Microsoft

Five Steps to Culture Change:
Empowering your teams to adapt and change how they work

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Introduction

In February 2014, Satya Nadella became the new CEO of Microsoft. Since that time, his visionary approach to transforming the business has enabled Microsoft to deliver substantial new value to both its customers and its shareholders. So how did Nadella do it? Why is Microsoft "winning again," as Scott Mautz puts it in his recent Inc.com article? It's because Nadella made a significant investment in the company's culture. In fact, in a recent interview, he calls it "the biggest unlock any corporation can do."

In that interview, Nadella defines culture as being not what people work on, but how the company can work for its people. He aspires to build a place where each employee can bring their personal passions and philosophies to work in a way that creates meaning for them. Cultural practices that empower every employee to be their best are the key to better products, higher quality, faster time-to-market, happier customers, improved recruiting and retention, and a shared sense of purpose. Culture can also help drive innovation, enabling a positive feedback loop that leads to further gains in all these areas.

> ***Effective culture can account for 20–30 percent of the differential in corporate performance when compared with "culturally unremarkable" competitors.***
>
> – James L. Heskett, *The Culture Cycle*

Given the value of the right culture, how can you change culture for the better? At Microsoft, that's a key mission of the One Engineering System (1ES) team, which was founded in 2014 to empower every engineer with the best available tools. Over the next few years, as progress was made, the team found that the needs of the Microsoft engineering organizations were more complex than initially perceived, leading it to broaden its efforts to encompass overall culture change. The content in this white paper is based on the 1ES team's journey and learnings.

At this point, you might be thinking, "My company isn't anything like Microsoft, so how relevant is this to me?" The answer: very relevant. Fundamentally, humans beings react similarly to change, regardless of geography, industry, or job seniority. Whether you need to modernize development, improve information sharing, improve collaboration, or become more customer-centric, you're likely to run into the same challenges in terms of culture change.

You'll often hear that "people hate change"—and often they do. Fear of the unknown, past initiatives that haven't worked out, and the belief that "we're already doing pretty well" are all valid reasons to resist change. What people tend to forget, however, is that successful past attempts at change have simply become "the way we do things now."

So how can we help the people in our organizations to be more accepting of change? To understand how you can do this, it's worth envisioning what usually happens. Most change initiatives start with a bunch of very senior folks brainstorming in a conference room, then proceed to the creation of an impressive-looking strategy deck—followed by a strategy paper to explain the deck. From there, it becomes like most other projects: create a detailed plan with specifications, prepare to roll it out across the company, have a framework and process in place for everything, and have a big splashy goal, like "5,000 new innovations this year!"

And therein lies the problem: most of this doesn't help with actual execution. Change is fundamentally a human challenge; the biggest risk is almost never technical or budgetary. Even if one of those things does go wrong, the underlying cause is usually a human one. Maybe people didn't understand the vision. Or maybe they didn't agree and substituted their own judgment. Or made a mistake and covered it up out of fear. Or were assigned tasks that were misaligned with company values. For example, consider the different outcomes that result from a directive of "speed at all costs" versus "speed while maintaining specified quality standards."

To effectively bring about culture change, you need to focus *on your people and their teams*. In the rest of this paper, we'll cover five steps you can take to foster culture change. We use all of these in various teams at Microsoft, and they'll work with almost any change initiative, regardless of situation or industry. We'll briefly introduce them here, then dive deeper on the following pages.

- **Step 1: Clarify the "why."** What's the problem you're trying to solve? How do you know it's a problem? What would be the consequences if you didn't fix it? What are you hoping to achieve? How will you know if you've succeeded? Start by defining the need, the impact, and the payoff.

- **Step 2: Listen before you talk.** Before you can effectively communicate change, you'll need to understand your teams and what motivates them. Do they think their current processes and output are "good enough," or are they eager for change? What areas are currently the most frustrating or painful? What do they wish would change, but don't feel empowered or have the resources to change? Are they jaded by past change initiatives that were stressful and unproductive—or both?

