



Leading Change

THE SUMMARY

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1. Transforming Organizations: Why Firms Fail

We live in an age of disruption and economic instability. More organizations are being pushed to reduce costs, improve quality, find growth opportunities, and increase productivity. The number of organizational change attempts is growing.

But many change efforts, perhaps even the majority, will fail. When they do, the carnage is obvious: wasted resources; lost trust; frightened, burned out employees; turnover.

There are eight key reasons why most change efforts fail:

- 1) Complacency: People don't understand the need for change because they don't see the dangers and opportunities that are ahead. Too often, would-be changemakers don't recognize how their own actions can reinforce the status quo. They underestimate the resources they need to motivate others to leave their comfort zones. And they are paralyzed by the risks that reducing complacency can entail.
- 2) Failure to create a powerful guiding coalition: An organization's top leaders must work closely with other key players to manage and lead the transition. The efforts of an individual or a weak committee will not be sufficient to overcome the power of tradition, inertia, and passive resistance to change.
- 3) Underestimating the power of vision: Just as a change effort needs a strong guiding team, it must have a sensible vision. A vision directs, aligns, and inspires people to take action on a large scale. Without vision, every small decision related to a change process can turn into an interminable debate.

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4) Under-communicating the vision by a factor of 10, 100, or 1,000: Without consistent and repeated communication with employees, a vision will not capture their hearts and minds.

5) Permitting obstacles to block the new vision: Many real barriers can kill change efforts before they are out of the starting gate. Narrow job descriptions may keep employees stuck in silos. Compensation and performance systems may reward behavior that is anathema to the new direction. Managers can place demands on employees that prevent them from working toward the new goals.

6) Failing to create short-term wins: If change teams fail to prove they've made progress, people won't continue to make the effort. The changemakers must create wins that are unambiguous, even by the skeptics' standards.

7) Declaring victory too soon: Consolidating change can take three to ten years, and celebrating prematurely can kill all momentum. Organizations need to expand their understanding of how long changes take.

8) Neglecting to anchor changes firmly in organizational culture: A company's culture won't change unless the next group of incoming managers exemplifies the new approach. If promotion and hiring criteria are not reshaped according to the new focus, they will not last.

These eight errors wouldn't be problems in a world that was slower moving and less competitive. But today, stability is no longer the norm. And the business environment is becoming more and more volatile. Change is more difficult than ever, but it's also more necessary than ever.

2. Successful Change and the Forces that Drive It

The forces driving today's increasing need for change include technology, economic integration, the slowing

growth of markets in developed countries, and the expansion of new global markets. Yet, many of us have survived poorly run change efforts. Because of our experiences, we may believe that major change is impossible without trauma.

But this doesn't have to be the case. Studies of organizational change prove that most organizations can be significantly improved at an acceptable cost. What is more, a company's ability to change can allow it to excel: to save itself from bankruptcy, produce a world-changing innovation, or become an industry leader.

In the last chapter I laid out the eight most common reasons why change efforts fail. Now I'll talk about why some succeed.

Generally, organizations that change successfully undergo an eight-stage process. Each stage heads off problems that could cause a change effort to fail and builds a strong foundation for continuing the change effort.

Here are the eight stages of a successful change process:

1) Establish a sense of urgency. Identify and discuss an existing crisis, potential crises, or opportunities.

2) Create the guiding coalition. Pull together a group that has enough power to lead the change, and build that group into a team.

3) Create a vision to direct the change effort and develop strategies to achieve that vision.

4) Communicate the change vision using every vehicle possible.

5) Empower broad-based action. Get rid of obstacles that prevent employees from acting in accordance with the change, and alter systems and structures that undermine the new vision.

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- 6) Generate short-term wins. Plan so your changes will create visible improvements in performance.
- 7) Consolidate gains and produce more change. Once you have achieved some wins, use your increased credibility to further change systems, structures, and policies that don't fit the transformation vision.
- 8) Anchor new approaches in the organization's culture.

