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How Do You Change An Organizational Culture?

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Changing an organization's culture is one of the most difficult leadership challenges. That's because an organization's culture comprises an interlocking set of goals, roles, processes, values, communications practices, attitudes and assumptions.

The elements fit together as an mutually reinforcing system and combine to prevent any attempt to change it. That's why single-fix changes, such as the introduction of teams, or Lean, or Agile, or Scrum, or knowledge management, or some new process, may appear to make progress for a while, but eventually the interlocking elements of the organizational culture take over and the change is inexorably drawn back into the existing organizational culture.

Changing a culture is a large-scale undertaking, and eventually all of the organizational tools for

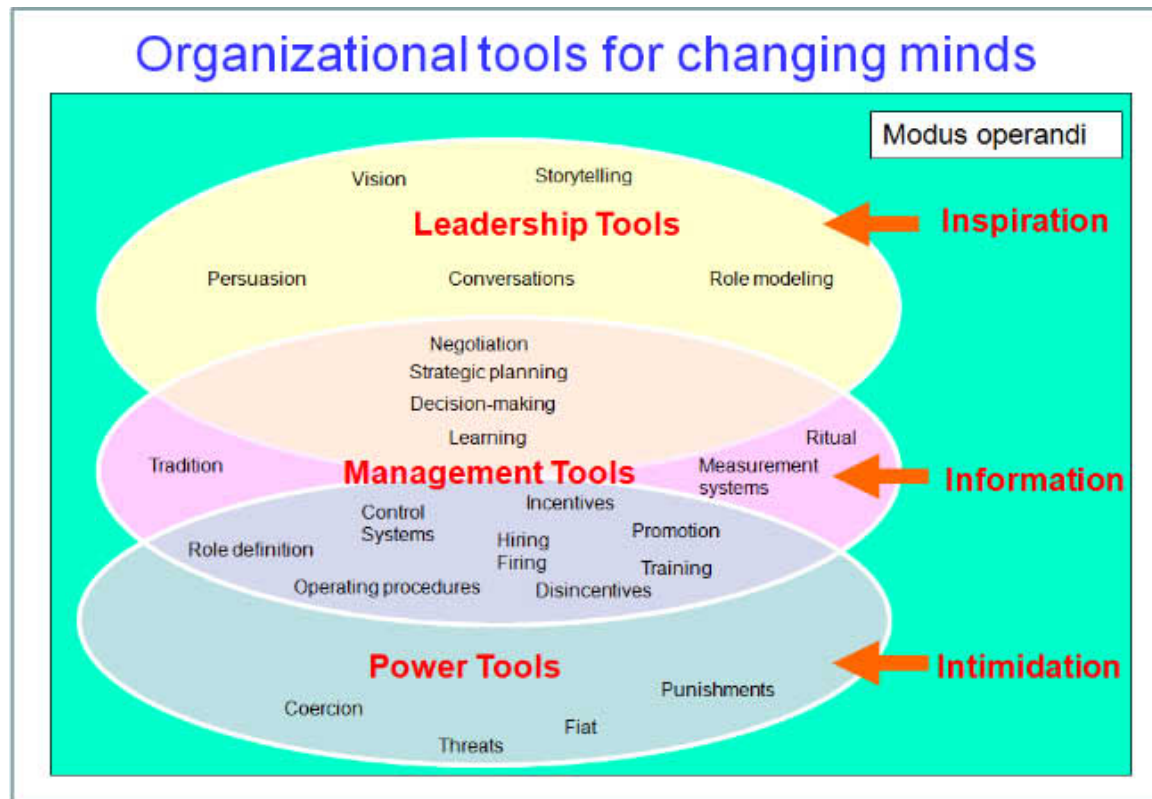
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changing minds will need to be put in play. However the order in which they deployed has a critical impact on the likelihood of success.

