accommodate a passenger. This band can’t carry any dead weight—no band can.”³⁷ Jagger and Richards delivered the news personally. The band promised Jones £100,000 a year for life, and Jones declared his intention to forge a successful career on his own. A month later, he was found dead in his swimming pool.

One week after firing Jones, Jagger and Richards invited Mick Taylor, a guitarist in John Mayall’s Bluesbreakers, to join them. The decision was a bit rushed, since the band had committed to a public performance in Hyde Park to promote their latest hit single, “Honky Tonk Woman.” Recalled Taylor, “I just assumed I was the best guitarist available at the time.” Richards remembers that Taylor “played like an angel,” adding, “we thought he was damned good and full of beans, why not keep him?” There was no real audition process given the urgency of the upcoming performance, and Taylor remained with the band for another five years.³⁸

Hiring a Replacement

Mick Taylor informed Jagger of his decision to leave the Stones at the end of 1974. Some observers noted a personality misfit between Taylor and the remainder of the group, especially Jagger and Richards. “In personality terms,” wrote one observer, “he [Taylor] was shy, and had never become a natural group member.” Another rock critic argued that Taylor was the best musical technician who had ever played in the Stones and left in order to pursue broader musical horizons. Privately, Richards felt betrayed by Taylor’s sudden and unexpected resignation. “He was very [upset] about Mick Taylor,” noted a studio technician who worked with the Stones the day Taylor’s resignation was announced.

In retrospect, Richards offered a calmer view of the first and only voluntary retirement in Rolling Stones history: “I thought he [Taylor] was a fantastic player. But at the same time there was a certain lack of camaraderie, shall we say. It’s not Mick Taylor’s fault—he’s a very sweet guy—but it was just that we’re very volatile people in this band.”

Replacing Taylor was going to be a far more deliberate process than the one that had brought Taylor to the Stones five years earlier. While the Stones had a tour planned, there was no imminent concert to prepare for. Plus, replacing Taylor did not occur with all the emotional weight involved in firing one of the original band members. In January 1975, the Stones auditioned a number of musicians. The requirement that the lead guitarist mix and weave his work together with the group’s rhythm playing meant that Richards would be the primary decision maker. Accordingly, he drew up a “shopping list” of the best guitarists the worlds of rock and blues had to offer.

Several of the hopefuls were incredibly proficient as players but were eliminated simply because they were American rather than English. “This is an English rock and roll band, after all, and that was basically the criterion,” explained Richards. “It wasn’t about who could play the sweetest notes.” Band members also looked at personality: The new guitarist would have to be someone they could “live with” on the road. Jeff Beck, who was, according to Charlie Watts, “probably the best guitar player to come out of Europe,” made an impression on the entire band.

An old friend of Richards and the Stones, Ron Wood, was invited to watch, even offer observations and suggestions, during the tryouts. Wood was then committed to another band, Rod Stewart and the Faces. Richards had already said to him, “Well, it’s a shame we can’t have you, Woody.” Richards began

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pressuring Wood to reconsider the possibility of leaving the Faces. "Woody and I can start playing together until we don't know who played the last lick," said Richards. "It's as close as that."³⁹

At the end of the process, the choice came down to Jeff Beck and Ron Wood. Beck may have been the

most talented technician, but band members did not believe he would fit with the group as comfortably as would Wood. "I think you had to be able to live with them, with the Stones," said Wood, and the band agreed. "Ronnie's a seven-day-a-week guy" confirmed Watts.⁴⁰ Wood has been the Stones' lead guitarist ever since. ■

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