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Leading Change

An Action Plan from the World's Foremost Expert on Business Leadership

by John P. Kotter
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Take-Aways

- When strategic change initiatives fail, it is typically due to eight key errors.
- The most important error is failing to create an internal sense of urgency to justify the change. Others include insufficient vision, poor communication and bad timing.
- Transformation requires many high-level supporters to work together.
- Do everything you can to overcommunicate your vision to your employees.
- If someone tries to block your program – passively or actively – you must respond. Ignoring the obstructionist calls your commitment into question.
- Transformations take a long time. Declaring victory too early is a tremendous mistake because it deflates and dismisses the organization's sense of urgency.
- To encourage others, create a few clear-cut, "short-term wins" they can celebrate.
- Until your change initiative is accepted culturally as "how we do things here," it is subject to being rolled back or neutralized.
- Managers are trained to think in a linear way. Transformational change requires leadership pushing on multiple fronts simultaneously.
- In the future, companies will operate amid a "persistent sense of urgency."

Rating (10 is best)

Overall	Applicability	Innovation	Style
9	10	9	8

Relevance

What You Will Learn
In this Abstract, you will learn: 1) Why leaders, not managers, should implement initiatives for transformational change; 2) What eight mistakes people make when trying to change their companies; 3) How to manage the eight stages of the change process; and 4) What traits will shape the leaders and organizations of the future.

Recommendation
The picture on the cover of John P. Kotter's book tells it all: a group of penguins are shuffling their feet nervously on an icy precipice, while one brave bird leaps for the water below. The question is, which penguin are you? In too many organizations, executives shy away from the precipice, while someone lower down in the pecking order jumps in to test the landing conditions. Kotter says managers and leaders are quite different. A manager, he explains, is trained to think in a linear, one-two-three, risk-limiting way. Transformational change, however, can only be attained when true leaders push forward on several fronts at once – eight of them to be exact. Every successful change initiative begins with a coalition of leaders who create a sense of urgency. Kotter's book stems from a 1995 *Harvard Business Review* article titled, "Leading Change: Why Transformation Efforts Fail." It will probably sound hauntingly familiar to managers who have watched change initiatives begin in the front courtyard with a marching band and end a few months later, ushered out the back door like a diner who can't pay the tab. If you want to know why your last change initiative fizzled, *getAbstract.com* says read this book. Better yet, study it to ensure that your next leap of faith is a flying success.

Abstract

"The Change Problem"
Total quality management, Six Sigma, re-engineering, scorecards, downsizing, outsourcing, restrategizing and "cultural renewal" are just a few of the many change initiatives that corporate America has undertaken. Some companies benefited from these programs. Others witnessed colossal flops. Eight errors consistently contribute to failed initiatives. They are:

1. **"Allowing too much complacency"** – If you could bring a complacency meter into organizations undergoing new strategic initiatives, you would notice something interesting. In organizations where the complacency meter reads "high," transformation always fails. Complacency and successful transformation are mutually exclusive. You must create a sense of urgency throughout your organization.
2. **"Failing to create a sufficiently powerful guiding coalition"** – Experts often counsel that change initiatives can't succeed without support from the top, but it actually takes a lot more than that. True, you need the CEO's support, but you also need the active involvement of department heads, business-unit presidents, general managers, divisional managers and perhaps another 50 individuals committed to pulling together to convert your company's future vision into reality. In successful case studies, this "guiding coalition" is very powerful. It includes the majority of the company's most successful executives, and many others who have the formal titles and the tacit or explicit authority to move mountains and get things done. Without this powerful

backing, your initiatives may succeed for a while, but eventually they will be tied down by all the Lilliputian political struggles working against you behind the scenes.

3. **"Underestimating the power of vision"** – Change requires vision that tells the troops where to go. Understanding the vision tells them when they've arrived. Vision inspires, motivates and provides a sense of direction. If people wander around without a clear sense of purpose, your transformation project will lose impetus.

