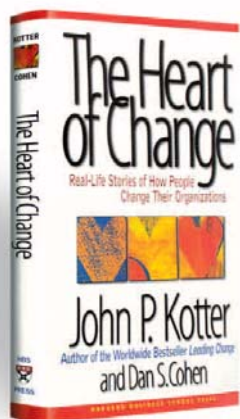


SOUNDVIEW Executive Book Summaries®

FILE: HANDS-ON MANAGEMENT



By John Kotter and
Dan Cohen

Real-Life Stories of How People Change
Their Organizations

THE HEART OF CHANGE

THE SUMMARY IN BRIEF

If you've ever tried to change anything, you know how hard it is. How do you go about getting your message across to truly change people's behavior?

While most companies believe change happens by making people think differently, that isn't the case. Instead, according to John Kotter and Dan Cohen, change happens when you make people feel differently.

You have to appeal more to the heart than the mind.

*In this summary, you will learn about a new dynamic — the “see-feel-change” dynamic that fuels action by showing people potent reasons for change that spark their emotions. Built around the eight steps of change first introduced in Kotter's bestseller, *Leading Change*, *The Heart of Change* gives straight advice on successful change — and true stories of companies making change happen.*

CONTENTS

The Heart of Change

Page 2

Increase Urgency

Pages 2, 3

Build the Guiding Team

Pages 3, 4

Get the Vision Right

Pages 4, 5

Communicate For Buy-In

Page 5

Empower Action

Pages 6, 7

Create Short Term Wins

Pages 7, 8

Don't Let Up

Page 8

Make Change Stick

Page 8

What You'll Learn In This Summary

In the following pages, you will learn about:

- ✓ **The Heart of Change:** Why people succeed and why they fail at large scale-change and how you can use an eight-step path to success.
- ✓ **The Need for Urgency:** You will see why you must raise feelings of urgency so that people start telling each other “we must do something.”
- ✓ **Building the Guiding Team That Gets the Vision Right:** You need the right group of people with the right vision to start the change process.
- ✓ **Communicating for Buy-in:** You will send clear messages about change and remove barriers to those changes.
- ✓ **Creating Early Wins and Not Letting Up:** You will see why creating an early win is important and why you have to keep momentum up.
- ✓ **Making Change Stick:** You will learn how to change your organization's culture so that change will stick.

THE HEART OF CHANGE

by John Kotter and Dan Cohen

— THE COMPLETE SUMMARY

The Heart of Change

People change what they do because they are shown a truth that influences their feelings. This is especially so in large-scale organizational change, where you are dealing with new technologies, cultural transformation, globalization and e-business. In an age of turbulence, when you handle this reality well, you win.

To understand why some organizations are leaping into the future more successfully than others, you need first to see the flow of effective large-scale change efforts. Change is an eight step process that few handle well. These steps are:

1. **Create a sense of urgency** so that people start telling each other “Let’s go, we need to change things!”
2. **Pull together a guiding team** powerful enough to guide a big change.
3. **Create clear, simple, uplifting visions** and sets of strategies.
4. **Communicate the vision through simple, heart-felt messages** sent through multiple channels so that people begin to buy into the change.
5. **Empower people** by removing obstacles to the vision.

6. **Create short-term wins** that provide momentum.
7. **Maintain momentum** so that wave after wave of change is possible.
8. **Make change stick** by nurturing a new culture. ■

Increase Urgency

In successful change efforts, the first step is making sure sufficient people act with sufficient urgency — with on-your-toes behavior that looks for opportunities and problems and energizes colleagues, that beams a sense of “let’s go.” Without urgency, large-scale change won’t happen.

Four sets of behaviors often stop change. The first is complacency, driven by false pride or arrogance. The second is immobilization and self-protection, driven by fear or panic. The next is “you-can’t-make-me-move” deviance, driven by anger. And the last is a pessimistic attitude, leading to constant hesitation. These behaviors prevent people from taking action. Instead, they hold back or complain as others initiate new action. The result is that a needed change effort is derailed.

The first step is not to create a vision. This is especially true if your organization is in crisis, if alligators are nipping at your feet. If they stand on a burning platform, they have no choice but to take immediate action, to jump away from their comfortable positions. Assembling a team to discuss the organization’s new vision won’t be very successful, because team members will be worried more about self-preservation than the new vision.