In general, the most fruitful success strategy is to begin with **leadership** tools, including a vision or story of the future, cement the change in place with **management** tools, such as role definitions, measurement and control systems, and use the pure **power** tools of coercion and punishments as a last resort, when all else fails.



(<http://blogs->

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Frequent mistakes in trying to change culture include:

- Overuse of the power tools of coercion and underuse of leadership tools.
- Beginning with a vision or story, but failing to put in place the management tools that will cement the behavioral changes in place.
- Beginning with power tools even before a clear vision or story of the future is in place.

These lessons are evident in successive efforts to change the organizational culture of the World Bank over a period of almost half a century.

The challenge of culture change at the World Bank

The World Bank represents a particularly difficult case of organizational culture change. Its formal goal—development—is ambiguous. The institution itself is a peculiar mix of a philanthropic foundation, a university and a bank. As an international organization, it is owned by the governments of the world, with a resident board of directors and their staffs who are ever present and ready to second-guess the management.

In a broad sense, the World Bank is a great success. It's easy to forget that fifty years ago, India, China and Korea were seen as basket cases requiring Western charity in perpetuity: today, they are independent economic powers in their own right, as a result in part to the implementation of economic policies that the World Bank has been coaching them over many years.



But the remaining development problems in the poorest countries, particularly in Africa, remain intractable. And the new global issues such as the environment present new challenges for the World Bank to play a different role from the past.

Successive presidents have come and tried to change it, mostly with little success.

Robert McNamara: World Bank President 1968-1981

The most successful president by far in terms of changing the culture was Robert McNamara. After a career at the [Ford Motor \(http://www.forbes.com/companies/ford-motor/\)](http://www.forbes.com/companies/ford-motor/) Company, of which McNamara became head in 1960, he was the U.S. secretary of defense from 1961 to 1968 and president of the World Bank from 1968 to 1981.

His most lasting accomplishment at the World Bank is, for better or worse, that he introduced hierarchical bureaucracy, with its attendant goals, roles, accountabilities, values and communications.

And we know how he did it. On his arrival at the World Bank in May 1968, McNamara quickly took charge. John Blaxall, a young economist at the time, recalls being summoned to McNamara's office shortly after his arrival, being handed a stack of annual reports, and asked to assemble multiyear financial statements—something that hadn't been done before. McNamara penciled in his left-handed



scrawl on a white-lined pad the headings that he wanted. The columns across the top were the past five fiscal years, and the rows were the standard balance sheet and income statement items. How soon could he have it ready? Blaxall gave him a date and observed with concern that McNamara carefully wrote it down.

Within six weeks, McNamara had a set of tables covering all major aspects of the Bank Group's activities, with totals for each five-year period and detail for the past five years. Blaxall recalls McNamara poring over the sheets full of numbers, exclaiming with some animation: "This is really exciting, John!"

McNamara then asked the senior managers in the President's Council of the bank to fill in the numbers for the next five years for the activities under his responsibility. The immediate reaction was that it couldn't be done, to which McNamara replied that they should do it anyway—and have it ready within a month.

It is not surprising that the five-year lending plans submitted by the geographical units had little correspondence to the five-year plans prepared by the technical units. And the financial projections put forward by the disbursement department were unrelated to either.

It was at this point, in early summer 1968, that McNamara announced to the senior managers that in the future, the World Bank would have only one sheet of music from which everyone would play. Ensuring the necessary consistency would be a key role of the programming and budgeting department. The game plan was not a narrative but rather a set of standard tables—a bunch of numbers—through which McNamara managed the organization for the next thirteen years.

As a result, McNamara transformed the World Bank from a small, sleepy, financial boutique into a large, bustling, modern corporation, expanding lending more than tenfold in the course of his thirteen-year tenure. He dramatically increased the World Bank's role in agriculture and education and opened up new lines of business in health, population, nutrition, and urban development. He articulated a new role for the World Bank in alleviating global poverty, passionately calling attention to the plight of the poorest 40 percent of the world's population who had been essentially untouched by development lending. But his most lasting accomplishment is that he introduced hierarchical bureaucracy.

