

ORGANIZATIONAL  
CHANGE

# *Create Stories That Change* \* Your Company's Culture

\* Work with these six building blocks.



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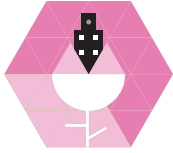
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# It's well-known that firms where strategy and culture align outperform firms where they do not. It follows, then, that if the two aren't aligned, you most likely need to change your culture.

That's simple to say but hard to do. The values, beliefs, and norms that make up your culture are intangible and diffused throughout your organization. They're hard to grab hold of and manipulate. And while people tend to resist most organizational change, they're particularly hostile to cultural change because it threatens established behaviors and relationships.

To figure out the secret to cultural change, we conducted interviews about it with more than 60 business leaders from different industries around the world—including CEOs, functional vice presidents, and plant managers. Some of these leaders hadn't tried to change their firms' cultures; others had tried and failed. Still, in our sample we found enough leaders whose efforts were successful to draw conclusions about what does or doesn't work.

We quickly realized that none of the successful initiatives had begun with a list of desired core values for a new culture. None had begun with detailed studies of the current culture and its relationship to strategy implementation. And none had begun by revising HR policies—including those for employee evaluation and compensation. To be sure, such actions were useful later in the process, but they weren't decisive early on because they were all moves that could be reversed at low cost. Employees were quick to recognize them as such and, as a result, withheld their full commitment to cultural change. Yes, they attended the training sessions, agreed to follow the new corporate values, and gave lip service to implementing a new culture, but they knew that someday the latest initiative would blow over and normal activity would resume.

So what did the successful leaders do? They created stories highlighting actions that were inconsistent with a firm's established culture but reinforced an alternative culture that was more strategically aligned. Stories about heroic employees who went above and beyond for customers, for example, helped bolster service-oriented strategies; stories about risk-taking and creative persistence helped promote



## IDEA IN BRIEF

### THE PROBLEM

Most business leaders approach cultural change in a formal, analytic manner: by holding workshops to define values and revising HR protocols and practices. That almost never works.

### WHY IT HAPPENS

The values, beliefs, and norms that make up an organization's culture are hard to define, and people instinctively resist attempts to alter established behaviors and relationships.

### THE SOLUTION

Since organizational culture is embodied in the stories employees share, start by changing those stories. Create new narratives that reinforce the desired culture and are deeply inconsistent with the old one. That will signal your commitment to cultural change and empower employees to craft their own culture-changing stories.





#### ABOUT THE ART

*Cara Barer transforms books into art by sculpting them and presenting them anew as objects of beauty. Her work is concerned with the evolving ways we obtain knowledge in the modern world.*

innovation strategies; and stories about attention to detail and dramatic process improvements helped support strategies that emphasized high-quality, low-cost production.

Crafting new stories forces business leaders to commit to cultural change in a way that creating new HR policies or cultural charters doesn't. Once the stories have spread throughout an organization, they're difficult to disavow or dislodge. And as the new stories replace narratives that reinforced the old culture, employees begin coming up with their own stories and end up co-creating a new one consistent with a firm's strategies.

What's the key to making these new stories work? Our research has identified six rules that business leaders need to follow.

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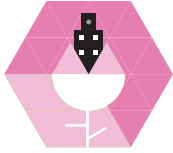
### *Be Authentic*

Authentic stories reflect your deeply held values and beliefs. If your stories are inconsistent with them, sooner or later your employees will spot your hypocrisy and question your commitment to change. But crafting authentic stories can feel risky because it involves opening yourself up personally. It's hard to know how people will respond to your honesty and transparency.

When Stefano Rettore became president of Archer Daniels Midland's largest division, it was underperforming financially. Rettore was relatively new to North America and had only limited knowledge of his team, and he realized that to turn the business around he'd need to quickly develop trust among his direct reports.

Immediately he scheduled a two-day off-site to talk about the division's strategy and operations. He began the first session by saying, "You don't know me. I don't really know you. But we're going to be working together. We will make mistakes, and we need to feel safe about admitting them. So I want to be transparent about who I am, how I became the leader I am, and about my expectations of each of you. I lost my father when I was 19. It happened suddenly, and then 10 years later I lost my sister and her unborn son. Look, we don't know when we're going to run out of time. I don't want to waste time doing things that I don't believe in—like silly





politics. We need transparency to be successful, so I thought I would start by being transparent.”