(continued on page 3)

See, Feel, Change

Changing one person is hard enough, but changing 100 or 1000 is an almost Herculean task. Yet organizations are doing just that. Most that do so successfully focus on showing what needs to be changed. Once people respond emotionally to the lesson, their emotional reactions propel them into action. They see, then feel, then change. To help them make the leap, you must:

- ✓ Help people see the need for change with compelling, eye-catching dramatic situations to visualize problems and solutions.
- ✓ Let people feel as they are hit with the reality of their situation and feel the need to act.
- ✓ Let people take their emotionally charged ideas into action.

The author: John P. Kotter is a world-renowned expert on leadership at the Harvard Business School and the author of many books, including *Leading Change*. Dan S. Cohen is a Principal with Deloitte Consulting LLC.

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Angry Customer Videotape Spurs Action

How do you change years of ingrained habits and attitudes? You can try facts and figures, but nothing works better than a shock. That's how one company managed to inspire change in a group of craftsmen who had refused to listen to a key customer's needs and continued to do things their way.

The customer had ordered custom-designed equipment, but found he still had to make significant alterations to the equipment. He told management that he had talked to the craftsmen designing the equipment many times, but that they didn't seem to listen. Sure, they would nod their heads, he explained, but they wouldn't take action. The manager asked permission to videotape the customer's complaints. He then showed the craftsmen the tape. Many were genuinely surprised to see the angry customer complain they hadn't listened. Some thought they were right and the customer wrong. But the overwhelming reaction was that something had to be done. The videotape created a sense of urgency that propelled the craftsmen into action.

Increase Urgency

(continued from page 2)

One company brought the need for change to executive attention with a compelling demonstration. The company bought and ordered gloves for its factories through a decentralized process. As a result, the company bought 424 different types of gloves.

To make matters worse, each factory negotiated its own glove purchases. Some factories paid \$5 per pair while another paid \$17 per pair **for exactly the same glove!**

To spur action, a manager collected one pair of all 424 types of gloves, attached the price, and placed them on the board room conference table. The vice-presidents were shocked by what they saw and immediately took action to change the company's procurement practices.

Here's what works to motivate action:

- Show others the need to change with a compelling object that they can actually see, touch and feel.
- Show people valid and dramatic evidence from outside the organization that demonstrates that change is required.
- Look for cheap and easy ways to reduce complacency and don't underestimate complacency, fear and anger. ■

Build the Guiding Team

The team you put together to guide change needs a sense of urgency. When there is urgency, more people want to lead, even if there is personal risk and few short-term rewards. But urgency isn't enough. Large-scale change does not happen without a powerful guiding force. A fragmented management team cannot do the job, and a hero CEO doesn't work either. There aren't enough hours in the day for even the strongest executive to accomplish change single-handedly. Your challenge is to put together an effective guiding team.

A powerful guiding group has two characteristics. It is made up of the right people, and it demonstrates teamwork. The "right people" are those individuals with appropriate skills, leadership capacity, organizational credibility, and the connections to handle organizational change. The "right people" aren't necessarily part of the existing senior management.

How do you build a team of the right people?

A single individual who feels great urgency usually pulls in the first people. The people selected create a team with:

- Relevant knowledge about what's happening outside the enterprise (essential for creating vision).
- Credibility, connections and stature within the organization (essential for communicating vision).
- Valid information about the internal workings of the enterprise (essential for removing barriers that disempower people from acting on the vision).
- Formal authority and the managerial skills associated with planning, organizing and control (needed to cre-

(continued on page 4)

The New and More Diverse Team

What happens when an organization moves from acquisition mode to one focused on organic growth? Here's how one company created a new and more diverse team to make the transition. The company had just ended an acquisition phase and found there were no remaining competitors small enough to buy. The deal-maker team had been small and like-minded. It was dominated by people with years of combined banking experience, but few of the skills needed to manage organic growth.

The team the CEO put together was incredibly diverse. It consisted of representatives from every major function: finance, human resources, corporate affairs, IT, regional leaders, and asset managers. Together, the team members represented the entire company. As a result, all viewpoints were represented, and decisions about the path to growth were balanced.

Build the Guiding Team

(continued from page 3)

ate short-term wins).

- The leadership skills associated with vision, community, and motivation (required for nearly every aspect of the change process).

As change progresses throughout the entire organization, additional groups are formed at lower levels. These teams help drive action within their units. Together, these groups form a kind of guiding coalition.