It's interesting to note what McNamara *didn't* do to bring about the culture change:

- ***He didn't change the managers or bring in his own staff.*** He basically worked with people who were already there. When he needed something he couldn't get from the existing management, he drew on young people from within the organization like Blaxall.
- ***He didn't start by reorganizing:*** It was only four years after his arrival (in 1972) that McNamara finally got around to a reorganization, which was needed in any event because the organization had grown so much. By this time, his management systems and philosophy were firmly in place.

McNamara thus arrived with a clear vision for the organization: it was to be a lending organization that was lending a great deal more money. He had a clear idea of the management he wanted introduced: hierarchical bureaucracy. He introduced systems and processes that focused everyone's attention on his vision of the World Bank as a rapidly growing lending organization and the type of management required. Those systems are still largely in place today and still guide management action.

Tom Clausen: 1981-1986: Strategic planning

Tom Clausen came from being head of the Bank of America (<http://www.forbes.com/companies/bank-of-america/>), in which role he was named as the “best manager in America”. After his stint at the World Bank, he returned to the Bank of America, where he was once again voted “best manager in America”.

However at the World Bank, he found it difficult to make his mark. He spent much of his time trying to figure out how the organization functioned. He could see that the organization lent a great deal of money, but the goal of lending—development—remained fuzzy.

Clausen's response was to launch a major strategic planning exercise, of which the end result, like most such corporate exercises (<http://blogs.forbes.com/stevedenning/2011/03/11/corporate-strategy-down-the-tubes-on-the-road-to-nowhere/>), was essentially to continue with “more of the same”.

Clausen relied principally on management tools, and lacked any clear vision of where he wanted the organization to go. As a result, it kept going in the same direction.

Barber Conable: 1986-1991: Reorganization

Barber Conable's background as a Republican congressman from New York (<http://www.forbes.com/places/ny/new-york/>) led him to approach his new job as a political challenge. The organization that he inherited had become slow, bureaucratic and unresponsive to its stakeholders. Conable's response was a massive reorganization, combined with mild downsizing. The hope was that the reorganized organization would emerge lighter, nimbler and more client-focused. The reality was that the old culture quickly reemerged, despite the new managers and the new structures. The culture easily survived.

Here the reliance of power tools resulted in short term disruption but no long term change.

Lew Preston (1991-1995) came from being head of JP Morgan. As a banker, he accepted the World Bank as a bank, and in the four years that he served as president, he made no significant effort to change it.

James Wolfensohn: 1995-2005: New structure, new managers

James Wolfensohn came from a career of investment banking. Unlike his

predecessors, he had spent a number of years thinking about the World Bank and in fact trying to become its president. He was a candidate when McNamara retired in 1981, but he was told he was ineligible as an Australian citizen. He adopted U.S. nationality and succeeded in becoming president in 1995.

Upon his appointment, it was reported in the press that he intended to remove the entire cadre of senior managers. He denied the report at the time, but over the next couple of years, he did exactly that.

He also launched a massive reorganization that preoccupied managers and staff for several years, though as in earlier reorganizations, the culture re-emerged largely unscathed from the experience, despite the changes in personnel and structures.

More importantly, he also took steps to clarify the goal of the organization. In 1996, he espoused knowledge management as a strategic goal of the organization, calling it “the Knowledge Bank”. (I served as director of knowledge management from 1996-2000.)

In 1998, he succeeded in introducing a [World Bank mission statement](http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS) (<http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS>)

[/o.,contentMDK:20040565~menuPK:1696892~pagePK:51123644~piPK:329829~theSitePK:29708,00.html](#)—th
first in its entire life.

To fight poverty with passion and professionalism for lasting results. To help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors.

