



The **psychology** of change management

Companies can transform the attitudes and behavior of their employees by applying psychological breakthroughs that explain why people think and act as they do.

EMILY LAWSON AND COLIN PRICE

Extract from The McKinsey Quarterly, 2003 Number 2 Organization

Over the past 15 or so years, programs to improve corporate organizational performance have become increasingly common. Yet they are notoriously difficult to carry out. Success depends on persuading hundreds or thousands of groups and individuals to change the way they work, a transformation people will accept only if they can be persuaded to think differently about their jobs. In effect, CEOs must alter the mind-sets of their employees—no easy task.

CEOs could make things easier for themselves if, before embarking on complex performance-improvement programs, they determined the extent of the change required to achieve the business outcomes they seek. Broadly speaking, they can choose among three levels of change. On the most straightforward level, companies act directly to achieve outcomes, without having to change the way people work. On the next level of complexity, employees may need to adjust their practices or to adopt new ones in line with their *existing* mind-sets in order to reach, say, a new bottom-line target.

But what if the only way a business can reach its higher performance goals is to change the way its people behave across the board? Suppose that it can become more competitive only by changing its culture fundamentally—from being reactive to proactive, hierarchical to collegial, or introspective to externally focused, for instance. Since the collective culture of an organization, strictly speaking, is an aggregate of what is common to all of its group and individual mind-sets, such a transformation entails changing the minds of hundreds or thousands of people. This is the third and deepest level: cultural change.

Linking all of the major discoveries in programs to raise performance has effected **startling changes** in the way that employees behave

In such cases, CEOs will likely turn for help to psychology. Although breakthroughs have been made in explaining why people think and behave as they do, these insights have in general been applied to business only piecemeal and haven't had a widespread effect.

Recently, however, several companies have found that linking all of the major discoveries together in programs to improve performance has brought about startling changes in the behavior of employees—changes rooted in new mind-sets. Performance-improvement programs that apply all of these ideas in combination can be just as chaotic and hard to lead as those that don't. But they have a stronger chance of effecting long-term changes in business practice and thus of sustaining better outcomes.

FOUR CONDITIONS FOR CHANGING MIND-SETS

A PURPOSE TO BELIEVE IN

In 1957 the Stanford social psychologist Leon Festinger published his theory of cognitive dissonance, the distressing mental state that arises when people find that their beliefs are inconsistent with their actions. Festinger observed in the subjects of his experimentation a deep-seated need to eliminate cognitive dissonance by changing either their actions or their beliefs.

If people in an organisation believe in its overall purpose, they will be happy to change their individual behavior to serve that purpose. But to feel comfortable about change and to carry it out with enthusiasm, people must understand the role of their actions in the unfolding drama of the company's fortunes and believe that it is worthwhile for them to play a part. Anyone leading a major change program must take the time to think through its "story"—what makes it worth undertaking—and to explain that story to all of the people involved in making change happen, so that their contributions make sense to them as individuals.

REINFORCEMENT SYSTEMS

B. F. Skinner is best known for his experiments with rats during the late 1920s and the 1930s. He found that he could motivate a rat to complete the boring task of negotiating a maze by providing the right incentive—corn at the maze's center—and by punishing the rat with an electric shock each time it took a wrong turn.

Skinner's theories of conditioning and positive reinforcement were taken up by psychologists interested in what motivates people in organizations.

Organizational designers broadly agree that reporting structures, management and operational processes, and measurement procedures—setting targets, measuring performance, and granting financial and non-financial rewards—must be consistent with the behavior that people are asked to embrace. When a company's goals for new behavior are not reinforced, employees are less likely to adopt it consistently.

THE SKILLS REQUIRED FOR CHANGE

Many change programs make the error of exhorting employees to behave differently without teaching them how to adapt general instructions to their individual situation.

During the 1980s, David Kolb, a specialist in adult learning, developed his four-phase adult-learning cycle. Kolb showed that adults can't learn merely by listening to instructions; they must also absorb the new information, use it experimentally, and integrate it with their existing knowledge. In practice, this means that you can't teach everything there is to know about a subject in one session. Much better to break down the formal teaching into chunks, with time in between for the learners to reflect, experiment, and apply the new principles. Large-scale change happens only in steps.

People assimilate information more thoroughly if they go on to describe to others how they will apply what they have learned to their own circumstances. The reason, in part, is that human beings use different areas of the brain for learning and for teaching.

CONSISTENT ROLE MODELS

In any organization, people model their behavior on "significant others": those they see in positions of influence. Within a single organization, people in different functions or levels choose different role models. So to change behavior consistently throughout an organization, it isn't enough to ensure that people at the top are in line with the new ways of working; role models at every level must "walk the talk."

Behavior in organizations is deeply affected not only by role models but also by the groups with which people identify. Role modeling by individuals must therefore be confirmed by the groups that surround them if it is to have a permanent or deep influence

It is neither easy nor straightforward to improve a company's performance through a comprehensive program to change the behavior of employees by changing their mind-sets. No company should try to do so without first exhausting less disruptive alternatives for attaining the business outcome it desires. Sometimes tactical moves will be enough; sometimes new practices can be introduced without completely rethinking the corporate culture. But if the only way for a company to reach a higher plane of performance is to alter the way its people think and act, it will need to create the four conditions for achieving sustained change.