

LEADING CHANGE: WHY TRANSFORMATION EFFORTS FAIL

A summary of the article: "Leading Change: Why Transformation Efforts Fail" by John Kotter. Harvard Business Review, March-April 1995.

Despite all the rhetoric, books, effort, and money thrown into change efforts in organizations today, most fail. Mega-consulting firms Arthur D. Little and McKinsey & Co. have studied hundreds of companies that entered Total Quality Management programs, but about two-thirds "grind to a halt because of their failure to produce the hoped-for results". Efforts at "reengineering" fared worse, with a 70% failure rate. Peter Senge puts it quite starkly in his 1999 book "Dance of Change": "this failure to sustain significant change recurs again and again despite substantial resources committed to the change effort (many are bankrolled by top management), talented and committed people "driving the change", and high stakes. In fact, executives feeling an urgent need for change are right; companies that fail to sustain significant change end up facing crises. By then, their options are greatly reduced, and even after heroic efforts they often decline". This seems a bleak appraisal for any organization. Yet the equally important learning is that change efforts are still important to face.... and the sooner the better.

John Kotter (who teaches Leadership at Harvard Business School) has made it his business to study both success and failure in change initiatives in business. "The most general lesson to be learned from the more successful cases is that the change process goes through a series of phases that, in total, usually require a considerable length of time. Skipping steps creates only the illusion of speed and never produces satisfactory results" and "making critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains". Kotter summarizes the eight phases as follows.

1) ESTABLISH A SENSE OF URGENCY

Talk of change typically begins with some people noticing a vulnerability in the organization. The threat of losing ground in some way sparks these people into action, and they in turn try to communicate that sense of urgency to others. Kotter notes that over half the companies he has observed have never been able to create enough urgency to prompt action. "Without motivation, people won't help and the effort goes nowhere.... Executives underestimate how hard it can be to drive people out of their comfort zones". In the more successful cases the leadership group facilitates a frank discussion of potentially unpleasant facts: about the new competition, flat earnings, decreasing market share, or other relevant indicators. It is helpful to use outsiders who can share the "big picture" from a different perspective and help broaden the awareness of organization members. When is the urgency level high enough? Kotter suggests it is when 75% of your leadership is honestly convinced that business as usual is no longer an acceptable plan.

2) FORM A POWERFUL GUIDING COALITION

Change efforts often start with just one or two people, and should grow continually to include more and more who believe the changes are necessary. The need in this phase is to gather a large enough initial core of believers. This initial group should be pretty powerful in terms of the roles they hold in the organization, the reputations they have, the skills they bring and the relationships they have. Regardless of size of your organization, the "guiding coalition" for change needs to have 3-5 people leading the effort. This group, in turn, helps bring others on board with the new ideas. The building of this coalition – their sense of urgency, their sense of what's happening and what's needed – is crucial. Involving respected leaders in this coalition will pay great dividends later.

3) CREATE A VISION

Successful transformation rests on "a picture of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees. A vision helps clarify the direction in which an organization needs

to move". The vision functions in many different ways: it helps spark motivation, it helps keep all the projects and changes aligned, it provides a filter to evaluate how the organization is doing, and it provides a rationale for the changes the organization will have to weather. "A useful rule of thumb: if you can't communicate the vision to someone in five minutes or less and get a reaction that signifies both understanding and interest, you are not yet done with this phase of the transformation process".

4) COMMUNICATE THE VISION

Kotter suggests the leadership should estimate how much communication of the vision is needed, and then multiply that effort by a factor of ten. Do not limit it to one management meeting, a President's address, or a few news articles. Leaders must be seen "walking the talk" – another form of communication -- if people are going to perceive the effort as important. Deeds along with words are powerful communicators of the new ways. The bottom line is that a transformation effort will fail unless most of the members understand, appreciate, commit and try to make the effort happen. The guiding principle is simple: use every existing communication channel and opportunity.

5) EMPOWER OTHERS TO ACT ON THE VISION

This entails several different actions. Allow organization members to make changes in their areas of involvement. Allocate budget money to the new initiative. Carve out time on meeting agendas to talk about the vision. Change the way your work is organized to put people where the effort needs to be. Free up key people from existing responsibilities so they can concentrate on the new effort. In short, remove any obstacles there may be to getting on with the change. Nothing is more frustrating than believing in the change but then not having the time, money, help, or support needed to effect it. You can't get rid of all the obstacles, but the biggest ones need to be dealt with.

6) PLAN FOR A CREATE SHORT-TERM WINS

Since real transformation takes time, the loss of momentum and the onset of disappointment are real factors. Most people won't go on a long march for change unless they begin to see compelling evidence that their efforts are bearing fruit. In successful transformation, leaders actively plan and achieve some short term gains which people will be able to see and celebrate. This provides proof to organization members that their efforts are working, and adds to the motivation to keep the effort going. "When it becomes clear to people that major change will take a long time, urgency levels can drop. Commitments to produce short-term wins help keep the urgency level up and force detailed analytical thinking that can clarify or revise visions".

7) CONSOLIDATE IMPROVEMENTS AND SUSTAIN THE MOMENTUM FOR CHANGE

As Kotter warns, "Do not declare victory too soon". Until changes sink deeply into the enterprise culture -- a process that can take five to ten years -- new approaches are fragile and subject to regression. Again, a premature declaration of victory kills momentum, allowing the powerful forces of tradition to regain ground. Leaders of successful efforts use the feeling of victory as the motivation to delve more deeply into their organization: to explore changes in the basic culture, to expose the systems relationships of the organization which need tuning, to move people committed to the new ways into key roles. Leaders of change must go into the process believing that their efforts will take years.

8) INSTITUTIONALIZE THE NEW APPROACHES

In the final analysis, change sticks when it becomes "the way we do things around here", when it seeps into the bloodstream of the corporate body. "Until new behaviours are rooted in social norms and shared values, they are subject to degradations as soon as the pressure for change is removed". Two factors are particularly important for doing this. First, a conscious attempt to show people how the new approaches, behaviours, and

attitudes have helped improve the enterprise. People have to be helped to make the connections between the effort and the outcome. The second is to ensure that the next generation of enterprise leaders believe in and embody the new ways.

Kotter writes "there are still more mistakes that people make, but these eight are the big ones. In reality, even successful change efforts are messy and full of surprises".

Bibliography:

You can go further into Kotter's ideas by reading one of the following:

The Article: "Leading Change: Why Transformation Efforts Fail" by John Kotter. Harvard Business Review, March-April 1995.

The Book: "Leading Change" by John Kotter. Harvard Business School Press, 1996.