The first four steps are there in order to "defrost" the status quo. Then, phases 5 through 7 help introduce new practices and the final phase, phase 8, helps the changes stick.

Sometimes, changemakers mistakenly start by introducing structural changes. But because they have not first taken steps to thaw a culture that may seem frozen in time and motivate employees into action, the change will not take root. Another common mistake is to skip the last step, which ensures that a change will remain in place even when the people who initiated it are no longer there.

Another common problem stems from the fact that our society has confused *management* with *leadership*. They are two very different things. Managers help people and technology to be as productive as possible. Leaders create a vision of the future and inspire people to make that vision a reality. Management produces stability, but leadership creates change.

Unfortunately, many organizations overemphasize the importance of management but neglect the importance of leadership. This can quickly get in the way of change efforts.

3. Establishing a Sense of Urgency

There's no way around it: change is difficult. It requires extra work. It often is uncomfortable. And unless people set aside their personal differences and cooperate, it won't happen. Depending on your organization's size, your change effort will probably fail unless dozens, hundreds, or even thousands of people go "above and beyond the call of duty."

But if the people who need to take action are complacent, they won't put in the work that is needed for the change effort to succeed. Therefore, the first step in a successful transformation is to establish a sense of urgency.

Complacency can be a threat even when an organization has so many problems that the need for change might seem obvious. One example is a well-known global pharmaceuticals company. Its sales were not meeting expectations. Complaints about its products were on the rise. Large investors were threatening to sell their holdings.

Yet, many employees seemed unaware of the situation. They believed they were making progress. They blamed the problems on other departments or on their bosses. The problems were rarely mentioned at company meetings, and when they were, anyone who suggested a solution was quickly derailed.

Sometimes complacency is obvious, but other times it can be hidden. Employees may publicly say they agree that there is a need for change but undermine change efforts in private.

Why do people ignore danger?

The first problem is that people's surroundings can lull them into a false sense of safety. Change does not feel urgent to people whose jobs seem safe or whose surroundings send a message of success and luxury.

The second problem is that people may be measuring themselves against faulty standards. The organization may have ingrained low expectations or its structure may focus on narrow goals rather than the business's overall performance. Evaluation systems may be rigged to these same irrelevant goals.

The third common problem is "happy talk" that comes from the top of the organization. If leaders are complacent, the rest of the company will follow.

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To create a sense of urgency, leaders must cut out these sources of complacency at the roots. They must make the dangers that the organization faces visible. They also must set higher standards, change evaluation systems that focus on the wrong things, and stop baseless happy talk.

Key ways to raise the urgency level include:

- Allowing a financial loss or letting errors blow up instead of being corrected at the last minute.
- Eliminating examples of excess such as private planes and gourmet dining rooms.
- Setting performance targets so high they can't be reached by conducting business as usual.
- Sending data that demonstrate problems with customer satisfaction and financial performance to more employees.
- Insisting that everyone talk regularly to unsatisfied customers and disgruntled shareholders.
- Featuring problems prominently in company newsletters and speeches.
- Bombarding people with information on opportunities that the organization will not be able to pursue without major changes.

Organizations have raised the urgency level in a variety of ways. One company cleaned up its accounting balance sheet so that its huge losses were made evident. Another moved headquarters to a building that looks like a military command center. A third company threatened its subsidiaries with closure unless they became first- or second-ranked in their industries within two years. Yet another company based the pay of top managers on new, more stringent performance measures.

These moves can create conflict and anxiety at first. But by raising the urgency, you are unleashing powerful forces that will be directed to achieve important ends. Also, urgency doesn't have to be negative. You can initiate change efforts even in a time of record profits as long as you bombard people with enough information about potential problems or potential opportunities.

Because it can be hard to gauge an organization's urgency from the inside, get advice from people with an external perspective. Do they see the company's level of complacency as acceptable? "Insider myopia" can be deadly in a fast-moving world. If managers and employees do not feel enough urgency, a change effort will fail.