Making Meetings Work

Even something as mechanical as how a meeting is run is important when creating a team. How often should you meet and for how long? What will be on the typical agenda? Who will run the sessions? Are non-members welcome? Get the format wrong, and frustration grows. Get it right, and the group pulls together into a powerful force.

Poor meeting structure hurts particularly when a group is new. For example, a meeting at which important issues are discussed over and over with no resolution will drive the team crazy. Bad meetings undermine trust, especially with a new group. How do you avoid this? Stick to one topic per meeting. Put someone credible in charge. The person in charge of the unit or department to be changed has to be a central force in the guiding team. For the sake of the credibility of the effort and to avoid the constant threat of the boss pulling the plug on change, this is essential. ■

Get the Vision Right

In successful large-scale change, a well-functioning guiding team answers the questions required to produce a clear sense of direction. What change is necessary? What is our vision for the new organization? What should not be altered? What is the best way to make the vision a reality? What change strategies are unacceptably dangerous? Good answers to these questions position an organization to leap into a better future.

Unfortunately, guiding teams often have neither clear direction nor are they encouraged to embrace sensible missions.

One reason that smart people create no or poor direction for change is that they have been taught that “charting the future” means planning and budgeting. Truth is, when pursuing large-scale change, the best planning exercise is never sufficient. Something very different is essential. In those organizations that have successfully implemented large-scale change, four things have helped direct action in the right direction. These are budgets, plans, strategies and visions. All four are dif-

The Body in the Living Room

The change process needs to move forward quickly or it won't go anywhere at all. If you use a strategy of slow change, chances are organizational inertia will take over, no matter what your original vision.

Consider the advice a real estate agent gave a young professional who had stretched his resources to buy a sixty-five year old house that could best be classified as a “real fixer-upper.” She told the buyer that he should immediately make a list of the things he wanted fixed, and get it done in the first six months of ownership. If he didn't, she predicted, it would never get done.

He told her he would take five years of slow improvements and get everything he wanted done, done. She said, “No you won't, because after six months you get used to it. It seems to fit. You get used to stepping over the dead body in the living room.” Five years later, he had to admit she had been right. What hadn't been fixed in the first six months never was. It's the same with “slow and steady” organizational change. What isn't done when the momentum is rising won't get done later.

ferent yet tightly interrelated, and each requires a different development process.

The *budget* is the financial piece of the plan, and is a math exercise in numbers crunching. The *plan* specifies step by step how to implement a strategy and is a logical, linear process. The *strategy* shows how to achieve the vision, and requires accurate and up to date information about customers and competitors. And the *vision* shows an end state where all the plans and strategies will take you. Visioning requires the creativity to see possible futures. Your vision can fit on a page, while your strategy might take up ten pages. Your plans should fit in a notebook, while your budgets probably will require a large notebook and many meetings.

Bold Strategies for Bold Visions

Today's change visions are becoming bolder by necessity. More and more executives believe that their visions must include being an industry leader, being the firm that's first into new markets, or being the low-cost competitor.

Bold visions require bold strategies, and that's where many change initiatives fall apart. People without experience developing bold strategies can't figure out what to do next because it's so different from what they've done before. They sometimes back away from the obvious because it's threatening. Or they convince themselves that small modifications in their current ways of

(continued on page 5)

Get the Vision Right

(continued from page 4)

operating will achieve the vision — eventually. They may even come to believe that the vision is useless because they can't come up with a strategic plan.

The key is to focus on speed. Talking yourself into a very slow change schedule can be disastrous. Nothing may get done! Remember that this is the twenty-first century world. The pace of external change is only going to increase. That means that internal change has to accelerate also.

How do you get the vision part right? Here's what works and what doesn't:

- Articulate a vision that is so clear that it fits on one page and takes less than a minute to share.
- Articulate a vision that's moving — such as a commitment to serve people.
- Create a bold strategy and move ahead quickly.
- Don't assume that logical plans and budgets are enough.
- Don't rely on overly analytical, financially based vision exercises.
- Don't rely on visions that just slash costs. These produce anxiety and depression, but rarely change. ■

Communicate for Buy-In

In successful change efforts, the visions and change strategies can't stay locked in a room with your team. They must be communicated with as many people as possible, who in turn must buy in. The goal: to get as many people as possible acting to make the vision a reality.

