

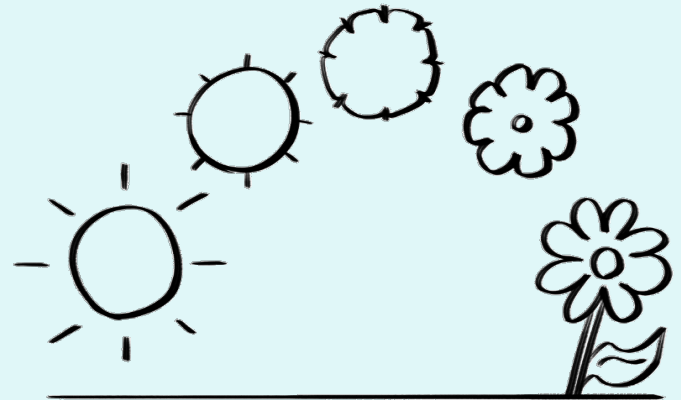
# 12 ESSENTIAL PRINCIPLES FOR ORGANIZATIONAL TRANSFORMATION

What is the essence of real change? What is needed for an impact? What should change managers really focus on?

In our experience, these 12 principles have proven to be important and crucial. They should help leaders put their focus and limited resources on the right topics.

During different phases and situations in a change process, different aspects will be specifically important and need special attention.

You can keep these aspects in mind to reflect on your change process – both at the beginning and regularly in between. Where are we, are we well on the way? What should we put a stronger focus on? What can be an effective lever for our change? Where might be blind spots?





Create emotional  
change energy



Always work “inside”  
and “outside the skin”



Make the new  
tangible



Give meaning  
and a vision



Support people in  
coping with the  
transition



Foster a sense of  
community



Initiate a movement  
with positive energy



Remove ballast  
and barriers



Consciously create  
stable elements



Lead  
consistently



Operate in  
learning loops



Build on  
existing resources



## Create emotional change energy

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Organizations often want to maintain the status quo, especially if the current situation seems comfortable or if they are faced with multiple challenges at the same time. There are three potential energy sources that can be harnessed to generate momentum and to drive change:

The first is activated by answering the question of “Why should we change?” Even if past actions were suitable, it is important to examine current trends and realize that change is necessary for future success. Activities like benchmarking trips, customer forums, or open discussions during management retreats or in workshops with employees can help instill an emotional engagement and commitment.

The second revolves around the question of “Where do we want to go?” This necessitates a compelling, shared vision that drives all key stakeholders (incl. customers, employees and managers) to say: “I want to be a part of this!” Here, the energy lies in its precision: What services will we offer? To whom, and how?

The third source of energy arises from the answer to “How do we bridge the gap between our current status and our desired future status?” It is key to ensure that the process is perceived as realistic – not overly fast or daunting but also not too slow and time-consuming. Then, people will think, “I can do this!”

All three energy sources are crucial, and a persuasive change story must address the “Why”, “Where to” and “How”.



## Always work “inside and outside the skin”

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Typically, change initiatives begin with a focus on the rational and factual aspects, such as strategies, structures, processes, or systems, built on analysis and detailed planning. We refer to this level as “outside the skin” – everything that is content-based, with milestones and work packages being used for the desired outcomes. However, despite the initiators’ good intentions, most stakeholders are reluctant to participate, instead seem to resist the implementation.

That is due to the fact that the second level, referred to as “inside the skin”, concerned with emotions, core beliefs, and mental models, does not get enough attention. If individuals feel uninvolved and like their concerns are disregarded, if they are given insufficient time to comprehend the rationale behind the change, or if they do not have an emotional connection to the change, they are likely to resist it.

However, in most change initiatives, these matters are only considered towards the end of the process – “Now let’s focus on convincing and bringing people on board.” This approach leaves little time for individuals to progress naturally through the change curve. Consequently, people often feel baffled or overwhelmed, and their response is then perceived as “resistance”.

To prevent this, it is essential to include individuals in the early stages with open communication, interactive workshops for employees, or sounding board events, and opportunities for feedback with pulse checks.



## Make the new tangible

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Change initiatives can be perceived as threatening since they involve an intermediate phase where the old ways are no longer applicable, but the new ways are not yet established. This leads to uncertainty, which can cause discomfort, particularly if this phase persists for an extended period. During this phase, abstract concepts and hollow phrases from management are ineffective when it comes to generating energy.

It is therefore crucial to accomplish short-term, business-related successes, that prove to skeptics that the changes are meaningful and achievable. Trial and error is an essential element here. When we accomplish something, our brains release dopamine, which then serves as a reward and generates positive emotional experiences.

