AN ACTION PLAN FROM THE WORLD'S FOREMOST EXPERT ON BUSINESS LEADERSHIP

Leading Change

John P. Kotter

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Preface

In the summer of 1994, I wrote an article for the *Harvard Business Review* entitled "Leading Change: Why Transformation Efforts Fail." It was based on my analysis of dozens of initiatives over the prior fifteen years to produce significant useful change in organizations via restructuring, reengineering, restrategizing, acquisitions, downsizing, quality programs, and cultural renewal. Even as I was finishing that piece I knew I wanted to write more on the subject, so I began this book shortly thereafter.

"Leading Change" was published in the March–April 1995 issue of *HBR*. Almost immediately the article jumped to first place among the thousands of reprints sold by the review, an astonishing event in light of the quality of its large reprint base and of the lengthy time normally required to build reprint volume. Improbable events like this are always difficult to explain, but conversations and correspondence with *HBR* readers suggest that the paper rang two bells loudly. First, managers read the list of mistakes organizations often make when trying to effect real change and said *Yes!* This is why we have achieved less than we had hoped. Second, readers found the eight-stage change framework compelling. It made sense as a roadmap and helped people talk about transformation, change problems, and change strategies.

I've tried to build on both of these virtues in writing this book, and to add a few more. Unlike the article, the book has dozens and dozens of examples of what seems to work and what doesn't. In this sense, it is more hands-on and practical. I've also been more explicit in linking the discussion back to the engine that drives change—leadership—and in showing how a purely managerial mindset inevitably fails, regardless of the quality of people involved. Finally, I've broadened the time span covered, showing how events over the past century have brought us here and exploring implications for the twenty-first century.

Those familiar with my work will see that this volume integrates and extends a number of ideas originally published in *A Force for Change: How Leadership Differs from Management*, *Corporate Culture and Performance*, and *The New Rules: How to Succeed in Today's Post-Corporate World*. Although this book is a logical extension of my past work in terms of subject matter, it is a departure in terms of form. Unlike my previous books, *Leading Change* is not filled with footnotes and endnotes. I have neither drawn examples or major ideas from any published source except my own writing nor tried to cite evidence from other sources to bolster my conclusions. In that sense, this work is more personal than any I've previously published. I'm communicating here what I've seen, heard, and concluded on a set of interrelated topics that appear to be increasingly important.

A number of people have read this book in draft form and offered helpful suggestions. They include Darrell Beck, Mike Beer, Richard Boyatzis, Julie Bradford, Linda Burgess, Gerald Czarnecki, Nancy Dearman, Carol Franco, Alan Frohman, Steve Guengerich, Robert Johnson, Jr., Carl Neu, Jr., Charlie Newton, Barbara Roth, Len Schlesinger, Sam Schwab, Scott Snook, Pat Tod, Gayle Treadwell, Marjorie Williams, and David Windom. A few others have offered much inspiration for the work that underlies this manuscript, especially Ed Schein and Paul Lawrence. My thanks to all.

"This is a great book. *Leading Change* captures and organizes real-world forces better than anything else I have ever read. I cannot tell you how much I enjoyed it."

Richard A. Guipe, Operations Manager
Tessco Technologies

"An excellent resource for all CEOs trying to orchestrate change throughout their organizations. I intend to share *Leading Change* with my associates, so that together we can gain better insight into the differences between leadership and management and a better appreciation of the magnitude of effort required to lead the transformation process."

Richard Seaman, President and CEO
Seaman Corporation

"A fantastic book that makes a unique contribution to our understanding of change leadership."

David Windom, Chairman
The Windom Company

"Very interesting and relevant, full of practical advice of immediate use."

Richard Deverell, Head of Strategy and Planning
BBC News

"Excellent. I read *Leading Change* last week, and I'm already using some of the ideas in it!"

Kenneth MacKenzie, Chairman
The Mentor I Group, Ltd.

"An exceptional book that I enjoyed reading immensely—Kotter's writing style is excellent. The eight-step change process is a powerful one and deserves substantial critical acclaim in both academic and business circles."

Samuel C. Schwab, President
S. Schwab Company

ADVANCE PRAISE FOR

Leading Change

"*Leading Change* has tremendous value. The ideas are easily transferable to any company, large or small. It has helped me with my own management style, and it can help others."

Andrew S. Bluestone, President
Selective Benefits Group

"*Leading Change* provides a detailed road map, complete with caution signs pointing out potential dangers. Highlighting the need to foster a sense of urgency to drive change, Kotter shows how a shortfall in an early phase of his eight-part process can foreshadow failure later on. If this book persuades change leaders to complete all the steps and to do so in sequence, it will contribute to improved performance in their organizations."

Linda Burgess, President
The Burgess Group

"An outstanding book that addresses the needs of organizations and individuals in today's rapidly changing business environment."

Ernest I. Glickman, CEO
Harbridge House, Division of Coopers & Lybrand L.L.P.