4. Creating the Guiding Coalition

Many people mistakenly believe that major transformations must be the work of a single charismatic leader. In reality, change requires much more power than a single person can muster. Change must be the work of a strong, guiding coalition.

Creating this coalition can be a challenge for many leaders. Some executives operate as if they were kings or queens with advisors. They may convene working groups that gather and distribute information but then make all the decisions by themselves outside of meetings.

If a leader brings this approach to a change process, it will be doomed to fail because one person cannot handle the sheer quantity of decisions that need to be made. It's far better for decisions to be made by a team of powerful people who share the same problems, opportunities, and commitment to change.

Another common mistake is to give a change effort to a weak committee. People who are on powerless committees quickly realize it and lose their momentum. A guiding coalition, on the other hand, includes both change advocates and key power players whose buy-in is needed.

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An effective guiding coalition must include:

- People in powerful positions, especially main line managers.
- Expertise, representing various relevant viewpoints.
- People with good reputations to give credibility to the coalition's work.
- Proven leaders who will be able to guide the change process.

If the guiding coalition lacks leadership talent, consider bringing in leaders from outside the organization, promoting employees who know how to lead, and encouraging high-ranking managers to begin to take on a leadership role.

There also are three kinds of people who do not belong on a guiding coalition: those with room-filling egos, those who deliberately sow mistrust, and those who don't believe in the change effort. However, it is important that as many of the organization's executives as possible participate. If some in powerful positions have big egos, create distrust, or don't back the change effort, consider encouraging them to retire or resign. Otherwise, those people could be powerful roadblocks during the change process.

Once a guiding coalition has been formed, its members should build trust through retreats that combine social activities, work, and learning about the urgency of change. Leaders should foster a group dynamic that will allow people to set aside their personal and department interests. Once a team has built trust and is working toward a common goal, it will be able to develop a vision for what it wants the change process to accomplish.

5.) Developing a Vision and Strategy

Imagine you are part of a group in the park. As a rainstorm approaches, three people in the group try to take action in different ways.

One person says, "Get up and follow me," then yells angrily at those who don't obey. Another person lays out a detailed plan: "Each of us will stand and march slowly in the direction of the apple tree. Please stay at least two feet away from other group members and do not run. Do not leave any personal belongings on the ground here, and be sure to stop at the base of the tree." A third person says, "It's going to rain. Why don't we go over there and sit under that huge apple tree? We'll stay dry, and we can have apples for lunch."

Many leaders try to create change by giving orders or by micromanaging. But those who succeed at leading change create an appealing vision. They paint a picture of the future with an explanation of why people should strive to create that future.

Vision is useful for several reasons:

- It clarifies the direction that change is headed.
- It motivates people to move in the right direction, despite the pain that change can bring.
- It simplifies decision making. The only question that needs to be asked is which choice is most in line with the vision. In this way, a vision efficiently coordinates the actions of a large number of motivated people.

An effective vision has the following characteristics:

- 1) It describes the organization or its key activity as it will be.
- 2) It articulates a set of possibilities that is in the best interests of everyone who has a stake in the organization, such as customers, stockholders, and employees. (Visions that help some groups of constituents but trample on others will not succeed.)
- 3) It is realistic. The vision should involve stretching resources and abilities, but it shouldn't seem

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impossible. It should reflect current trends and changes in the world.

- 4) It is focused enough to guide employees but simple enough to communicate easily to large numbers of people.
- 5) It is flexible. The guiding coalition must refine the vision according to feedback that is received.
- 6) It appeals both to the head and to the heart, offering both analytical and inspirational components.

Don't rush through the process of developing a vision. Having an ineffective vision is worse than having none at all. If an organization cannot develop a great vision, it is not ready to pursue change.

6. Communicating the Change Vision

A change vision is useless unless it helps everyone understand an organization's new goals and direction. This means the vision must be communicated intentionally to everyone who is part of the organization.

It sounds simple, but communicating a change vision can be remarkably difficult. A vision may be brought up at meetings, featured in the company newsletter, and included in training for new employees, but it might not be reinforced in personal interactions. The company might take actions that are inconsistent with the vision, or the vision might be shared poorly in language that is too abstract.