4. **"Undercommunicating the vision by a factor of 10 (or 100 or even 1,000)"** – Change often calls for sacrifice. A few meetings or inter-office memos just won't do. Leaders communicate in both word and deed. Overcommunicate your vision and make sure your actions send the same message as your words.

5. **"Permitting obstacles to block the new vision"** – It really doesn't matter whether the perceived roadblock is mental or as real as a drawbridge stuck in the upright position. The fact is you must overcome whatever gets in the way. If your company's organizational structure is slowing things down, perhaps it's time to shake up the structure. Your worst opponents will be the passive resisters. If someone in a high position can get away with obstructionist behavior, what does that tell line employees about the sincerity of your company's commitment to change?

6. **"Failing to create short-term wins"** – Transformation is a marathon, not a sprint. However, if you don't stop to recognize a few landmarks on the way, the journey can get pretty discouraging. Many individuals have difficulty visualizing the significance of events beyond an 18-month horizon. Without intermediate achievements, your program could lose momentum. The answer: create "short-term wins." Establish several achievable short-term goals in the first year of the new system to award transformation leaders, recognize key contributors and celebrate shared success.

7. **"Declaring victory too soon"** – One of the worst things you can do is suggest to people that the battle already has been won. Change needs to penetrate very deeply into the culture to have a lasting effect, but once you sound the trumpet call of victory, you'll have to fight everyday to keep people from going back to business as usual. It's not uncommon for executives to hire consultants to assist with an initiative for a few years, declare victory, write them a check and send them on their way.

8. **"Neglecting to anchor change firmly in the corporate culture"** – Did you ever ask why something is done a certain way, only to be told, "That's just the way we do it around here." Well, until your change initiative soaks so deeply into your corporate culture that it's considered "just the way we do things around here," you risk slipping back to the old way of doing things. As soon as the urgency that first brought on the initiative starts to fade, individuals may begin to regress back to the tried, true and comfortable way of doing things. Anchor change in your organization by promoting leaders and managers who have successfully advanced it, ensuring that the next generation of managers will be ready to take over where your effort ends.

All of these errors are avoidable if you understand how corporate leadership, not just mere management, is needed to guide an organization through the difficult process of change.

"The Eight-Stage Process"

Every management *faux pas* listed above also suggests a flip side, a right way to do things. So much inertia opposes any transformation that your organization needs to follow an eight-step process to implement change. The obvious way to approach these stages is sequentially, in a logical, linear manner. This is how most people instinctively proceed, because they have been trained as managers to think step-by-step. While nothing is wrong with analysis itself, transformation requires leadership. When companies tackle

multiple steps and projects simultaneously, the process often gets "complex, dynamic, messy and scary." Yet, this approach is much more likely to succeed. The eight steps of the change process are:

1. **"Establishing a sense of urgency"** – In every large organization, the desire to have everything stay exactly the same has a lot of momentum — that's called inertia, and it's one of the physical laws of the universe. To set the stage for transformation, everyone needs to understand that the old way of doing business simply isn't viable anymore. Actions that indicate urgency are not "feel good" steps. They meet your goal of increasing your workforce's feeling of urgency enough so that people understand that it is viable to accept transformation. Measures that can provoke a sense of urgency include:

   - Setting higher goals and standards.
   - Changing a flawed metrics system.
   - Substantially increasing performance feedback to each employee.
   - Ceasing the practice of "corporate happy talk," especially in newsletters.
   - Inviting a customer panel to speak frankly at the annual meeting.
   - Cleaning up the balance sheet by taking off bad assets, which will show a serious quarterly loss.
   - Selling the corporate headquarters and moving into more functional quarters.
   - Downsizing the corporate aircraft fleet.
   - Giving every business unit 24 months to become first or second in their industry peer group, or risk being downsized.
   - Changing the pay structure of the company's top 10 executives.
   - Linking their pay to key strategic measures such as product quality.
   - Hiring consultants to force an honest exchange of perspectives, at the risk of challenging sacred cows.
   - Exposing errors or weaknesses rather than correcting them.
   - Making subunits accountable for broader measures than usual.
   - Making managers and executives speak more often with unhappy customers.
   - Exposing excellent opportunities that the company obviously isn't in a position to take advantage of due to its lack of performance.