Of course, this was a risky way to start the meeting. Rettore didn’t know how his reports would respond. But one by one, they started to share their own stories about how their own approaches to leadership had developed. The meeting established a norm of openness in the division that helped it grow and increase its profitability during the 14 months Rettore served as president and beyond.

We’re not suggesting here that transparency, or any other particular cultural value, is important for every company. Different strategies are likely to require different kinds of cultures; culture is not a “one size fits all” concept.

The point of this story is that Rettore had concluded that employees in his division couldn’t afford to waste time pointing fingers at one another and that transparency was critical to turning things around. By speaking so honestly at the first meeting, he demonstrated his personal commitment to transparency.

2

### *Feature Yourself in Your Stories*

Another way to demonstrate that your commitment to a new culture is authentic is to make sure that you yourself play a prominent role in the narratives you craft.

A good example is offered by Alberto Carvalho. When he was put in charge of Gillette’s emerging markets business, technological innovation dominated the company’s product development efforts. But the new products created by Gillette’s labs weren’t selling well in India, even though they’d tested well among Indians living in the United States and Britain.

Clearly, Gillette needed to research what was going on in India. Typically, studying how Indian men shaved would have been assigned to a summer intern. But Carvalho didn’t just want to collect information; he wanted to change the product development culture in the emerging markets business.

So he decided to do something unheard of at Gillette: He would go to India himself. He got pushback immediately. This was not how product development was done at Gillette.

But Carvalho persisted, and finally a small group of senior managers accompanied him to India. Here’s what happened on the trip:

“We watched potential consumers shaving,” Carvalho recalls. “In many low-income neighborhoods, 30 or more homes shared a single bathroom, so men didn’t shave in the bathroom. They found a room in their home—where they had a tiny mirror and a cup of water—to shave. They didn’t have a place to store their razor, so they hung it on a nail. Because they didn’t have running water to clean their razor, our product clogged easily. We didn’t even have a hole in the handle they could use to hang up their razor.”

On the flight home, the team designed a new razor for the market that not only could be sold at a competitive price point but also met the unique requirements of Indian consumers. And yes, it had a hole in the handle.

In two years, Gillette’s market share for razors went from virtually zero to 18%, with more than 100 million Indian men purchasing the new product, according to Carvalho. Just as important, his decision to go to India began to shift the division’s product development culture. Technological innovation was still important, but now understanding customer needs became critical. That wouldn’t have been possible if he had not crafted a story in which he did something very inconsistent with the dominant culture.

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### *Break with the Past and Lay a Path to the Future*