When we communicate about a large-scale change, common responses are: "I don't see why we need to change that much," "We'll never be able to pull this off," and "Are you guys serious or is this a joke?" In successful change efforts, the guiding team doesn't argue with this reality. Instead, they find ways to deal with it. They address anxieties, accept anger, and evoke faith in the vision.

Communicating the need for change through a Question-and-Answer session can be effective if done properly. Make sure employees are given a well-prepared presentation about the change effort underway and are encouraged to ask any questions. During the Q&A session, each presenter responds quickly and clearly, with conviction, and without becoming defensive. This demonstrates to everyone that the ideas aren't muddled, that the presenters have faith in the vision, and that those answering the questions think the changes are good.

Nuking the Executive Floor

When one company started talking seriously about its vision of becoming the low-cost producer in its industry, many employees thought the idea was outrageous. After all, the company's executive offices were very grand.

The executive offices had huge rooms, and the joke was that you could play a half-court basketball game in the chairman's office. Almost every executive office had an adjoining conference room and private bath. There was enough polished wood around to build a ship and expensive art on the walls, as well as a private elevator. But discussions got nowhere since redoing the space would cost more than leaving it alone.

When a new CEO took office, he nuked the entire floor. It was gutted, and the expansive offices were replaced by smaller, more contemporary spaces. He sold the art and opened up the elevator. The effect was powerful. The club atmosphere was gone, and the changes would pay for themselves in about two years.

To be effective, the change messages communicated to employees must be simple and heartfelt, not complex and technocratic. Then fear, anger, distrust and pessimism shrink. Feelings of relief and optimism grow. Employees begin to buy into the changes. They waste less time being angry or anxious. They start to take steps to make change happen.

Matching Words and Deeds

People in change-successful enterprises do a much better job than most in eliminating the destructive gap between words and deeds. Deeds speak volumes. When you say one thing and then do another, cynical feelings grow. When you speak of a vision of innovation and then reward people who come up with good ideas or when you talk globalization and then immediately appoint two foreigners to senior management, employees begin to take the message of change seriously.

Matching words and deeds is usually tough, even for a dedicated guiding team. Team members have to help one another. At the end of meetings, for example, they should ask, "Have our actions in the past week been consistent with our change vision?" When the answer is "no," they should ask, "What do we do now and how can we avoid the same mistake in the future?" With a sense of urgency, an emotional commitment to others on the team, and a deep belief in the vision, change leaders will make the personal sacrifices needed to make the message consistent with action. ■

Empower Action

When people begin to understand and act on a change vision, you need to remove barriers in their paths. One example: Take away a pessimistic skipper and give the crew an optimistic boss.

Often the biggest obstacle to change efforts is a boss — an immediate manager or someone higher in the hierarchy. Subordinates see the vision and want to help, but are effectively shut down.

The supervisor's words, actions, or even subtle vibrations say, "This change is stupid." The subordinate, not being a fool, either gives up or spends an inordinate amount of time trying to maneuver around the barrier.

How can you overcome a reluctant boss who has become a barrier to needed change?

Try easing the reluctant boss' attitude through creative approaches. Remember, change can be difficult, especially for someone who has invested psychologically in the status quo. For a fragile and insecure person, change can cause fear, which in turn can lead to the person becoming immobilized. When change does come, the experience can be life changing as the person moves from being stuck in the past to leaping into the future. When seemingly immovable middle-managers feel sufficient urgency, develop sufficient faith in the people leading the change, and see the change vision clearly, they, too, will embrace it.

Removing the "System" Barrier

A second common source of disempowerment is the formal arrangements we often call *the system*. A decade or two ago, this would mostly have been overwhelming bureaucracy — but today the performance evaluation and rewards part of the system is often the stickiest problem.

Evaluations and rewards can disempower when they

Three Don'ts for the Boss Barrier

When confronted with the "Boss Barrier" to change, most companies take one of three approaches. They either:

- ✓ Ignore the barrier.
- ✓ Send the "obstacle" to a short training course.
- ✓ Fire, demote or transfer him or her.

None of these approaches work. Ignoring the problem won't make it go away. A short training course is equally unlikely to work, since the barrier probably will cynically view it as just another part of the misguided change effort underway. And firing, transferring or demoting the culprit is likely to spread fear to others — hardly the atmosphere you are trying to create.