- **Step 3: Keep it simple—and anticipate questions.** At this point, you'll be ready to communicate change *in a way that's tailored to your people.* Clear, direct language leaves less room for confusion or misinterpretation. Anticipating common questions helps you give honest, helpful answers. Why are we doing this? Aren't we already doing it? How will it make my life and job better? Why will it work when we've seen similar projects fail in the past and waste a bunch of time? How am I supposed to do this new stuff on top of my existing job?

- **Step 4: Build a shared language.** How will you get everyone on the same page, working together? You don't want a prescriptive, top-down mandate—that just doesn't work. You need to foster innovation, to give permission to experiment and even sometimes fail! Building a shared language helps people and teams understand one another, discuss challenging topics, and take ownership over change.

- **Step 5: Celebrate the small wins.** Culture change isn't a short sprint; it's steady and gradual. How will you measure progress and confirm you're on the right track, especially when people are working in new ways and aren't sure they're "doing it right." And when you find what works, how can you keep up the momentum by showing people what "good" looks like?

It's worth pointing out that none of the above deals with *what* to change, which is typically decided in the boardroom. But it's your teams who'll need to execute on this change and make it happen, not your executives. That's why the five steps above all focus on how to help your teams handle the uncertain, ambiguous challenges that are associated with reinventing how they do their own jobs. After all, by itself, a memo from your CEO or a rousing speech in an all-hands meeting won't even get your change initiative firmly off the ground—let alone over the finish line. That's up to your people, and they'll need your help, which is what the rest of this paper is all about.

Step 1: Clarify the "why"

Let's assume that your company leadership has just decided on a strategic change that will require a major culture shift. Can you clearly explain *why* this change is needed—including its desired impact and expected payoff? As more people get involved, it's easy to lose the "why" behind it all. And when people don't understand the "why," it's far more difficult for them to implement the "how."

Remember that all of the steps presented in this paper are provided because they're helpful with *actual execution*. All too often, these steps seem skippable because they're just "people stuff." But *people are the ones who make change happen*. They need to trust you, feel confident, and feel empowered. All three of these begin with understanding the "why." Simon Sinek covers this well in his [TED talk](#) and his book *Start with Why: How Great Leaders Inspire Everyone to Take Action*.

Take the time to clearly and briefly answer the basic questions:

- What's the problem you're looking to solve?
- How do you know it's a problem?
- What are the consequences if you don't fix it?
- What's the goal you want to achieve?
- How will you know when you've succeeded and—just as important, because culture change is gradual—how will you know you're on the right path?

It's all too common for senior leaders in a meeting—even when brainstorming around the same table—to walk away with subtly different versions of the core objectives and desired outcomes. When people don't understand why change is happening or necessary, it could be because they're hearing subtly different versions from leaders who are in different roles, or at different levels.

If you're the CEO (or another leader who's "driving the train"), here's a simple exercise you can do with your senior leadership team—and then use later as a template for communication. Give each person in the room some blank sticky notes, and ask them to separately (and silently) complete the following sentences, each on a single note. Again, to avoid groupthink, don't do this out loud. In reviewing the answers, you'll almost certainly spot discrepancies, which are worth discussing further before you start rolling out plans and making announcements.

> *We are going to do _____.*
>
> *Because we see _____ as a problem.*
>
> *We know it's a problem because _____.*
>
> *If we don't fix it, _____ will happen.*
>
> *When we fix it, we'll get _____.*

It's ideal if you can have all this fit *on a single slide*, in at least a 24-point font. If not, aim for a half-page total; it will force you to focus on the most important elements. Remember that people won't remember an entire paragraph. What will be repeated in the hallways and in team meetings are the "sound bites," which is why it's worth investing as much time as needed to get them right.