In fact, executives or guiding coalitions often believe they have communicated a vision sufficiently or even too many times. But even with extensive repetition, front-line managers and low-level employees usually do not get the message. This is because understanding and accepting a vision is an intellectually and emotionally demanding task for employees.

Communicating a vision takes consistency and repetition. Here are some suggestions:

- Keep the vision simple, focused, and jargon-free.
- Use metaphors, analogies, and examples to paint a verbal picture. For example, "We are going to be making fewer Fiats and more Mercedes."
- Use many different forums: large and small meetings, memos and newsletters, formal and informal interactions, and individual mentions from managers.
- Explain any seeming inconsistencies in the company's actions.

Organizations that successfully transform themselves typically communicate a change vision *tens of thousands of times*. For example, in one company twenty-five executives each agreed to mention the vision four times a day for several months, leading to 12,000 mentions.

Also, for a transformation to be successful, the people who created the vision must lead by example. During an overhaul of customer service efforts, one CEO pledged to personally respond to all complaints he received within 48 hours. Customers' satisfaction with his responsiveness became legendary, both inside and outside the company. By putting customers first, he provided a powerful example for everyone in the organization.

7. Empowering Employees for Broad-Based Action

Your change-making effort won't succeed unless it has the participation of everyone. But employees can't (or won't) help if they feel powerless.

Sometimes company structures make it difficult for employees to act. Other times they lack the skills to participate meaningfully in implementing the vision. Still other times the company's employee evaluation and

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data gathering systems interfere. Supervisors also may discourage employees from doing the work that will help the vision come to fruition.

To sum it up, if employees can't participate, it is usually due to one of the four "S's": Structures, Skills, Systems, and Supervisors. Let's explore each of these problems in more detail.

When an organizational **structure** fragments resources and authority, it can become impossible for employees to work together in the way that is needed to make a vision a reality. For instance, an organization that fragments resources and responsibility for its products and services may be unable to improve its customer service because too many parties are involved.

When employees ask about changing the structure, too often they are rebuffed with excuses that doing so is impossible or won't help. Disempowered, they give up.

Skills are another barrier. After being taught for years not to accept responsibility or to take initiative, many employees will need to learn new behaviors, skills, and attitudes if they are to participate in a change effort.

Systems of performance evaluations, compensation, and promotion form a powerful incentive—or disincentive—to implement the vision. In general, people will accept change if they believe it's in their best interest. If you update employee evaluation, compensation, and promotion systems to line up with the new vision, the same actions that help implement the vision will be in employees' own best interests.

Supervisors pose another challenge. Many companies find that their efforts to give more responsibility to front-line employees are thwarted by managers who second-guess and criticize those employees' actions. These managers will not change their ways unless they fully support and understand the vision.

One example of a supervisor who got in the way of implementing a vision was Frank. Despite repeated warnings, Frank didn't seem able to change his "command and control" management style, which rapidly put a damper on his supervisees' initiative.

People like Frank can be a huge problem if they are in charge of a significant number of employees. The best way to resolve the issue is through honest dialogue. Lay out the vision and what the company needs, and ask for the supervisor's help. In that way, those who may not know how to adapt to a new system can get assistance. At the same time, setting out clear expectations and a timetable for meeting them will smooth the way to the removal of those who fail to meet the new expectations.

8. Generating Short-Term Wins

The effort needed to sustain organizational change is enormous. To persevere, the people who are putting in the effort must be able to see their results. If a change effort does not generate quick wins, it will not gain the credibility it needs to keep people going. Skeptics in the organization will think they have been proven right, and the initiative will fail.

These wins need to be:

- Visible – large numbers of people can see for themselves whether the result is real or just hype.
- Unambiguous – there can be little argument over what success means.
- Clearly related to the change effort.
- Prompt – within six months for small companies or units, or within 18 months in large organizations.