Various approaches can be helpful here, such as sprints, rapid prototyping, or rapid results projects: *sprints* are agile concepts that emphasize an intense focus on a specific goal over brief periods of time. *Rapid prototyping* involves a quick testing of new ideas without spending too much time on concepts. *Rapid results projects* aim to accomplish what was once considered impossible within a short time frame, demonstrating that “We can do it!”

In this context, it is beneficial to identify any limitations that must be overcome or rules that may need to be set aside for extraordinary outcomes.



## Give meaning and a vision

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For most of us, commitment to change comes from the perception of purpose or personal advantage. Consequently, designers of change initiatives should establish an appealing and, most importantly, credible vision of the future. This way, people are encouraged to leave their comfort zone, to generate positive momentum for change. Compelling visions must be more than just empty slogans or numerical data on a PowerPoint slide. When stakeholders can envision something positive for themselves and have faith in leadership, others are motivated to embrace change as well.

This vision needs to be tangible: what does it mean to have a secure job, to embark on an exciting new challenge, or to acquire new knowledge? Visions must be emotional. Buzzwords or statements like “We want to improve our EBIT by x percent” will unlikely stir people’s passions.

For the creation of a vision, it is best to start with individual aspirations of influential leaders, to then engage in productive talks for a shared vision of all stakeholders. Change visions are particularly influential when they succeed in addressing the unspoken aspirations of many people.

Change without a significant impact on the market is not viable in the long term. As a result, change managers should always ask themselves: “How does this improve our future value proposition and contribute to the organization’s long-term survival?”



### Support people in coping with the transition

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Every person has a unique way of responding to change: some embrace it and are naturally drawn to it, while others tend to shy away from it or feel uncertain about it. Studies have shown that people perceive uncertainty and changes to their familiar environment or social status as threats, leading to stress. This can result in an emotional overreaction, which may be difficult for others to comprehend, and they often perceive this “fight or flight” mode as resistance.

Therein, people are unreceptive to logical arguments as their emotional reaction is much quicker and stronger than their rational thought process. This survival mode can be triggered by various factors, such as feeling undervalued or powerless, lacking direction, the loss of personal relationships, or experiencing unfair treatment. Change leaders should aim to understand people’s anxieties and emotional concerns instead of applying pressure or presenting rational arguments. “Resistance” from individuals always makes sense from their perspective and is often rooted in emotional concerns rather than factual objections (“Is this really the best solution?”).

For a successful transformation, it is essential to reduce stress and provide people with support during the transition “from the old to the new”. Strategic communication, learning opportunities, and coaching can be helpful. Effective leadership, acting as role models who provide guidance and support, is also crucial in these situations.



### Foster a sense of community

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During times of change, often triggering uncertainty and fear, it is essential to create positive team experiences that provide a sense of security and social stability which can help us to easier learn new behaviors and to navigate the challenges of change. Studies have shown that such social closeness leads to a release of oxytocin, boosting happiness.

Amy Edmondson introduced the concept of “psychological safety”, which refers to the creation of a safe space in which individuals feel comfortable sharing their concerns, anxieties, and unconventional ideas that may in turn lead to innovative solutions. Research has shown that teams with a high degree of psychological safety are more effective and less prone to serious failures.

There are various formats useful for promoting psychological safety, such as self-directed project teams, effective team-building strategies for new teams, team retrospectives and leadership retreats that allow individuals to personally connect with each other, to break free from constraints of their roles. As part of a change initiative, large group workshops with several hundred people can be organized, with an intensive day of talks in a large room. This can create a sense of community, inducing a lot of oxytocin.

A good change leader should act similar to a coach in team sports, enabling top performance while also fostering psychological safety and a sense of community.



## Initiate a movement with positive energy

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Successful change leaders view a transformation as a collective “journey” or even a “movement”. The key to a successful movement lies in inspiring leaders who are guided by a powerful idea that ignites people’s desire for change. Often, these leaders are strong personalities who act as role models and inspire others. These pioneers are intrinsically motivated and deeply committed to a guiding idea, even in the face of opposition. However, it only turns into a true movement when the first “fast followers” turn up, those who are willing to work towards a shared vision without regard for personal gain. They are committed to a meaningful purpose and willing to go the extra mile. Diverse teams of volunteers are crucial to the success of any change initiative. John Kotter, the thought leader in the field of change management, refers to this network of volunteers as an organization’s “second operating system”. While the first operating system ensures day-to-day business success, the second one acts as a hub for meaningful innovation and transformation.

However, for a movement to result in sustainable change, it has to bridge the gap between the new initiative and the existing organizational structure. This requires a mutual appreciation and, most importantly, influential individuals who can act as go-betweens and translators of the two worlds.