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PART I

The Change Problem and Its Solution

CHAPTER 1

Transforming Organizations: Why Firms Fail

BY ANY OBJECTIVE MEASURE, THE amount of significant, often traumatic, change in organizations has grown tremendously over the past two decades. Although some people predict that most of the reengineering, restrategizing, mergers, downsizing, quality efforts, and cultural renewal projects will soon disappear, I think that is highly unlikely. Powerful macroeconomic forces are at work here, and these forces may grow even stronger over the next few decades. As a result, more and more organizations will be pushed to reduce costs, improve the quality of products and services, locate new opportunities for growth, and increase productivity.

To date, major change efforts have helped some organizations adapt significantly to shifting conditions, have improved the competitive standing of others, and have positioned a few for a far better future. But in too many situations the improvements have been disappointing and the carnage has been appalling, with wasted resources and burned-out, scared, or frustrated employees.

To some degree, the downside of change is inevitable. Whenever human communities are forced to adjust to shifting conditions, pain is ever present. But a significant amount of the waste and anguish we've witnessed in the past decade *is* avoidable. We've made a lot of errors, the most common of which are these.

Error #1: Allowing Too Much Complacency

By far the biggest mistake people make when trying to change organizations is to plunge ahead without establishing a high enough sense of urgency in fellow managers and employees. This error is fatal because transformations always fail to achieve their objectives when complacency levels are high.

When Adrien was named head of the specialty chemicals division of a large corporation, he saw lurking on the horizon many problems and opportunities, most of which were the product of the globalization of his industry. As a seasoned and self-confident executive, he worked day and night to launch a dozen new initiatives to build business and margins in an increasingly competitive marketplace. He realized that few others in his organization saw the dangers and possibilities as clearly as he did, but he felt this was not an insurmountable problem. They could be induced, pushed, or replaced.

Two years after his promotion, Adrien watched initiative after initiative sink in a sea of complacency. Regardless of his inducements and threats, the first phase of his new product strategy required so much time to implement that competitor countermoves offset any important benefit. He couldn't secure sufficient corporate funding for his big reengineering project. A reorganization was talked to death by skilled filibusterers on his staff. In frustration, Adrien gave up on his own people and acquired a much smaller firm that was already successfully implementing many of his ideas. Then, in a subtle battle played out over another two years, he watched with amazement and horror as people in his division with little sense of urgency not only ignored all the powerful lessons in the acquisition's recent history but actually stifled the new unit's ability to continue to do what it had been doing so well.

Smart individuals like Adrien fail to create sufficient urgency at the beginning of a business transformation for many different but interrelated reasons. They overestimate how much they can force big changes on an organization. They underestimate how hard it is to drive people out of their comfort zones. They don't recognize how their own actions can inadvertently reinforce the status quo. They lack patience: "Enough with the preliminaries, let's get on with it." They become paralyzed by the downside possibilities associated with reducing complacency: people becoming defensive, morale and short-term results slipping. *Or,* even worse, they confuse urgency with anxiety, and by driving up the latter they push people even deeper into their foxholes and create even more resistance to change.

If complacency were low in most organizations today, this problem would have limited importance. But just the opposite is true. Too much past success, a lack of visible crises, low performance standards, insufficient feedback from external constituencies, and more all add up to: "Yes, we have our problems, but they aren't that terrible and I'm doing my job just fine," or "Sure we have big problems, and they are all over there." Without a sense of urgency, people won't give that extra effort that is often essential. They won't make needed sacrifices. Instead they cling to the status quo and resist initiatives from above. As a result, reengineering bogs down, new strategies fail to be implemented well, acquisitions aren't assimilated properly, downsizings never get at those least necessary expenses, and quality programs become more surface bureaucratic talk than real business substance.

ERROR #2: FAILING TO CREATE A SUFFICIENTLY POWERFUL GUIDING COALITION

Major change is often said to be impossible unless the head of the organization is an active supporter. What I am talking about here goes far beyond that. In successful transformations, the president, division general manager, or department head plus another five, fifteen, or fifty people with a commitment to improved performance pull together as a team. This group rarely includes all of the most senior people because some of them just won't buy in, at least at first. But in the most successful cases, the coalition is always powerful—in terms of formal titles, information and expertise, reputations and relationships, and the capacity for leadership. Individuals alone, no matter how competent or charismatic, never have all the assets needed to overcome tradition and inertia except in very small organizations. Weak committees are usually even less effective.

Efforts that lack a sufficiently powerful guiding coalition can make apparent progress for a while. The organizational structure might be changed, or a reengineering effort might be launched. But sooner or later, countervailing forces undermine the initiatives. In the behind-the-scenes struggle between a single executive or a weak committee and tradition, short-term self-interest, and the like, the latter almost always win. They prevent structural change from producing needed behavior change. They kill reengineering in the form of passive resistance from employees and managers. They turn quality programs into sources of more bureaucracy instead of customer satisfaction.