By creating short-term wins, changemakers prove the sacrifices they are asking for are worthwhile. They transform fence sitters into supporters and reluctant supporters into active participants.

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Short-term wins should be planned from the start and carefully managed by the guiding coalition. Individuals should be given specific responsibility for actively managing progress toward these goals. Otherwise, a data system may not even track the information that is needed to prove a win, or tasks may not be done in time to create a win early enough. Without someone's dedicated attention, the goals may slip through the cracks.

Some people don't believe they can produce major changes and achieve short-term results at the same time because our current systems encourage us to make tradeoffs between the long term and the short term. But that way of thinking is outdated. In a world of constant change, managers must win now while putting themselves in an even stronger position to win in the future.

Strategies to achieve short-term wins may put additional pressure on employees, but this isn't necessarily a bad thing. As a change plan progresses, it actually can be a useful way to keep an organization's urgency level high. However, pressure on its own isn't useful. It must constantly be linked back to the vision and the strategy.

9. Consolidating Gains and Creating More Change

While a change coalition creates short-term wins, it must not rest on its laurels. It must keep the momentum going by consolidating its gains and creating more change.

Consolidating gains means creating more change, not less. It means accelerating, not slowing down. This is the ideal time to tackle additional and bigger change projects and to give those projects the human talent they need to succeed.

This is not an easy task. Large organizations often are made up of tightly linked, interdependent parts. Employees may have a dozen different forces determining their behavior. In this context, changing one thing can mean changing nearly everything. Leaders must eliminate any

interdependencies that are unnecessary. Cleaning up these historical artifacts can make change easier.

This phase of organizational change is all about staying focused. Amid the celebrations of short-term wins, the change coalition should focus on what it must do next. Top leaders should remain focused on further communicating and reinforcing the vision to people in the organization. As the organization undertakes more significant changes, it is more important than ever that managers and employees have a clear understanding of how their work is helping to realize the organization's vision.

10. Anchoring New Approaches in the Culture

One company's culture was centered on the idea that developing its technology would solve all problems. The company underwent a successful transformation to focus efforts on customers. But soon after, people began to raise concerns that the company was neglecting its technology. Meetings to work on customer service issues became controversial and were seen as pulling engineers away from their technological work. The work of the change effort had been lost.

This is a common problem. An organizational change effort may achieve impressive results after years of work. But when the people who drove the change effort stop working day and night to reinforce the new practices, the company's culture reasserts itself.

Shallow roots require constant watering. Anchoring new approaches in the culture means helping them grow deeper roots.

What is organizational culture? It operates on two levels, encompassing both norms of behavior (common ways of acting) and shared values. It often is invisible, making it difficult to address directly. In many organizational changes the company's values will stay the same, but the company needs to focus on changing its norms of behavior.

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For example, one executive at a company that placed high emphasis on customer service but was too focused on doing everything “by the book” delivered an emotional eulogy for the company’s old, thick customer service manuals.

When a firm changed the conservative and risk-averse norms it had inherited from its Depression-era founding, managers began to talk explicitly about where the old culture came from, how it served the firm well, and why it was no longer helpful.

These managers also recognized that culture is an issue deeply tied to an organization’s personnel. They created a generous early retirement program for older workers who might be uncomfortable with the company’s new direction. But they also identified everyone who had embraced the new culture and worked hard to retain them.

Also, they closely monitored hiring and promotions. They made sure that new hires were not being selected according to the old cultural norms, and they prevented the promotion of anyone who didn’t exemplify the new culture.

11. The Organization of the Future

The world’s rate of change is not slowing down, it is speeding up. It is changing constantly. Organizations will need to change constantly as well if they are to survive.

In the future the most successful organizations will have a persistent sense of urgency. This doesn’t mean they will be anxious or fearful places. It means that complacency will be unacceptable.

Companies will maintain this sense of urgency with state-of-the-art performance information systems that deliver more data to more people more often.