## Remove ballast and barriers

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Change involves letting go of old habits and removing obstacles. Systems and rigid processes, such as budgeting or individual incentives, can heavily influence people’s behavior. If teamwork is encouraged while individual performance is rewarded: what behavior will ultimately prevail? Therefore, to establish new behaviors, it is often necessary to eliminate constraining structures and systems. Popular management systems, such as Management by Objectives (MbO) and structures with strong silos, can impede meaningful innovation by reinforcing existing behavior patterns.

One example of breaking down restrictive structures and systems is shifting from individual incentives to team goals, which can help combat the lone-fighter mentality. Another is the introduction of agile logic such as OKRs (Objectives and Key Results), which involve the setting of clear and concrete short-term result-based goals that are closely monitored, evaluated, and updated based on changes in the environment. This shift away from formal performance optimization and a high emphasis on quick results to learning from experience can help drive behavior change.

It also entails abandoning reports that no longer provide relevant input for decision-making and taking visible actions to demonstrate the seriousness of the change effort.



## Consciously create stable elements

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During transformation processes, it can seem like everything is constantly changing, leaving little room for stability and support. However, a successful transformation involves not only the creation of movement but also the conscious incorporation of stable elements. These provide the necessary orientation and allow individuals in the organization to stay committed to the path of innovation. Examples of stabilizing elements include:

- clear principles and values, an inspiring vision, and leaders who exhibit authenticity;
- regular communication channels, consistent team structures, and a few key guidelines;
- continuous reflection and a leadership approach that recognizes change as an ongoing learning process for both individuals and the organization.

Change leaders need to be conscious of their messages. Do they mainly focus on the challenges and vision of what needs to be changed, or do they also emphasize what will remain the same? In many change initiatives, only a small portion (20–30%) of structures, processes, and behaviors need to be transformed, but employees may feel like 90–100% needs changing, based on the messaging. This can lead to unnecessary anxiety and resistance, potentially undermining the change initiative.



## Lead consistently

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Change cannot simply be handed down to lower levels. Employees closely observe their leaders' behavior and assess their honesty and authenticity in both speech and action. Effective change leadership requires three aspects:

- a clear understanding of the vision and desired outcomes of the change as well as the ability to tangibly and understandably communicate all of this;
- leadership by example and demonstrating commitment through words and actions, identifying situations where change in behavior is needed to make the change credible;
- creating the necessary freedom, resources, and environment for success – enthusiasts will put in extra effort, but not if they can only do so from 6 pm–9 pm.

Having a willingness to learn is beneficial to change processes, whereas an “I can do it already, so now you have to learn it” attitude is unhelpful. Leadership roles often change during far-reaching change processes. For instance, if I want employees to be more innovative and take initiative, I need to evaluate how my leadership style can contribute to this.

This involves being open to personal development and accepting support such as coaching. It is particularly challenging for leaders in the “sandwich position”, those who must implement a change from ‘above’. They need to become clear about the change first to effectively communicate and implement it ‘downward’.



## Operate in learning loops

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Unlike machines, where the pressing of a button results in a predictable outcome, intervening in a social system, such as making an announcement or personnel changes, can result in unpredictable reactions influenced by various factors.

Therefore, repeating an action in a social system, such as announcing a cost-savings program, can lead to different reactions based on the organization's prior experiences.

In change processes, highly detailed plans and precise project planning often prove ineffective. Instead, a systemic approach is necessary, whereby interventions – such as measures – are implemented in short cycles, followed by an observation and analysis of their effects. This involves asking questions such as “What does this teach us about the logic of our organization?”, using the insights to inform the next interventions.

While an overall plan and a rough roadmap are important, the actual implementation occurs through continuous evaluations and adjustments. Agile work principles and tools, such as regular retrospectives, that look at what is going well and what needs improvement, can be helpful in facilitating this process.



## Build on existing resources

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Organizations may sometimes be fully aware of the need for change, understand its purpose, have a clear vision, and even know the necessary steps. However, they may still feel overwhelmed and paralyzed because of a lack of necessary resources. This can lead to a lot of frustration.

In these situations, it can be helpful to take a closer look at the available resources or consider ways to obtain them.

Instead of regarding everything from the past as “bad”, as in need of changes, it is beneficial to assess past contributing factors to the organization's success. While some skills or patterns may need to be discarded, it is crucial to recognize and retain those that can be built upon. This approach reduces fear and increases confidence in the organization's ability to successfully navigate change.

It is also essential to identify pioneers: these individuals or teams may already be utilizing innovative methods or working according to the desired logic. By spotlighting them, the organization can learn from them and build on their successes.

Finally, identifying the human resources required for change is critical. The organization must identify those who possess the necessary skills to act as change agents and supporters. Additionally, it is essential to identify any newly required resources.