As director of human resources for a large U.S.-based bank, Claire was well aware that her authority was limited and that she was not in a good position to head initiatives outside the personnel function. Nevertheless, with growing frustration at her firm's inability to respond to new competitive pressures except through layoffs, she accepted an assignment to chair a "quality improvement" task force. The next two years would be the least satisfying in her entire career.

The task force did not include even one of the three key line managers in the firm. After having a hard time scheduling the first meeting—a few committee members complained of being exceptionally busy—she knew she was in trouble. And nothing improved much after that. The task force became a caricature of all bad committees: slow, political, aggravating. Most of the work was done by a small and dedicated subgroup. But other committee members and key line managers developed little interest in or understanding of this group's efforts, and next to none of the recommendations was implemented. The task force limped along for eighteen months and then faded into oblivion.

Failure here is usually associated with underestimating the difficulties in producing change and thus the importance of a strong guiding coalition. Even when complacency is relatively low, firms with little history of transformation or teamwork often undervalue the need for such a team or assume that it can be led by a staff executive from human resources, quality, or strategic planning instead of a key line manager. No matter how capable or dedicated the staff head, guiding coalitions without strong line leadership never seem to achieve the power that is required to overcome what are often massive sources of inertia.

Error #3: Underestimating the Power of Vision

Urgency and a strong guiding team are necessary but insufficient conditions for major change. Of the remaining elements that are always found in successful transformations, none is more important than a sensible vision.

Vision plays a key role in producing useful change by helping to direct, align, and inspire actions on the part of large numbers of people. Without an appropriate vision, a transformation effort can easily dissolve into a list of confusing, incompatible, and time-consuming projects that go in the wrong direction or nowhere at all. Without a sound vision, the reengineering project in the accounting department, the new 360-degree performance appraisal from human resources, the plant's quality program, and the cultural change effort in the sales force either won't add up in a meaningful way or won't stir up the kind of energy needed to properly implement any of these initiatives.

Sensing the difficulty in producing change, some people try to manipulate events quietly behind the scenes and purposefully avoid any public discussion of future direction. But without a vision to guide decision making, each and every choice employees face can dissolve into an interminable debate. The smallest of decisions can generate heated conflict that saps energy and destroys morale. Insignificant tactical choices can dominate discussions and waste hours of precious time.

In many failed transformations, you find plans and programs trying to play the role of vision. As the so-called quality czar for a communications company, Conrad spent much time and money producing four-inch-thick notebooks that described his change effort in mind-numbing detail. The books spelled out procedures, goals, methods, and deadlines. But nowhere was there a clear and compelling statement of where all this was leading. Not surprisingly, when he passed out hundreds of these notebooks, most of his employees reacted with either confusion or alienation. The big thick books neither rallied them together nor inspired change. In fact, they may have had just the opposite effect.

In unsuccessful transformation efforts, management sometimes does have a sense of direction, but it is too complicated or blurry to be useful. Recently I asked an executive in a midsize British manufacturing firm to describe his vision and received in return a barely comprehensible thirty-minute lecture. He talked about the acquisitions he was hoping to make, a new marketing strategy for one of the products, his definition of "customer first," plans to bring in a new senior-level executive from the outside, reasons for shutting down the office in Dallas, and much more. Buried in all this were the basic elements of a sound direction for the future. But they were buried, deeply.

A useful rule of thumb: Whenever you cannot describe the vision driving a change initiative in five minutes or less and get a reaction that signifies both understanding and interest, you are in for trouble.

ERROR #4: UNDERCOMMUNICATING THE VISION BY A FACTOR OF 10 (OR 100 OR EVEN 1,000)

Major change is usually impossible unless most employees are willing to help, often to the point of making short-term sacrifices. But people will not make sacrifices, even if they are unhappy with the status quo, unless they think the potential benefits of change are attractive and unless they really believe that a transformation is possible. Without credible communication, and a lot of it, employees' hearts and minds are never captured.

Three patterns of ineffective communication are common, all driven by habits developed in more stable times. In the first, a group actually develops a pretty good transformation vision and then proceeds to sell it by holding only a few meetings or sending out only a few memos. Its members, thus having used only the smallest fraction of the yearly intracompany communication, react with astonishment when people don't seem to understand the new approach. In the second pattern, the head of the organization spends a considerable amount of time making speeches to employee groups, but most of her managers are virtually silent. Here vision captures more of the total yearly communication than in the first case, but the volume is still woefully inadequate. In the third pattern, much more effort goes into newsletters and speeches, but some highly visible individuals still behave in ways that are antithetical to the vision, and the net result is that cynicism among the troops goes up while belief in the new message goes down.

One of the finest CEOs I know admits to failing here in the early 1980s. "At the time," he tells me, "it seemed like we were spending a great deal of effort trying to communicate our ideas.