The goal was for the first time clearly focused on fighting poverty. However as all of the management systems and processes remained focused on getting out the lending program, the mission statement has still had little operational impact.

Thus Wolfensohn's ten-year term was marked by a lot of energy and effort to introduce change. The organization became more decentralized, with a younger and less experienced staff, but not fundamentally different. It was still a bank lending money for development, in accordance with the systems that McNamara had put in place almost forty years before.

Wolfensohn did have a vision for the organization as an organization dedicated to relieving poverty, but failed to put in place the management systems that would support and reinforce that vision.

Paul Wolfowitz: 2005-2007: New blood from outside

As a leading neoconservative, and Deputy Secretary of Defense, Paul

Wolfowitz was a major architect of President Bush's Iraq policy and its most hawkish advocate. His appointment as president of the World Bank was controversial.

Wolfowitz arrived with a change agenda to move the organization towards a more conservative stance. He tried to do this by bringing on board some of his neoconservative lieutenants as managers. By and large, the organization, which has no tradition like the US government of bringing in new managers from outside, responded like an immune system reacting to invading pathogens.

- In effort to identify and put an end to corruption, Wolfowitz brought on two US nationals formerly with the Bush administration, whom he appointed as close advisors to flush out fraud. Their work proved divisive.
- Another appointee ran into problems when he tried change policies on family planning and climate change towards a conservative line.

After serving a tumultuous two years, Wolfowitz resigned, following revelation of a promotion that he had arranged for his companion. Obviously, a personal scandal brings any change effort to a screeching halt.



Robert Zoellick
(<http://www.forbes.com/profile/robert-zoellick/>): 2007-to date

After the tumult of the brief Wolfowitz era, Zoellick's calm tenure with no bold moves was a relief to many. His recent discovery

<http://www.nytimes.com/2011/07/03/business/global/03world.html>) of the World Bank's role in providing data to the world shows how long it can take an incoming president to understand, let alone manage, this intricate organization. As he enters the final year of his five-year term, there is no indication from President Obama as to whether he wants the former Bush hand to stay on. Zoellick has made no statement about his own plans.

Meeting the challenge for the future

As of mid-2011, the World Bank remains a slow-moving traditional hierarchical bureaucracy, with an inward-looking perspective. The mission statement of 1998 dedicating the organization to the relief of poverty is largely unsupported by the management roles, systems and structures which still drive the organization to focus mainly on lending for individual development projects. While filled with talented staff, the organization as a whole is underperforming. It lacks the agility to cope with the diverse challenges that the world now faces.

Overall, the World Bank is desperately in need of a radical change in management. If no change occurs, it will become less and less relevant.

Lessons for the next president

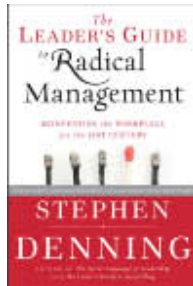
If the next president is to achieve the needed change, he or she should learn from the success of Robert McNamara and the failures of his successors, as well as other successful change efforts in large organizations, such as Alan Mullaly at Ford [F] or even [Steve Jobs](http://www.forbes.com/profile/steve-jobs/) (<http://www.forbes.com/profile/steve-jobs/>) at Apple [AAPL]:

- **Do** come with a clear vision of where you want the organization to go and

promulgate that vision rapidly and forcefully with leadership storytelling (<http://blogs.forbes.com/stevedenning/2011/06/08/why-leadership-storytelling-is-important/>).

