



CM Article

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When Managing Organizational Change, Don't Forget Your Culture

In 2007, I was instructing a new Certified Manager class for a client, and at the time there was a case study in the CM manuals about Robert Nardelli and all of the good things he did for Home Depot. And Robert Nardelli did have a huge impact on the operations of Home Depot. As the case study shared, he brought much needed control of processes and efficiency to an organization that wasn't very efficient. These were very important steps in the ability of Home Depot to grow. And Home Depot did grow, but not at the rate it had previously.

There was a generous growth in revenue and a modest growth in profits, but these were attributed to the ongoing expansion and not to the maturing of the company, which Nardelli had been hired to bring about. On top of that, the company was seriously lagging behind its nearest competitor (Lowe's), with a fairly flat stock price, while Lowe's stock had doubled in price. So in 2007, just a week before the CM class was to begin, Robert Nardelli was fired as CEO of Home Depot.

The class spent a lot of time analyzing the reasons why Nardelli was let go and what he might have done wrong. We discussed the many articles that were published after his departure, and we talked about what Home Depot might have to do to recapture its previous stature. Of constant discussion was how the company had changed from its once strong customer focus to a cost cutting focus, which ended up alienating many customers and driving them to the competition.

Home Depot became the class's project, and it was one where there were some great lessons learned. The bottom line is that while Nardelli brought a lot of much needed change, he brought it at the expense of the culture that had made Home Depot a success.

In his recently released book "How the Mighty Fall," Jim Collins shares his new research on how companies can go from good to great and then fall and struggle while continuing to exist. He shares that one of the major impacts on decline in once highly successful organizations is that they drift away from the cultural strengths that helped them become successful to begin with. They forgot who they were and why they existed; in essence, they forgot their very reason for Being. And those organizations that were able to suspend their fall and turn things around did so only because they returned to their roots and rediscovered those things that were at the heart of their success from the beginning. In other words, it was insuring a strong culture that made these organizations successful, and it was losing sight of that very culture, as they grew and changed, that caused them to fall.

Change is a constant. Every organization must become a master of adapting to the external changes it faces, and, at the same time, drive innovation from within. But as we allow our organizations to evolve from those changes, we must keep constant that which gives the organization its greatest strength – a core of an aligned Purpose, Values and long-term Goals. These things help provide structure for the

culture of the organization. When dealing with organizational change the Purpose, Values and Goals must be maintained and must be kept in focus. We must insure that we don't drift from these things or we could see that our changes take us away from the success that we are seeking.

Of course, this is assuming that our culture is one that is helping us to be successful in the first place. Unfortunately, there are too many organizations that have cultures that are not clearly defined, or even worse, toxic, and inhibit success. In these cases, any change efforts should be directed toward finding out what the organization will Be first. We need to first place our efforts and resources on identifying the culture that will help us insure success before we begin initiating change, otherwise our change will simply be mindless and directionless. Once we have identified our Purpose and Values and set our long-term Goals, then we can figure out what we need to Do by way of changing processes, programs, or other initiatives so that we can achieve our Goals.

So, when you begin addressing change in your organization, first take a look at your culture and insure that it will both help you achieve the changes you are seeking, and that the change you are initiating will not take you away from a successful culture. Discover how you can leverage your culture as a strength to help you achieve change. This will help you to insure that the change you seek will have a long-term, positive impact on your organization. Both use and protect your culture in managing change; it is the heart and soul of your organization and offers you either great success . . . or great failure, depending on the attention you give it.

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