Step 2: Listen before you talk

After you've clarified *why* change is needed, you'll be ready to roll it out at an all-hands meeting, right? Hold on! You wouldn't go into an important sales meeting without knowing the client's history and mindset, would you? For the same reasons, you shouldn't go into an all-hands meeting similarly unprepared.

Remember: change is about asking people to take risks—and it's basic human nature for them to resist. If you seem to be unaware of their context and history, they're going to push back even more. Of course, most won't dissent openly; they'll talk among themselves in the hallways and second-guess top-down instructions as they do their jobs.

To understand where your teams are today, including what motivates them, you'll need to ask some questions:

- How are they working—and what activities are they doing—today?
- Do they think that their current processes and output are good enough or are they eager for change?
- What areas are currently the most frustrating or painful?
- What do they wish would change but don't feel empowered or have the resources to make happen?
- Are they jaded by past change initiatives or process overhauls? And if so, why? Were those events stressful or unproductive—or perhaps even unclear and poorly communicated?

After you do your research, confirm what the data suggests by saying back to your teams, "This is what we think we heard. Were we right?" Soliciting this confirmation is important for two reasons: it provides an opportunity to validate your research, and, perhaps more important, it provides a key opportunity to let people know that you both value *and understand* their perspectives.

But how can you get that information? It's critical for senior leadership to understand what frustrates and motivates their teams. But the more senior you are in the organization, the less comfortable people feel providing honest and critical feedback. They don't want to be seen as complaining or lazy—or want their one interaction with a senior executive to result in being remembered as "that complainer"!

When you're a manager, asking "How am I doing?" or "Any feedback for me?" can often send panic through your team. Remember, there's a massive power imbalance here. You can assign them to undesirable projects, call them out in front of their peers, derail opportunities for promotion, or even fire them. It's also worth noting that cultural differences can affect whether you'll get feedback and how direct or indirect that feedback is.

A good rule of thumb is that, if you're not hearing any complaints about your management or inclusion style, you're not asking correctly. No matter how amazing you might be as a manager, there are always areas where you could improve—and your reports should feel comfortable enough to let you know what those areas are.

How can you get constrictive feedback? **Ask specific questions.** You can greatly increase peoples' comfort levels when providing feedback by asking questions that make it OK to "complain." For example:

- If there's *one* thing that you'd prefer I do more or less of, what would that be?

- How could I have better supported you on _____ project?

- I know there are some ideas that I haven't communicated as well as I should have. What would you want me to be clearer on?

Be aware of your responses. Most of us are OK receiving critical feedback when we know we screwed something up. But it's a lot harder when you think you're doing a great job, and one or more of your reports disagrees. Most of us will react defensively, even if just for a moment. And if you're face-to-face at the time, that can send a signal that says, *Danger … it would be safer not to speak up again.*

That's not to say that asking for feedback in person isn't valuable. You can ask your questions in a straightforward manner, and the person you're talking to can see that you sincerely want to hear what they have to say. And in providing their answers, some people will feel more comfortable when they can gauge your reaction and decide how honest to be—or when to stop and cut their losses.

Other people, however, are more comfortable when you **give them the opportunity to provide feedback privately, in writing,** so that they can review and edit their responses until they're comfortable, and then hit send. Written feedback has its advantages for you, too. When you get critical feedback in writing, it can sting. All too often, even for seasoned managers, the initial gut response is to go on the defensive. But if you quickly compose a harsh reply (or even one that you believe is reasonable), you run the risk of shutting down that person for good.

Written feedback gives you the opportunity to step back and take some time before responding. Your best response is often a quick email that says, "Thank you for sharing this feedback … you've given me some things to think about." That gives the sender immediate confirmation that they didn't make a mistake by sharing their thoughts. You can follow this with an in-depth, in-person conversation to make sure that you really understood what the provider of said feedback meant.

You can also **empower teams to collect feedback on their own,** then bring it to you. This allows people to privately discuss among themselves and identify shared concerns. They can decide what they're comfortable sharing and compose a collective response that gives them a sense of "safety in numbers."