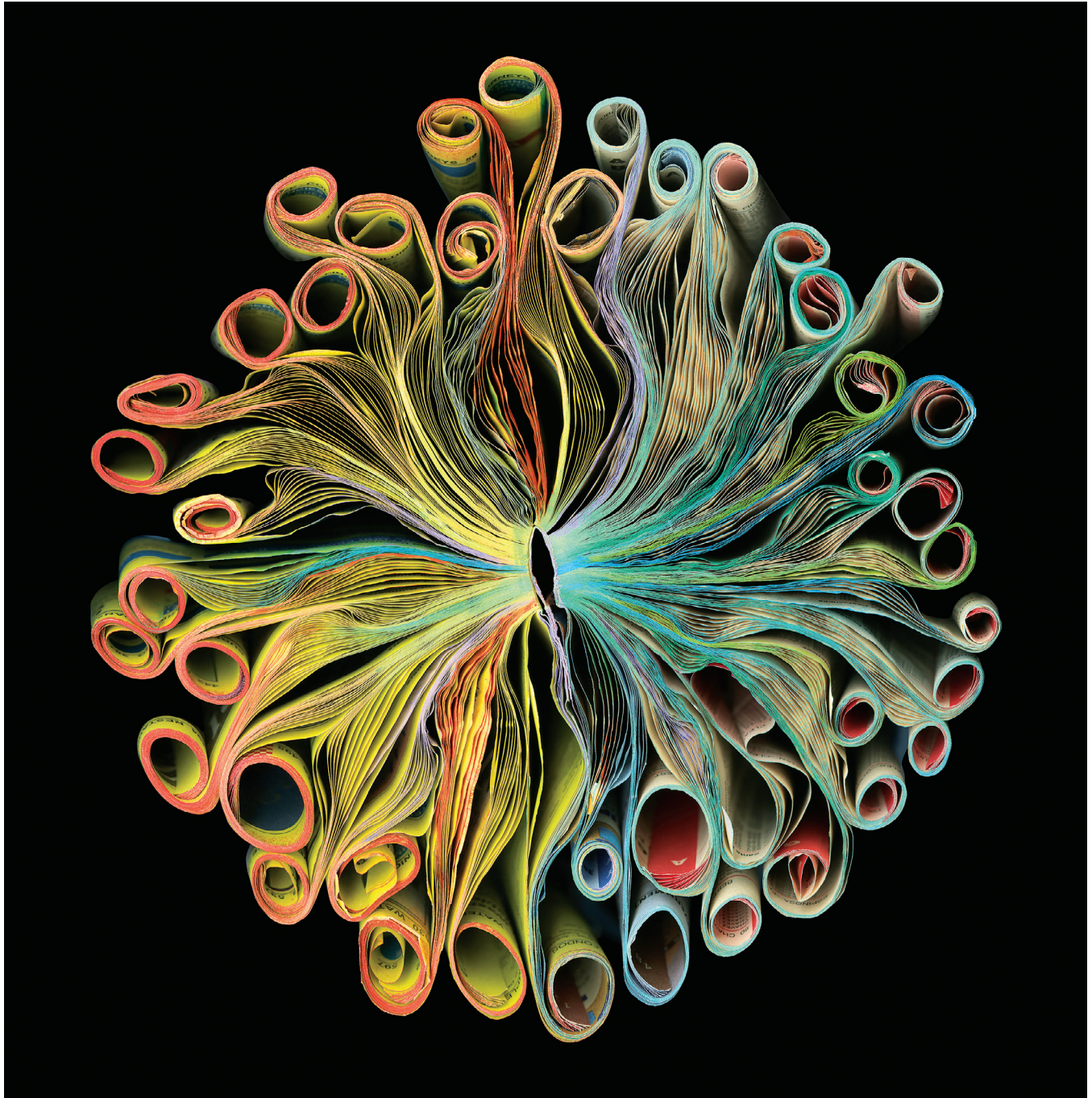
Not surprisingly, your culture-changing stories must demonstrate that the values and beliefs from the past no longer apply. They must also describe new cultural norms—but not in such detail that they stop your employees from helping create a new culture with you.

Consider the experience of Manoel Amorim, a coauthor of this article and former CEO of Telesp (a division of Telefonica), one of the largest telecom firms in Brazil. Telesp had been operating in a highly regulated market where the most important firm goals were determined by the government.