Teamwork will become more prominent as a way to deal with the rapid pace of change. Teams have the expertise

and flexibility that individuals lack to lead organizations in a changing world. The succession process will have less to do with selecting a CEO than with choosing a team of top executives. People who get in the way of teamwork—those with big egos and those who sow distrust—will be unable to advance.

There will be greater need and opportunity for leaders who can create and communicate vision. Successful organizations will act like leadership incubators as companies come to understand the costs of wasting internal talent.

As a result, companies will embrace flatter, leaner structures and cultures that value risk-taking. Executives will spend their time leading, not managing. Employees will be given the authority to manage their own work groups. Unnecessary bureaucracy will be eliminated.

12. Leadership and Lifelong Learning

The constant pace of change does not simply require a new kind of organization, it requires a new kind of employee, one who is adept at both leadership and management. Employees and managers with both of these skills will work together to create learning organizations.

Research is showing that leadership is not an inborn gift, as was once thought. Leaders learn their craft over their lifetimes. Though many people stop learning between the ages of 35 and 45, the best leaders continue to grow.

The future will reward those who have a willingness and ability to keep developing. Even those who do not begin with the most money or intelligence will become the winners if they can slowly but surely outgrow their rivals.

A longitudinal study of 115 Harvard Business School students who graduated in 1974 showed that many of them succeeded in the long term for exactly this reason. One example is Marcel DePaul. He hadn’t attended an outstanding high school and he didn’t have excellent test

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scores. At age 35 he was doing reasonably well but wasn't a standout.

Only twelve years later he was running his own company with hundreds of employees, and he was very wealthy. His employees looked up to him as a charismatic visionary. He'd achieved this success by learning from both his successes and his mistakes over the long term, and by relentlessly pushing himself to leave his comfort zone. Though Marcel did not start out with the most advantages, his career ended up far ahead of others whose rate of growth leveled off.

Lifelong learning does not require a high IQ or an MBA. It involves taking risks, humbly and honestly reflecting on experience, actively soliciting opinions and ideas, and listening carefully.

Many people shy away from these practices because they can cause pain in the short term. Risk-taking can create failure; honesty and openness can bring bad news and negative feedback.

Learning and change are not easy. But in general, people who adopt these habits are happier than those who cling to the past. They are driven by the knowledge that they are doing what is best for themselves, their families, and their organizations.

The world needs more of these people. By truly reaching their potential, they are providing a profoundly important service.

The Pastor's Perspective

Every leader is leading change; it's integral to the job. Knowing how to do it, and do it well, is probably one of the most important skills any leader can have. But in my experience it is also one of the most difficult things a leader has to do. You would think that eventually we would get it figured out. That's where books like *Leading Change* are so helpful.

In my experience, "establishing urgency" and "developing a vision," while distinct, are intimately linked and essential for any effective change effort—at least a change effort of any significant magnitude.

Without establishing a sense of urgency there is seldom real forward movement. Urgency is all about communicating why the change needs to be made now; without that, people don't move forward. The change effort takes a back seat to everything else that calls for attention. And there are always plenty of things calling for attention. Many leaders have been frustrated for just this reason. Their people agree that the changes would be beneficial, but nothing happens because people don't have a sense of urgency.

Vision is connected. In a sense, vision is about the "what" while urgency is about the "why," or more accurately, the "why now." Vision describes the future reality; I love Kotter's point that having an ineffective vision is worse than having none at all. That really struck me. An effective vision is going to resonate with people. I wonder if we sometimes rush the process because we know we need to have a vision with the result that we settle for one that doesn't have the impact it could. It takes time and work to establish an effective vision; we dare not shortcut the process if we want to lead change well.

I've also become a huge believer in the importance of getting short-term wins. It's hard to overestimate the impact on morale and the energy that is released when people see positive results or real progress. In leading any change effort I think leaders should identify potential short-term wins and be very intentional about reaching, and then celebrating, those wins. Few things will have a bigger impact on the actual progress made.

What's your take-away? What has been your experience leading change, for better or for worse? Share your insights with us [here](#), and see what others have to say.