Leading Change – John P Kotter

Transforming Organizations – Why firms fail?

1. **Allowing too much complacency** - Without a sense of urgency, people won’t give that extra effort that is often essential. They won’t make the necessary sacrifices – instead they cling onto the status quo and resist initiatives from the above.

2. **Failing to create a sufficiently powerful guiding coalition** – 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 which are often massive sources of inertia.

3. **Underestimating the Power of Vision** - 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 go nowhere at all.

4. **Under communicating the vision** by a factor of 10 or 1000 – Three patterns of ineffective communication are common -
   - A group develops a pretty good transformation vision and then proceeds to sell it by holding only a few meetings or sending only a few memos
   - The Organization head spends a considerable amount of time making speeches to employee groups, but most of the managers are virtually silent
   - Despite efforts going into newsletters and speeches, some highly visible individuals behave in ways antithetical to the vision – creating cynicism among the troops

5. **Permitting obstacles to block the new vision** – New initiatives often fail due to obstacles in realising the vision – in most cases these roadblocks are only in people’s heads, the challenge is to convince them that no external barriers exist.

6. **Failing to create short term wins** – Major transformation efforts often lose momentum with no short term goals to meet and celebrate. If employees see no evidence of short term wins within a period of 6 – 18 months, in most cases, the employees give up or join the resistance.

7. **Declaring victory too soon** – New approaches are fragile and subject to regression when changes are done at a superficial level. Transformation initiatives need sustained efforts between 3 and 7 years before tangible results are achieved.

8. **Neglecting to anchor changes firmly in the corporate culture** - change sticks only when it becomes the way of doing things and seeps into the bloodstream of the work unit. It is
important that people are made aware that specific behaviours and attitudes have helped improve performance. The new policies should also reflect the changes made.

**The Eight Stage change process**

1. Establish a sense of urgency
   a. Examining the market and competitive realities
   b. Identifying and discussing crises, potential crises or major opportunities

2. Creating the guiding coalition
   a. Putting together a group with enough power to lead the change
   b. Getting the group to work together like a team

3. Developing a vision and strategy
   a. Creating a vision to help direct the change effort
   b. Developing strategies for achieving that vision

4. Communicating the change vision
   a. Using every vehicle possible to constantly communicate the new vision and strategies
   b. Having the guiding coalition role model the behaviour expected of the employee

5. Empowering broad based action
   a. Getting rid of obstacles
   b. Changing systems or structures that undermine the change vision
   c. Encouraging risk taking or non-traditional ideas, activities and actions

6. Generating short term wins
   a. Planning for visible improvements in performance or “wins”
   b. Creating those wins
   c. Visibly recognizing and rewarding people who made the wins possible

7. Consolidating gains and producing more change
   a. Using credibility to change all systems, structures, policies that don’t fit together and don’t fit the transformation vision
   b. Hiring promoting and developing people who can implement the change vision
   c. Reinvigorating the process with new projects, themes and change agents

8. Anchoring new approaches in the culture
   a. Creating better performance through customer and productivity oriented behaviour, more and better leadership and more effective management
b. Articulating the connections between the new behaviours and organizational success
c. Developing means to ensure leadership development and succession

The first four steps in the transformation process help defrost a hardened status quo. Phases 5 – 7 introduces new practices and the last stage grounds the change in the corporate culture and make them stick.

Establish a sense of urgency

Ways to raise the urgency level

1. Create a crisis by allowing a financial loss, exposing managers to major weaknesses vis-a-vis competitors or allowing errors to blow up instead of being corrected at the last minute
2. Eliminate obvious examples of excess (company owned country club facilities, gourmet executive dining rooms)
3. Set revenue, income, productivity, customer satisfaction, and cycle time targets so high that they cannot be reached by conducting business as usual
4. Stop measuring sub unit performance based only on narrow functional goals. Insist that more people be held accountable for broader measures of business performance
5. Send more data about customer satisfaction and financial performance to more employees especially information that demonstrates weaknesses vis-a-vis competition.
6. Insist that people talk regularly to unsatisfied customers, unhappy suppliers and disgruntled shareholders
7. Use consultants and other means to force more relevant data and honest discussion into management meetings
8. Put more honest discussions of the firm’s problems in company newspapers and senior management speeches. Stop senior management happy talk.
9. Bombard people with information on future opportunities on the wonderful rewards for capitalising on those opportunities and on the organization’s current inability to pursue those opportunities.