Manufacturing Movies

At one company, senior managers for years came to the factory floor to "inspect things." The plant manager only received instructions about what needed to be fixed. The visits were never positive until one day a division executive announced that there would be no more plant inspections. Instead, he insisted, the company had to empower the work force. At first, the workers agreed they needed to hold meeting to discuss improvements. These quickly deteriorated into "bitching" sessions. They finally decided meetings did no good, and decided to try something entirely different.

Two workers volunteered to be filmed going about their jobs. They started out following how one product was manufactured, capturing on film everything from getting the raw material to taking it off the production line and preparing to ship it.

As people watched the tape, they could see some of the problems. Workers literally walked miles around the plant to finish one piece of equipment. Workers wasted time getting tools out of cabinets one at a time when they could keep them close at hand. The tape let ideas flow freely as the teams rethought options that would make their jobs easier and safer. The film became a very important tool for the work force. It helped spawn good ideas.

are at odds with the direction of needed change. "We want you to boldly leap into the future," is the communication, yet the system says, "Boldly leap into the future and you will receive ten cents if you succeed and a hammer on the head if you fail." Conversely, evaluation and rewards can empower people by identifying and compensating behavior that is required by the vision.

When we think of evaluation and rewards, most of us think of money. Few people believe they have all the money they need, and many struggle, even on two incomes. Thus, when there are no economic rewards for transformation, you have a barrier that is very powerful. But the addition of bonuses and raises does not necessarily motivate a change in behavior, nor does it necessarily convince people that if change efforts fail, they won't be punished. Other rewards that strike a cord can include contests and competitions, so long as they aren't cheap manipulations designed to avoid paying for performance. They must be worthwhile.

Removing Other Barriers

After years of stability, incremental change, or failed attempts at change, people can internalize a deep belief that they are not capable of achieving a leap. They may not shout, "I can't do it!" but at some level, they feel it even

(continued on page 7)

Empower Action

(continued from page 6)

when it isn't true. We've all seen this. "No," thinks the 60-year old. "I'll never be able to learn to use the computer." But it's all in his or her head — an irrational and psychological block. Never underestimate the power of the mind to disempower, but don't underestimate the power of clever people to help others see the possibilities either.

Another important barrier to remove is the information barrier. Information is a source of power, and lack of information can disempower. One of the most powerful forms of information is feedback on our own actions. We are often remarkably unaware of how we spend our time, how we interact with others, and how we physically move about. When we do get feedback, it comes from another person, often sounding and feeling subjective, biased, or like a precursor to sanctions. So we end up with information that seems suspect. It need not be that way. ■

Create Short-Term Wins

In successful change efforts, empowered people create short-term wins — victories that nourish faith in the change effort, emotionally reward the hard workers, keep the critics at bay, and build momentum. Without early wins that are visible, timely, unambiguous and meaningful, change efforts invariably run into serious problems.

In successful change efforts, an empowered group of people are very selective in how they spend their time. They focus first on tasks where they can quickly achieve results. These wins:

- **provide feedback to change leaders about the validity of their visions and strategies;**
- **give those working hard to achieve a vision a pat on the back, an emotional lift;**
- **build faith in the effort, attracting those who are not yet actively helping; and**
- **take power away from the cynics.**

Without these achievements, large-scale change rarely happens, and no matter how brilliant the vision and how needed the changes, they never take place.

Focus is Essential

In large organizations, a change effort may require hundreds of projects. When people feel urgency and are empowered to act, they can easily charge ahead on all fronts. With scattered attention, you might find the first win in two years — two years too late! Don't focus on 150 projects (as if you could!) Instead, pick four that

The Senator Owned A Trucking Company

Here's what happened when a state transportation department implemented a change plan. The agency knew one of the state's senators also ran a trucking company. They approached him to see what the department could do to help companies such as his operate better, thus making the agency's vision of better service to those the agency regulated become a reality. The senator's immediate response was that he was angry the agency made him fill out 15 forms every year, many asking for the same information.

When the change team heard about the problem, they were reluctant to find a solution right away. They had other, bigger plans in mind for transforming the agency, and changing the way trucking companies provide information didn't seem to be urgent. They needed to battle entrenched interests, and redesigning forms didn't seem to be important except that the senator could be in a position to help them later if he saw they were serious about changing. Making truck licensing more efficient could be the early and momentum-building win they were looking for.

A month later, the process had been streamlined from 15 forms into one. The senator was impressed, and the team was enthusiastic about the prospects for real change. A short-term result got the change process in high gear.

are likely to get results.

