An 11-Step Approach
to Changing Culture

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By Richard Hagberg

In the past decade, an increasing number of companies have attempted to make significant changes in the way they manage their businesses. In a world where rapid change has become the norm, a variety of forces have driven organizations to alter their structures and practices and often to tackle the monumental task of changing their culture.

The decision to make fundamental changes in the organization is frequently a response to a need to adapt to powerful external or internal change triggers. These include the rapid pace of technology and innovation, more aggressive competition, fundamental changes in industries and markets, deregulation, a more diverse workforce, increased organizational complexity, mergers and acquisitions, and escalating customer expectations.

In addition, globalization has created economic interdependence and has opened up new markets, new competition and new opportunities. It has also created new threats. Organizations have therefore been forced to make dramatic responses in order to survive.

Like other organisms, organizations need to adapt to their environment or they'll become extinct. Darwin's evolutionary theory applies to the evolution of all species, including business organizations. According to Darwin, "It is not necessarily the strongest or the most intelligent who survive, but those that can adapt and change."

The changes required differ in degree and scope, ranging from incremental adjustments to major transformations. Incremental changes occur within the context of existing organizational structures, systems and practices. Transformations require fundamental changes and realignments in order to put the organization and culture in sync with new realities and a new strategy.

Changes in structure and practices are relatively easy to accomplish. Changes in culture are far more difficult and complex. At my organization, HCG (Hagberg Consulting Group), we've worked to identify a systematic process that an organization can utilize to make major changes in its culture.

Step 1:

Understand the forces that will influence your future strategy. Review the internal and external forces that are impacting your business. Then ask yourself if any of these forces necessitate changes in the organization's strategy. Finally, assess the degree and scope of the adaptations that will be required.

Step 2:

Determine the core values that have been fundamental to your business' identity, core purpose and success that you will not compromise. A fundamental step in culture change is to determine which of your core values are timeless and are the basic heart and soul or your organization. It's critical at the outset of a major change effort that core values be evaluated and affirmed if they still hold up as the organization's guiding principles.

In the popular business book, *Built to Last*, Jerry Porras and Jim Collins write, "Visionary companies, at the heart, are grounded in a timeless set of core values and an enduring purpose beyond just making money." Their findings indicate that the companies that endure and thrive are both adaptable and forward-looking, yet built on a solid foundation of a few "precious core values." Porras and Collins recommend caution when tinkering with the core values unless they clearly need reworking. They suggest that organizations adapt their strategies, practices, secondary values and structures to a changing world.

Step 3:

Create a shared vision of what the company needs to become. Ask yourself what kind of culture, values and organizational structure you need to develop in order to implement your strategy and adapt to the current and future business environment. Developing a vision of this desired future and a picture of the ideal organization is an essential step in guiding change. Do you need to be more nimble? Is it important that you become more decentralized? Do you need to be more aggressive? Do you need to build a closer relationship with your customers? A key step in creating an organizational vision is prioritizing the elements of culture that are critical to your future. This will provide clarity, focus and a shared sense of the direction as the organization moves forward towards the future. Just remember that the organization you seek to become may be very different than what you are today.

Step 4:

Assess the existing culture and determine what elements of culture need to change. Culture change interventions generally start by diagnosing the organization's existing culture to assess its fit with the current or proposed business strategy. However, this is often difficult because culture can be hard to see when you are on the inside. Underlying values are often unconscious, and the unspoken norms and shared assumptions that are a key part of culture are difficult to assess. In general, people in the organization are so immersed in the culture that they lack objectivity and perspective.

Step 5:

Determine what changes need to occur to implement strategy and address the gaps. Once you've defined your ideal and also have an objective understanding of the existing culture, turn your attention to closing the gaps. Are the elements of your current organization (the values, norms, structures, systems and practices) aligned with your desired future? This "gap analysis" will identify the targets of intervention at various levels of the organization.

Step 6:

Define the role of senior management in leading the culture change. The leadership team is key to the success of most efforts to change culture. In order to drive the change, it will be necessary to line up the senior management team to direct and guide the change effort. It helps if this team is broadly based and contains individuals who have a diversity of strengths and mindsets. The leader also needs to ensure that this group focuses on the greater good and wellbeing of the entire organization, rather than being self-serving or maneuvering for political advantage.

The leadership team is responsible for creating the vision of the ideal organization, communicating that vision and mobilizing others around it. It's very important that this group is able to engender trust throughout the organization. After all, change can create a good deal of fear and insecurity in the organization's members. This team must rally the troops, but also needs to empower others to make decisions and act in ways that allow changes to take hold.

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Step 7:

Once the gaps between the envisioned culture and the existing organization have been identified, a plan of attack needs to be developed. What will be the priorities? What and where should we focus our efforts? What resources will be needed? How should we sequence our interventions? Who will be responsible for the different parts of the project? What is our timeline? These basic project-management steps must be followed for a change as complex as this to succeed.

Step 8:

Communicate the need and plan for change while motivating and getting buy-in from key stakeholders. Changing something as basic as organizational culture needs to be communicated carefully and sold persuasively. Employees at all levels need to be brought into the loop to provide input, ask questions and understand the need for change. They need to know how the changes will benefit them, how it will create new opportunities and how it will meet their needs. Leading change means guiding, facilitating and empowering the entire workforce to get on board and support the cause. Motivation and commitment will come easier when people in the organization are treated as valuable participants in the change process and co-creators of the future.

Step 9:

Identify obstacles and sources of resistance and develop strategies for getting around them. Appraise and plan for employees' resistance to change. People react to change in many different ways. Some will embrace it and others will need to be dragged kicking and screaming. Resistance is sure to be intense if employees at all levels are not heard and if conflict and challenges are swept aside. Fear and loss must be dealt with and worked through. Fear can be reduced with information and management's willingness to listen to input, frustration and concerns.

Sometimes senior executives underestimate how hard it can be to move people out of their comfort zones. It is important to be sensitive to the need for some stability amid the disruption that change can create.

Another strategy for helping employees adapt to change involves breaking the change down into smaller steps. In addition, management needs to encourage employees to see the new opportunities and personal benefits arising from the change.

Step 10:

Institutionalize, model and reinforce the changes in culture. The leadership team plays a crucial role in modeling, reinforcing and rewarding the change. When management's behavior and decisions are inconsistent with the desired changes, this can undermine all of their motivational messages supporting change.

In addition, management must reward the behaviors and results that support the change. Be sure to link reward systems to these desired behaviors and actions, and to recognize, acknowledge and celebrate the many small steps in the right direction.

Step 11:

Continually reassess the organization's culture and establish a norm of continuous learning and transformation. Remember that change is a dynamic process that requires a continuous feedback loop of assessment and reassessment. As the organization's environment changes, its culture must adapt. The formula that works well at one point in time will not work forever.

About the author

Former Vistage Chair, Richard Hagberg PhD, is a consulting psychologist who specializes in executive development counseling and organizational development. Hagberg has served as a personal coach to more than 600 company presidents and has conducted research on successful organizational change.

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