Creating guiding coalition

Build a coalition that can make change happen
1. Find the right people
   a. With strong position, power, broad expertise and high credibility
   b. With leadership and management skills, especially of the former
2. Create trust
   a. Through carefully planned offsite events
   b. With lots of talk and joint activities
3. Develop a common goal
   a. Sensible to the head
   b. Appealing to the heart

**Developing a vision and strategy**

**Characteristics of an effective vision**

1. Imaginable – conveys a picture of what the future looks like
2. Desirable – appeals to the long term interests of employees, customers, stockholders and others who have a stake in the enterprise
3. Feasible – comprises realistic attainable goals
4. Focused – is clear enough to provide guidance in decision making
5. Flexible - is general enough to allow individual initiative and alternative responses to light or changing conditions
6. Communicable – is easy to communicate, can be successfully explained within 5 minutes

**Communicating the change vision**

**Key elements in the effective communication of the vision**

1. Simplicity – all jargon and “techno babble” must be eliminated
2. Metaphor, analogy, example – a verbal picture is worth a thousand words
3. Multiple forums – big meetings and small, memos and newspapers, formal and informal interactions – all effective for spreading the word
4. Repetition – ideas sin in deeply only after they have been heard many times
5. Leadership by example – behaviour from important people that is inconsistent with the vision overwhelms other forms of communication
6. Explanation of seeming inconsistencies – unaddressed inconsistencies undermine the credibility of all communication
7. Give and take – two way communication is always more powerful than one way communication
Empowering employees for broad based action

Empowering people to effect change

1. Communicate a sensible vision to employees – if employees have a shared sense of purpose, it will be easier to initiate action to achieve that purpose
2. Make structures compatible with the vision – unaligned structures block needed action
3. Provide the training employees need – without the right skills and attitude, employees will feel disempowered
4. Align information and personnel systems to the vision – unaligned systems also block needed action
5. Confront supervisors who undercut needed change - nothing disempowers people in the way a bad boss can

Generating short term wins

A good short term win has 3 characteristics

1. It is visible – large number of people can see for themselves whether the result is result or just hype
2. It is unambiguous – there can be little argument over the call
3. It is clearly related to change effort

Role of short term wins

1. Provide evidence that sacrifices are worth it – wins greatly help justify the short term costs involved
2. Reward change agents with a pat on the back – after a lot of hard work, positive feedback builds morale and motivation
3. Help fine tune vision and strategies – short term wins give the guiding coalition concrete data on the viability of their ideas
4. Undermine cynics and self serving resisters – clear improvements in performance make it difficult for people to block needed change
5. Keep bosses on board – provide those higher in the hierarchy with evidence that the transformation is on track
6. Build momentum – turns neutrals into supporters, reluctant supporters into active helpers etc
Consolidating gains and producing more change

1. More change, not less – the guiding coalition uses the credibility afforded by short term wins to tackle additional and bigger change projects
2. More help – additional people are brought in, promoted, and developed to help with the changes
3. Leadership from senior management – senior people focus on maintaining clarity of shared purpose for the overall effort and keeping urgency levels up
4. Project management and leadership from below – lower ranks in the hierarchy both provide leadership for the projects and manage those projects
5. Reduction in unnecessary interdependencies – to make change easier in both the short and long term, managers identify unnecessary interdependencies and eliminate them.

Anchoring new approaches in the culture

Anchoring change in a culture

1. Comes last, not first – most alterations in norms and shared values come at the end of the transformation process
2. Depends on results – new approaches usually sink into a culture only after it is very clear that they work and are superior to old methods
3. Requires a lot of talk – without verbal instruction and support, people are often reluctant to admit the validity of the new practices
4. May involve turnover – sometimes the only way to change a culture is to change key people
5. Makes decisions on succession crucial – if promotion processes are not changed to be compatible with the new practices, the old culture will reassert itself