It may even be helpful to bring in an independent facilitator as an "air gap," with the promise of anonymity. Regardless of how you choose to solicit feedback, it's worth remembering that **there are some things you'll never hear unless it's anonymous.** Give people that outlet at least once a year—preferably, more often.

Step 3: Keep it simple—and anticipate questions

After you've done Steps 1 and 2, you'll be prepared to communicate change in terms that your teams can relate to. But all too often, we communicate in elevator pitches—short phrases that are easily misinterpreted. Although it's valuable to be able to refer to something in a few words, you also need to ensure that people clearly understand what's meant by the phrase. For example, take "customer obsession"—what does it really mean? If I talk with customers in the field, am I already doing it? Does it mean I need to do whatever customers say? "Digital transformation" is another good example; ask a dozen people what it means, and you'll probably get a mix of different answers and blank stares.

Most change initiatives are kicked off with a top-down announcement, which is your first opportunity for clear communication. Remember that short exercise we suggested in Step 1? After you've completed it, you can use it as a template for communication—as a reference when you're thinking about how to talk about change in an all-hands meeting. Here's how the output of that exercise might look for customer obsession:

> **We are going to *invest time in observing and talking with our customers to understand what they need us to do* …**
>
> **… because we've *had some recent products that didn't meet customers' expectations.***
>
> **We know it's a problem because *we've lost some major customers.***
>
> **If we don't fix it, *we'll either keep losing customers or we'll spend a lot of time on custom solutions or tech support.***
>
> **When we fix it, *we'll improve customer retention and have more time to find the next opportunity.***

It's *hard* to be this blunt. It's also incredibly useful when it comes to getting folks aligned and moving in the right direction. Not only does it cover all the bases, but it also gives clear behavioral cues on what will be expected.

No matter what you say, you'll still need to help people make sense of it all. They'll have questions— and will be afraid to ask them directly to a senior executive. Instead, these questions will come up in the hallway or in lower-level meetings. If you've done your homework in Step 2 and taken the time to understand your audience and what motivates them, you can include them as part of your all-hands announcement by saying, "At this point, you may be asking yourselves …."

People will also have questions that you didn't anticipate and address. But how can you solicit them, especially when people are afraid that saying "Why are we doing this?" to a senior leader may come across as a veiled objection? And often, those fears are accurate. Senior leaders often respond with "Didn't I just talk about this?" or "Didn't you read the announcement?" But … people honestly don't know. The strategy you spent hours upon hours discussing was distilled into something far shorter. You'll need to *pull* questions out of people—and a good way to start is by asking, "What questions do you have?" instead of "Do you have any questions?"

If you're on the senior leadership team, everything communicated so far will make sense. But while you may have the context, others won't—it's the [curse of knowledge](). What if you're a middle manager trying to make sense of it all, so that you can explain it to your own team? It's tough to go to your own manager and say, "I don't get it," only to hear, "Didn't you read the memo?"

That's why, although top-down endorsement of change is necessary, it's insufficient on its own. Leaders at every level will need to be brought onboard, too, which you can do by sitting down with each of your reports and saying, "I know you may have questions. Let's go through the announcement and come up with how you're going to answer the questions that your team will have."

You can tell your reports that they'll be likely to hear questions like these:

- Aren't we already doing this?

- How is this going to make my life or job better?

- Why is this going to work when we've seen similar projects fail in the past and waste a bunch of time?

- How am I supposed to do this new stuff on top of my existing job?

When managers proactively raise these questions—and give direct answers—it helps their teams feel confident and take ownership of the upcoming changes.