Not all wins are equal. In general, the more visible the victories, the more they help the change process. If you have been a part of enough successful change efforts, you will understand the power of visible, meaningful and unambiguous wins. If you have not, you can miss the mark. Too often we create wins that we can see, but which others do not, at least not to the same degree.

The order of projects can also make an important difference in large-scale change efforts. You can choose to first target a problem based on a logic that seems rational but does not supply enough wins fast enough to build momentum.

For example, suppose the vision is globalization. One choice that seems rational is to work on the manufacturing piece before the marketing. Make it before you sell it. But building the Frankfurt factory can easily take two years, cost a hundred million dollars, and then another year to assess whether the company can handle its first German manufacturing facility. During this time, wins are hard to find.

A less obvious but better choice is to sell a product,

(continued on page 8)

Create Short-Term Wins

(continued from page 7)

then build it. Put together a marketing plan for Germany. Implement a plan at minimum cost with a product from Chicago. Achieve a clear success in less than a year. Choose your first success carefully. It must satisfy the basic criteria: visibility, meaningfulness, unambiguity and speed. ■

Don't Let Up

After the first set of short-term wins, a change effort will have direction and momentum. In successful situations, people build on this momentum to make a vision a reality by keeping urgency up and a feeling of false pride down; by eliminating unnecessary, exhausting and demoralizing work; and by not declaring victory prematurely.

The most common problem at this stage in change efforts is sagging urgency. Success becomes an albatross. "We've won," people say, and you have problems reminiscent of those in step 1. It's easy for those driving change to allow organizational urgency to drop, especially when short-term performance rises. Don't become frustrated, and resist the temptation to "beat up" on your people.

Early in a change effort, you generally take on some of the easier problems in order to establish a few wins and create momentum. Picking up every piece of furniture in a house at once and moving it across the street isn't necessary or feasible. There aren't enough movers. In a successful move, the lighter pieces — pictures and side tables — go first. But sooner or later, you are faced with the credenza. For a move to be successful, you can't stop half-way through. You have to persevere.

It's the same with a major organizational change effort. Simple courage and perseverance help. Better still, structure situations so that people can take risks to deal with difficult bureaucratic and political situations without having to put their lives on the line. Structure situations so that people can gain the power to take on the most intractable problem. Power here means more than authority — it means time, resources and access to get the job done.

Not Killing Ourselves

Deep into a transformation, even if urgency remains high, even if people want to take on the big problems, and even if they succeed in generating waves of change, they can still fail because of exhaustion. After all, key people not only have to do the old work to keep things going, but have to handle the additional work to create

the future. The answer is really very simple: When you have too much work, jettison some.

Just how do you do that? Start by looking at day-to-day activities, and deciding if a particular task adds value and absolutely needs to be done. Identify and agree on what people can stop doing, and you won't feel so overwhelmed. This needs to be done as early in the change process as possible. Purge your calendar of everything that has no current pressing relevance. Stop the unnecessary Tuesday morning meeting that's been a fixture for five decades. Eliminate the six reports that you don't need. Teleconference instead of hitting the road. Delegate up, down and sideways. ■

Make Change Stick

Tradition is a powerful force. Leaps into the future can slide back into the past. Change sticks only if you create a new, supportive and strong organizational culture. A supportive culture provides roots for new ways of working. Making it stick is difficult. If this challenge isn't met at the end of the change process, enormous effort can be wasted.

Change is often held in place solely by a guiding team, a central player in such a team, a compensation system, an organizational structure, initial enthusiasm over the changes created by the changes, or even less. It may not seem that way. You may think you have built a sturdy house, yet not notice that the walls are being held in place by the construction crew. Eventually, the crew leaves, and gravity takes over. The culture isn't there to support the building.

Culture means the behavioral norms and shared values in a group of people. It's a set of common feelings about what is of value and how we should act. In large-scale change efforts, we use the power of culture to help make a transformation stick. It's hard, because creating a new norm means you need to change deeply embedded norms.

Make sure that the cultural changes you have worked so hard to create are passed on to new employees. Be sure new employees are introduced to the culture early on. Create compelling visions that help new employees become part of the company fast. And don't forget the new culture when you hand out promotions. The right promotions make those that truly reflect the new norms more influential, thus strengthening those norms. By putting into power those people who have absorbed the new culture, you create an increasingly stable and solid foundation. ■