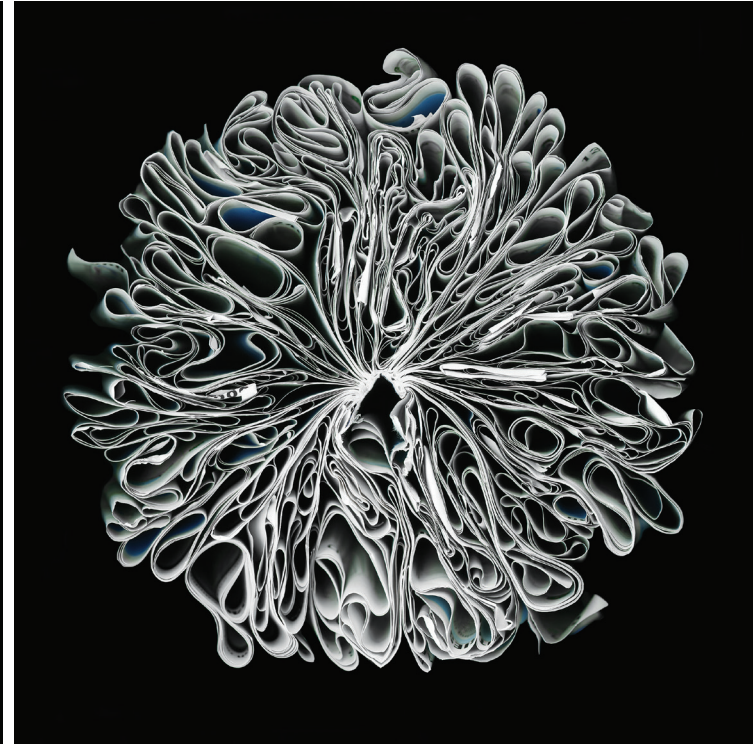
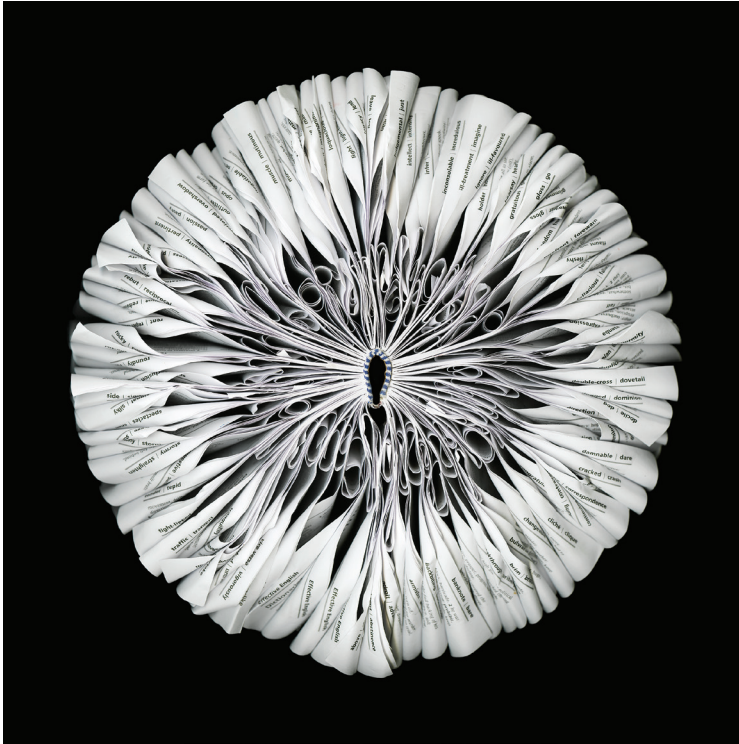


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The company flourished in this setting and was among the most profitable telecoms in South America. In this strategic context it had developed an extremely top-down culture: The government gave management very specific targets, and management in turn told employees exactly what to do to achieve them. The culture was so hierarchical that regular employees weren't even allowed to ride in the same elevator car as the CEO.

Telesp's monopoly position in the São Paulo market was about to expire, and the firm would soon face new competitors that were armed with a raft of advanced technologies. It was obvious to Manoel that in this market the hierarchical culture would have to be replaced by a customer-service-oriented one.

To begin to adapt to this new reality, Telesp had recently introduced a product for the internet. Manoel purchased it for his home but couldn't get it to work. Rather than contacting the manager in charge of the product, he called the product help line. "After two hours the problem was still not solved," he recalls. "So I finally told the young man helping me that I was the CEO. He didn't believe me. I then asked what he would have needed to know to fix my problem. He gave me a list of 14 items. Then I asked if he and some of his colleagues would be willing to give a presentation to the corporate executive team about these 14 items. He was reluctant but finally agreed. A week later the call center employees made a presentation to my executive team."