- **Do** identify the core stakeholders of the new vision and drive the organization to be continuously and systematically responsive to those stakeholders (http://stevedenning.typepad.com/steve_denning/2011/01/the-reinvention-of-management-part-2-how-do-you-delight-the-client.html).
- **Do** define the role of managers as enablers of self-organizing teams (http://stevedenning.typepad.com/steve_denning/2011/01/the-reinvention-of-management-part-3-from-controller-to-enabler.html) and draw on the full capabilities of the talented staff.
- **Do** quickly develop and put in place new systems and processes that support and reinforce this vision of the future, drawing on the practices of dynamic linking (http://stevedenning.typepad.com/steve_denning/2011/01/reinventing-management-part-4-coordination-from-bureaucracy-to-dynamic-linking.html).
- **Do** introduce and consistently reinforce the values of radical transparency and continuous improvement (http://stevedenning.typepad.com/steve_denning/2011/01/reinventing-management-part-5-from-value-to-values.html).
- **Do** communicate horizontally (http://stevedenning.typepad.com/steve_denning/2011/01/reinventing-management-part-6-from-command-to-conversation.html) in conversations and stories, not through top-down commands.
- **Don't** start by reorganizing. First clarify the vision and put in place the management roles and systems that will reinforce the vision.
- **Don't** parachute in a new team of top managers. Work with the existing managers

and draw on people who share your vision.



(<http://blogs-images.forbes.com/stevedenning/files/2012/11/radical-management-cover-small21.jpg>) Steve Denning's most recent book is: *The Leader's Guide to Radical Management: Reinventing the Workplace For the 21st Century* (http://www.amazon.com/gp/product/0470548681/ref=as_li_ss_tl?ie=UTF8&tag=stevdenndotco-20&linkCode=as2&camp=1789&creative=390957&creativeASIN=0470548681)(Jossey-Bass, 2010).

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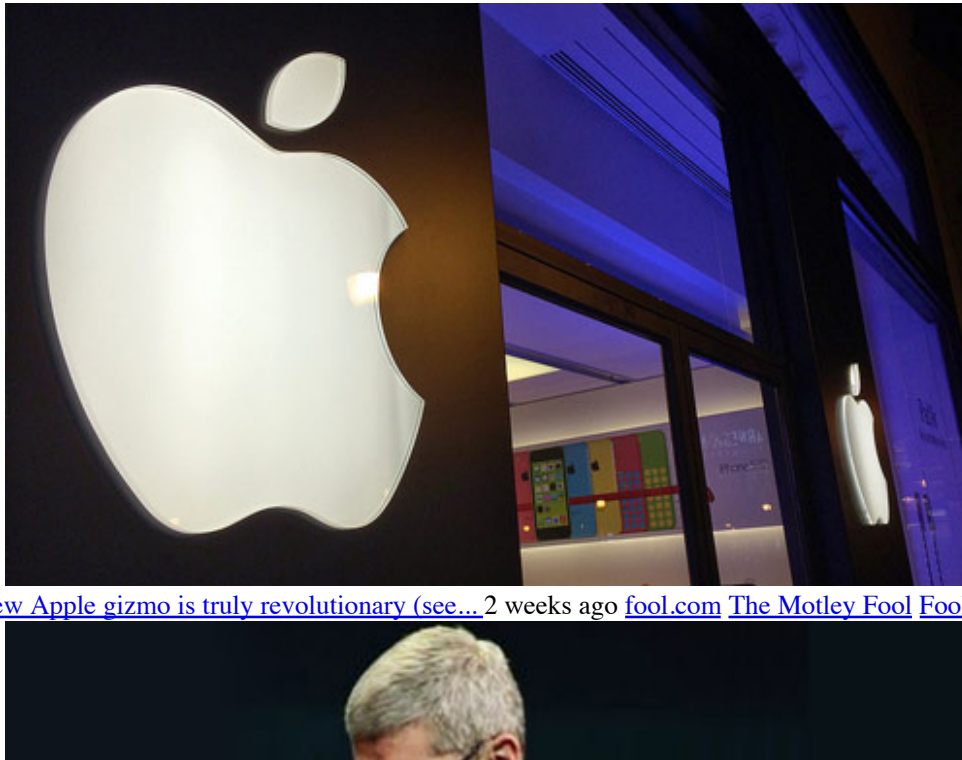


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