

## 3 Ingredients of Highly Profitable Organisational Change

As waves of organizational change sweep across the business landscape, a huge question arises: **What must a leader do to make sure change produces highly profitable results?**

To find out, I uncovered exactly what executives did who planned and implemented organizational change that produced \$10-million - \$1-billion in profit improvement.

I discovered that highly profitable organizational change requires three key ingredients. If any ingredient is missing or incomplete, then even the best plans will fail to achieve the desired results. My 3-ingredient model for all successful organizational change is the following:

Ingredient 1: Leading the Organizational Change

Ingredient 2: Handling Employees Who Resist ? or Undermine -- Change

Ingredient 3: Managing Yourself as You Lead Organizational Change

Leaders at some of America's finest companies used this 3-ingredient model to produce highly profitable organizational change. These organizations include IBM, Harley-Davidson, Intuit, City of Indianapolis, Robert Mondavi Corporation, Outback Steakhouse, Ritz-Carlton, Excell Global Services, VF Corporation, and Washington Mutual.

Ingredient 1: Leading the Organizational Change

Leading profitable organizational change requires four key actions.

Action 1: Fit Your Organizational Change into Your Corporate Culture

I found the only organizational changes that improve profits are those that fit into the company's culture. Brilliant changes that do not fit into your organizational culture will not achieve the desired results.

Action 2: Creating A Big, Exciting Vision for Your Organization

A company's real vision is not the cliché-filled mission statement adorning the company's lobby or annual report. Instead, a company's vision is a huge, compelling goal the organization aims to accomplish. For example, Ritz-Carlton Hotel Company's vision is the following: Our key goal is to be the premier worldwide provider of luxury travel and hospitality products and services. Intuit's big, exciting vision is this: Our key goal is to revolutionize the way people do financial work.

Action 3: Goal-Setting to Implement Changes

Goal-setting forms the steps that create the staircase leading to the organizational change. Employees need measurable targets with deadline dates.

Action 4: Teamwork to Produce Profitable Organizational Change

Executives leading organizational change need to get employees to use teamwork plus interdepartmental collaboration. For instance, at Egghead.com, the large company that sells technology products and services, president and COO Jeffrey Sheahan and CEO Jerry Kaplan cleverly package four meetings each week to assure teamwork and goal achievement.

First is a lunch meeting of Egghead's top five executives to discuss strategy.

Second is the "5 - 15 Report" from each manager which Sheahan reads to see how the manager is progressing on measurable goals.

Third is the meeting of all middle managers where each manager announces how he or she is doing at achieving measurable goals.

Fourth is a 20-minute "Social" for all employees; at this stand-up meeting -- no sitting allowed! -- ice cream and cake are served as employees publicly praise colleagues who accomplished wonderful things.

#### Ingredient 2: Managing Employee Resistance -- or Undermining

Surveys of executives reveal many organizational changes fail due to people problems. These people problems are "R-n-R": Resistance and Rebellion. Once I received loads of TV and print media coverage when I delivered a speech at a national conference in which I declared, "The major emotional reaction of employees during 3 organizational change is that they feel like their spouse or lover just walked out on them!" My statement summarized the shocking zing of betrayal practically everyone has felt for various reasons. Resistant and rebellious employees feel betrayed by their company making changes.

Prescriptions to manage the people problems include over-communicating reasons for change, "de-employing" employees who stop adding financial value, incentive pay, peer pressure to "get with the program," and celebrating successes.

Another bottom line concern is this: Employees who did fine before the change may do poorly after the change is implemented. I call them "old-style" and "new-style" employees."

Here are vital differences:

#### Old-Style Employees

- Works in 1 department
- Solo work
- Likes receiving direction
- Prefers to be told what to do
- Focus: Seniority & experience

#### New-Style Employees

- Interdepartmental
- Teamwork
- Likes independence
- Prefers shared leadership
- Focus: Updating & expanding skills

During a speech I delivered at a company, an executive stood and dramatically announced: "As our organization undergoes major organizational changes, we always seek to cure the wounded. But, we will shoot the dissenters." Every manager in my presentation remained silent for a few moments. Then, they all burst out laughing as they recognized the wisdom of what they heard. Some resistant employees need to be "de-employed." After all, a company's purpose is to grow and prosper -- not transform rebellious employees.

Ingredient 3: Managing Yourself during Organizational Change It is waste when managers use many great techniques to lead change -- but ignore something incredibly important: How they manage their emotions and attitudes.

To learn more about this, I conducted unique research. I had leaders of highly profitable organizational change fill-out my Abilities & Behavior Forecaster? pre-employment test. My research revealed these magnificently successful leaders scored amazingly high on four of the Forecaster? test's 18 scales, namely, Optimism, Teamwork, Creativity, and Intelligence.

The fact that astounding leaders in America's best-run companies are very optimistic, teamwork-focused and creative implies that attitudes are contagious. These stellar leaders are role models. Employees "pick-up" and copy the behaviors and attitudes of these tremendous leaders. This, in turn, helps leaders implement highly profitable organizational change.

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