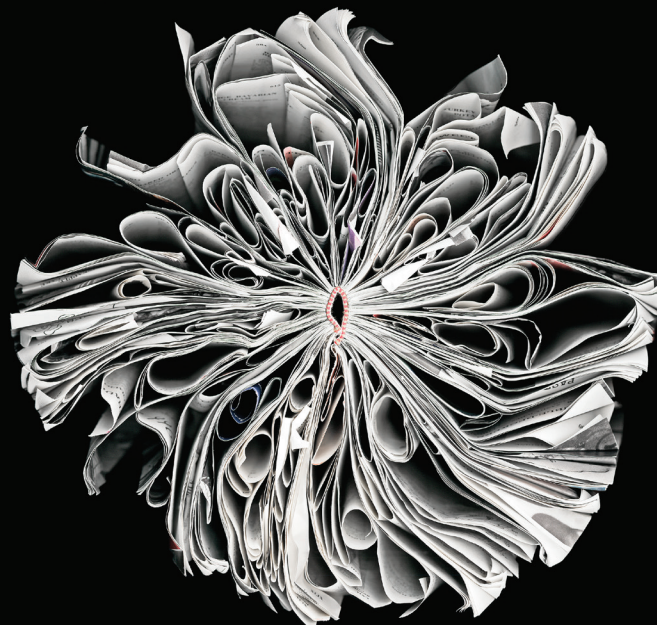
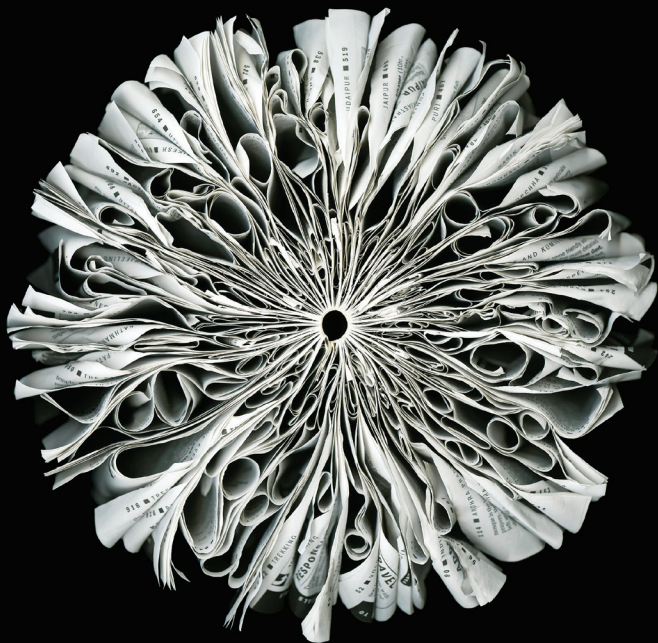
After thanking the call center employees and excusing them from the meeting, Manoel immediately suspended sales of the new product until Telesp could support it for customers. Then he assigned two executives to develop and present a plan for a solution at the next executive committee meeting—which would also be attended by the call center employees.

Manoel had effectively turned the hierarchical culture of Telesp upside down. As stories about his actions spread across the company, employees began creating their own customer service stories, which helped further transform Telesp's culture. The new attitudes were reflected in Telesp's performance, which continued to improve despite increased competition and new technologies. And, not surprisingly, the company hired the call center employee who had first spoken with Manoel as a new management trainee.

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### *Appeal to Hearts and Minds*

If the stories you craft don't present a strong business case for a new culture, your efforts could easily be dismissed as a personal ego trip. In most instances the primary business case will be that cultural change will improve your strategy implementation, generating real economic value for your firm.



But culture is about more than economic value. It's about how employees identify with and support a company's purpose, and your stories must also touch your employees' hearts. The approach taken by Melanie Healey, who became the first female general manager of Procter & Gamble's North American feminine care division in 2001, reveals how.

Though the business had a large market share, its revenues and profits had been declining. For years its culture had emphasized manufacturing efficiency and product effectiveness, but Healey wanted its products to “delight” customers and to “empower” girls as they emerged into womanhood. She needed to find a way to help her management team understand what success at those two things might mean, so she crafted a story.

After inviting groups of customers into the office, she and her team observed them through one-way mirrors. “We laid our products, our competitors' products, and other products that embraced design and function on a table and had consumers sort through them to choose what they wanted more of,” she recalls. “Our customers were drawn to a string of pearls—they were smooth and attractive. It became clear that functionality was important in these products, but selling products with ‘everyday delight’ was critical. And our products did not delight or empower our customers.”