2. **"Creating the guiding coalition"** – The biggest mistake you can make is to "go it alone" as an isolated CEO. In fact, just putting two or three of the company's top 15 executives on the guiding organization does not work either. Build a coalition of people who have position power, expertise, credibility and leadership. People on the "guiding coalition" need management and leadership qualities to make it work.

3. **"Developing a vision and strategy"** – Many times the guiding techniques behind transformation are "authoritarian decree" and "micromanagement." Unfortunately, neither method motivates those who actually put new systems in place. Thus, vision is essential. A well-articulated, inspiring vision clears away distractions and aligns the resources of the organization to its ultimate goals. Change may not be in everyone's short-term best interests, but a compelling vision helps employees understand that transformation is in their long-range best interest.

4. **"Communicating the change vision"** – Undercommunication and mixed messages are the primary culprits. To avoid "a failure to communicate," keep your message simple and check your MBA speak at the door. Search for rich metaphors that are more valuable than a thousand words. Consider every possible forum and media to carry your strategic message to employees. Recognize that most people need to hear

something several times to be able to absorb its meaning. Be very sensitive to the fact that any leadership behavior contrary to your message can neutralize it. Address potential inconsistencies up front. Encourage two-way communication.

5. **"Empowering employees for broad-based action"** – Employees need encouragement to remove barriers to transformation. There are simply too many barriers, many of which are hidden, for you to overcome alone. The four biggest barriers to transformation are bureaucratic obstacles, inadequate skills, insufficient organizational systems and negative supervisors who discourage action. To retain credibility, leaders must confront managers who filibuster the initiative.

6. **"Generating short-term wins"** – Finding a win to celebrate isn't automatic. Short-term wins need to have these three characteristics: 1) The goal attained is visible so that others can see that it's not mere hype; 2) The goal is clear-cut, not subjective or open to dispute; and 3) The goal is relevant and is tied directly into the transformation program. Short-term wins prove that employees' sacrifices have been worthwhile and they help motivate everyone to continue.

7. **"Consolidating gains and producing more change"** – Resistance is always waiting to rear its ugly head again. As soon as your initiative loses momentum, progress will slip and you'll find it difficult to recover. Today's organizations are so highly interdependent that they are very hard to transform unless you change many things at once. Be prepared to spend a surprising amount of time and energy working on transformation. Announcing that you've won the war, even after 24 or 36 months, might be premature.

8. **"Anchoring new approaches in the culture"** – Whenever you hear that the first step of a new strategic initiative is changing your organization's culture, be concerned. Culture is usually the last thing to change. On the other hand, culture is very powerful and, once in place, it will have a profound influence on everything else that takes place. In large corporations, the culture expresses itself through the values, opinions and behavior of thousands of individuals. Because this occurs without conscious thought, it's very difficult to challenge, let alone alter.

Organizations of the Future

Firms that follow this eight-step process can better adapt to an environment of increasing volatility and may well replace the inert firms of the twentieth century. These firms will feature "lifelong learning" and faster operations, driven by a "persistent sense of urgency." In this atmosphere of change, future companies may be headed by "guiding coalitions" rather than by egotistic individuals. Successful organizations will have to promote leaders who can fashion a vision and articulate it effectively. Among other forward-looking policies, these leaders will have to empower their employees to cope with quick-shifting realities, and give them the training and information to fulfill broader management functions. Winning companies of the future will nurture an "adaptive corporate culture," with employees who embrace change as a means of continuous improvement. "That much change will not come quickly," but it will come.

About the Author

A graduate of MIT and Harvard, **John P. Kotter** joined the Harvard Business School faculty in 1972 and became a full-tenured professor in 1980 at age 33. He is a frequent speaker on management and the author of six best-selling books on business, including *A Force for Change, Corporate Culture and Performance* and *The New Rules*.