Finally, remember that although feedback and questions aren't always what you expect or want to hear, it's still critical to acknowledge and answer with positivity. For example, when someone asks, "Aren't we already doing this?" they don't want to hear you disagree. Responding with, "Yes, and also, I can explain how our current activities aren't getting us to where we need to be" sets the stage for a more productive conversation. Someone complaining that they already have a full workload isn't just complaining, they're raising a risk. Engaging them positively—for example, "You're right, people might be overloaded. How can I help us reprioritize?"—can mean the difference between a team who is ready to solve problems and a team who is reluctant to come to work each morning.

Step 4: Build a shared language

You've made your initial announcements, and leaders at all levels have proactively addressed peoples' questions. Now it's time to foster a sense of shared ownership to help the teams across your company turn those proposed changes into a new reality. You need to foster innovation, encourage people to take measured risks, communicate clearly, and use feedback and milestones to keep things on track.

Building a shared language is a good place to start. Teams will need a common way to communicate—a mutual understanding of what they're attempting to achieve, even if the outcomes are uncertain. A shared language helps people brainstorm what's possible and work together to make it happen, and, just as important, it gives them a way to say when things aren't working—and why.

One shortcut to a shared language is to invest in an at-work book club. Reading the same things gives people a shared reference for understanding what's possible. It also provides a means of soliciting critical feedback, in that people may feel safer criticizing a book than their manager's ideas. Give them an hour a week to do so, and perhaps include lunch, and you'll be off and running. People may think they can't participate if they haven't finished (or started) the book, but that shouldn't matter; you simply want them to be *exposed to the ideas in the book*. So tell people that it's OK to participate regardless, and share some notes from the book and discussion questions in advance.

Here are some suggested books, along with a short description of what each one covers or why it may be useful:

- ***The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth* by Amy C. Edmondson**—Shows the link between psychological safety and high performance and offers tips for creating a culture where everyone feels safe about asking questions, admitting to mistakes, and trying new ideas.

- ***Accelerate: The Science of Lean Software and DevOps: Building and Scaling High-Performance Technology Organizations* by Nicole Forsgren, PhD, Jez Humble, and Gene Kim**—How to measure your organization's software-delivery performance, and how the factors that improve software delivery also improve core business results.

- ***Hacking Growth: How Today's Fastest-Growing Companies Drive Breakout Success* by Sean Ellis and Morgan Brown**—A toolkit for understanding core metrics and success drivers through experimentation and iteration.

- ***The Checklist Manifesto: How to Get Things Right* by Atul Gawande**—How to empower employees and reduce mistakes through checklists.

- ***Made to Stick: Why Some Ideas Survive and Others Die* by Chip Heath and Dan Heath**—How to increase the "stickiness" of ideas and how we communicate them.

- ***How to Measure Anything: Finding the Value of Intangibles in Business* by Douglas W. Hubbard**—How to assess risk and reward and measure success for "squishy" concepts like customer satisfaction and organizational flexibility.

- ***Thanks for the Feedback: The Science and Art of Receiving Feedback Well* by Douglas Stone and Sheila Heen**—How to get better at hearing, accepting, and responding to feedback to improve organizational communication and health.

- ***Lean Customer Development: Building Products Your Customers Will Buy* by Cindy Alvarez**—A tactical guide to validating product ideas through understanding how customers behave, what frustrates and motivates them, and what problems they need to solve.

- ***Atomic Habits: An Easy and Proven Way to Build Good Habits and Break Bad Ones* by James Clear**—Organizational change is effectively behavior replacement. This book explains how to stop the behaviors that no longer serve you and start the habits that will.

- ***Radical Candor: Be a Kick-Ass Boss Without Losing Your Humanity* by Kim Scott**—How to care personally and challenge directly, so that people understand what's expected of them and feel capable of change.

- ***Dealing with Darwin: How Great Companies Innovate at Every Phase of Their Evolution* by Geoffrey A. Moore, PhD**—Case study on how large companies can (and need to) adapt to remain competitive.

- ***The Startup Way: How Modern Companies Use Entrepreneurial Management to Transform Culture and Drive Long-Term Growth* by Eric Ries**—Case studies of established enterprises successfully adapting by using experimentation and validation tactics.