Armed with insights from the focus groups, Healey led her team to completely revise its product development

strategy. The team replaced cardboard applicators for tampon products with plastic applicators. It redesigned the packaging so that it could be opened quietly, like a purse, and built a new Pearl brand in tampons.

The result? According to Healey, Pearl became the market leader in tampons, and the division's market share for feminine pads went from 50% to 60% in six years. Would that have been possible if Healey had stood in front of her team and pleaded with its members to think about “delightful” and “empowering” products? Probably not. But by engaging her team in developing stories about what feminine products could be, Healey began to change her division's culture.

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### *Be Theatrical*

If you want employees to share your stories, you must make them memorable. Many leaders we interviewed adopted surprisingly dramatic approaches to story development. Take Jeff Rodek. After he became the CEO of Hyperion Solutions, an IT firm, it experienced a couple of very profitable years. But when a major downturn hit, Hyperion began to lose money.

Working with a consulting firm, Rodek devised a new strategy that would require laying off a large number of

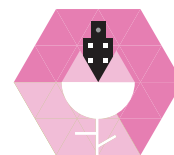


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employees. Before implementing it, he decided to schedule a meeting with his top managers to get their buy-in on the strategy and the reduction in head count.

This meeting was scheduled to take place in a very fancy San Francisco hotel. Rodek said that that wouldn't work—he couldn't hold a meeting about major job cuts in such a place. But the room was already paid for. So Rodek decided to change the meeting.

"At the appointed hour, people started coming into the dining room," he explains. "It was beautiful—fine china, beautiful cutlery, just what you would expect at this kind of hotel. And then the waiters began serving dinner. They poured tap water and served bread. I then addressed the team: 'Normally, I would have canceled this event. It's not just the cost, it's the appearance. We don't have the right to celebrate our dismal performance. So the only thing on the menu tonight will be bread and water. That is all we deserve, bread and water. However, one year from tonight I'm going to schedule a real celebratory dinner—and we are going to deserve it.'"

Word of the dinner spread throughout the organization. As it did, a commitment to turn the company around emerged, and a year later the team gathered in the same room in the same hotel to celebrate a very profitable year.

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## *Empower Others to Create Their Own Stories*

The business leaders we interviewed realized that in order to push cultural change throughout their organizations, they had to make room for and celebrate other people's stories about it.

One such leader was Jeremy Andrus, the CEO of Traeger Grills. Seeing an opportunity to disrupt the mature outdoor-cooking market in the United States, he had invested in the firm, only to discover a toxic culture in its Oregon headquarters. To start afresh, Andrus shut down his Oregon operation and opened a new headquarters in Utah.


One of the key elements of this new culture was customer service. However, despite his efforts to retool things, he wasn't sure that the customer service value had taken hold

until his head of sales came into his office one Monday morning and said, "You're not going to believe what Rob did!"

As Andrus explains, "Rob is a fairly junior guy in the company. On Friday he got a call from an assistant manager at a Costco in Seattle whose Traeger wasn't working, and he's hosting a big party the next day. Over the phone, Rob diagnoses the problem, goes to the office to get the right part, buys a ticket and flies to Seattle, fixes the guy's grill, helps him season his brisket, gets on the plane, and flies home. Then he came in on Monday like nothing special had happened. Of course, the Costco assistant manager told his manager about Rob. This manager told his VP, who called the merchant at Costco corporate, who called my head of sales, who then told me. My response: 'It's working!'"

Andrus's efforts to transform the culture at Traeger had empowered employees like Rob to develop their own stories, which in turn not only accelerated the change process but also enhanced the company's relationship with one of its key partners, Costco.

**ALTHOUGH CULTURAL CHANGE** is rarely easy, it is possible. As the examples we've shared here illustrate, you must begin by creating new stories that replace the old stories your employees currently tell one another. The new narratives must be authentic, feature you as the business leader, offer both a break with the past and a path toward the future, appeal to employees' hearts and minds, be theatrical, and empower others in your firm to write their own culture-changing stories. Once you see your employees sharing them, then you can start focusing on reworking the nuts and bolts of your organizational policies and practices to reinforce the emerging culture. © **HBR Reprint R2305E**

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