September 2006, Ten Principles for Change Management

In today's global, 24-7 business environment, stability is a fleeting state. In most industries and companies, from large multi-nationals to small, family owned enterprises - heightened global competition has concentrated management's attention on something that, in the past, it was happy to avoid: change. Perhaps there is no better example of this type of dynamic than what has taken place at General Electric over the last 5 years since Jack Welch retired and Jeff Imelt took the reigns. In that time, GE has become more global as they expect nearly half of their $163 billion in revenue to come from outside the US, up 40% from 2001. Under Imelt, there has also been a focus on developing a much more collaborative environment, where managers stay in jobs longer to take advantage of their expertise and where the CEO's circle of key advisors has broadened. But, Imelt insists that GE has to change even more to stay ahead of the curve.

In major transformations of large enterprises, CEO's and their advisors typically focus their attention on devising the best strategic and tactical plans. But to succeed, they also must have an intimate understanding of the human side of change management -- the alignment of the company's culture, values, people, and behaviors -- to encourage the desired results. Leadership teams that fail to plan for the human side of change often find themselves wondering why their best-laid plans have gone awry.

In an article which appeared in strategy + business in the Summer of 2004, three specialists in organizational design and transformation from Booz-Allen Hamilton outlined Ten Principles for Change Management that form the basis of a 'how to" for CEO's and senior managers embarking on long-term structural transformation. No single methodology fits every company, but this set of practices can be adapted to a variety of situations. Using these as a systematic, comprehensive framework, executives can understand what to expect, how to manage their own personal change, and how to engage the entire organization in the process.

1. Address the 'human side" systematically. Any significant transformation creates 'people issues." A formal approach for managing change - beginning with the leadership team and then engaging key stakeholders and leaders - should be developed early, and adapted often as change moves through the organization.

2. Start at the top. Because change is inherently unsettling for people at all levels of an organization, when it is on the horizon, all eyes will turn to the CEO and the leadership team for strength, support, and direction. The leaders themselves must embrace the new approaches first, both to challenge and to motivate the rest of the institution.

3. Involve every layer. As transformation programs progress from defining strategy and setting targets to design and implementation, they affect different levels of the organization. Change efforts must include plans for identifying leaders throughout the company and pushing responsibility for design and implementation down, so that change cascades through the organization.

4. Make the formal case. Individuals are inherently rational and will question to what extent change is needed, whether the company is headed in the right direction, and whether they want to commit personally to making change happen. They will look to the leadership for answers. The articulation of a formal case for change and the creation of a written vision statement are invaluable opportunities to create or compel leadership-team alignment.

5. Create ownership. Leaders of large change programs must overperform during the transformation and

be the zealots who create a critical mass among the work force in favor of change. It demands ownership by leaders willing to accept responsibility for making change happen in all of the areas they influence or control.

6. Communicate the message. The best change programs reinforce core messages through regular, timely advice that is both inspirational and practicable.

7. Assess the cultural landscape. Successful change programs pick up speed and intensity as they cascade down, making it critically important that leaders understand and account for culture and behaviors at each level of the organization.

8. Address culture explicitly. Once the culture is understood, it should be addressed as thoroughly as any other area in a change program. Leaders should be explicit about the culture and underlying behaviors that will best support the new way of doing business, and find opportunities to model and reward those behaviors.

9. Prepare for the unexpected. No change program goes completely according to plan. People react in unexpected ways; areas of anticipated resistance fall away; and the external environment shifts. Effectively managing change requires continual reassessment of its impact and the organization's willingness and ability to adopt the next wave of transformation.

10. Speak to the individual. Change is both an institutional journey and a very personal one. Team leaders should be as honest and explicit as possible. People will react to what they see and hear around them, and need to be involved in the change process.

Most leaders contemplating change know that people matter. It is all too tempting, however, to dwell on the plans and processes, which don't talk back and don't respond emotionally, rather than face up to the more difficult and more critical human issues. But mastering the 'soft" side of change management needn't be a mystery; rather, it should be seen as a great opportunity to build commitment to the organization's goals and objectives.