Shared language doesn't necessarily need to come from a book, either. For example, you can introduce "code words" for potentially awkward or uncomfortable conversations: "Sometimes I get excited about a new idea, like a magpie swooping over to grab the shiny object. Please, when you notice me distracting you with off-topic ideas, tell me 'sounds like a shiny object,' and I'll know to stop!" We've also known managers who are working to change previous bad habits and have encouraged their team to tell them whether they sound like "new Dave" or "old Dave." When you give permission, and make a joke out of it, people feel comfortable speaking up.

The bottom line here is, as things progress, ensure that feedback remains just as important as it was at the start. It's tough for people to say things aren't working if they haven't been given a mechanism or template for doing so, which is where a shared language can help.

Step 5: Celebrate the small wins

By its very nature, culture change is gradual. So how can you confirm you're headed in the right direction? Teams are in unfamiliar territory here. They may not be sure they're doing it right, which can lead them to second-guess themselves even when they're on the right track.

This is why the 1ES team at Microsoft encourages teams to reward examples of positive culture change as soon as they appear—to celebrate the small wins. This provides more opportunity to reinforce and reward desired behaviors. Trying a new approach to an unproductive recurring meeting, learning something new about a customer, or pushing through a challenge are all examples of emergent changes that often happen within weeks instead of quarters.

You don't need to celebrate these small wins with a big party or bonus check. A brief acknowledgment in a team meeting, a mention in a newsletter or speaker series, or a shout-out from a senior exec in an all-hands meeting are all ways to say, "You're doing it right and we all noticed." If you're a senior leader, have your admin or direct reports collect "small win" stories for you to tell. You have many forms of currency to spend when it comes to rewarding your teams.

Longer term, when thinking about how to measure success, remember that it's hard to measure culture. It's far easier to measure outcomes and behaviors. Some of the key metrics that 1ES and other teams within Microsoft use are:

- Shipping velocity—The faster we get solutions in front of customers, the faster we learn what works and what needs changing.

- Customer satisfaction—Most products track Net Promoter Score, as well as 1–3 core usage metrics that proxy customer value.

- Employee satisfaction—An annual poll plus more frequent quick-pulse surveys let us know how well we're empowering our people to do great work.

- Objectives and Key Results (OKRs)—Transparently tracking outcomes helps align divisions around our most important business objectives.[1]

Finally, remember that it's just as important to recognize failed experiments—or, more accurately, what you learned from them. "Shortly after he took over as CEO, Satya Nadella began endorsing an idea he had while reading Carol Dweck's book *Mindset*—that Microsoft needed to become a 'learn-it-all culture' instead of a 'know-it-all culture.' After all, failure is an inherent part of innovation as people experiment with new ideas to see what works. If you stigmatize failure, regardless of whether it's done overtly or covertly, people will see it. And if they're fearful of thinking outside the box, taking risks, and trying out new ways to work, you'll never get to culture change.

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[1] In *Measure What Matters*, John Doerr explains that 70 percent completion of a key result (KR) should be treated as a win. The point isn't to get 100 percent on all your KRs—if you've done that, you probably aimed too low.

Conclusion

Cultural practices that empower employees to do their best are the key to better business performance in almost every way. However, culture change is a fundamentally human challenge: It you want it, you'll need to focus on your people and their teams. You should start with a clear statement of *why* change is needed—including the desired impact and payoff—and an understanding of what motivates your teams. Use these to communicate change in a way that's tailored to them, and then answer their questions and help them make sense of it all. And as things progress, instill a shared language to drive ownership, and celebrate the small wins to show people what "good" looks like.

All of these steps are about how to help your teams handle the uncertain, ambiguous challenges that are associated with reinventing how they do their own jobs, which is something you can't do for them. Top-down mandates won't even get things off the ground, let alone over the finish line. That's up to your people, and they'll need all the direction, help, and encouragement you can give them.