Leading Change

(Based on John Kotter’s publication “Leading Change”)

Errors Common to Organisational Change - 1

The following are 8 errors common to organisational change efforts:
- Allowing too much complacency
- Failing to create a sufficiently powerful guiding coalition
- Underestimating the power of vision
- Under-communicating the vision by a factor of 10 (or even 1,000)

Errors Common to Organisational Change - 2

- Permitting obstacles to block the new vision
- Failing to create short-term wins
- Declaring victory too soon
- Neglecting to anchor changes firmly in the corporate culture

Consequences of Errors Common to Organisational Change

- New strategies aren’t implemented well
- Acquisitions don’t achieve expected synergies
- Re-engineering takes too long and costs too much
- Downsizing doesn’t get costs under control
- Quality programs don’t deliver hoped-for results

Driving Forces Behind Change - 1

Economic and social forces driving the need for major change

- Technological Change
  - Faster and better communication
  - Falling and better transportation
  - More information networks connecting people globally
- International Economic Integration
  - Lower tariffs
  - GATT
  - Fibrillation
  - Floating more global currency
- Globalisation of Markets in Developed Countries
  - Slower domestic growth
  - More aggressive competition
  - More deregulation
- Fall of Communist and Socialist Regimes
  - More countries linked to the capitalist system

Driving Forces Behind Change - 2

The Globalisation of Markets and Competition

- More Hazards
  - More competition
  - Increased speed
- More Opportunities
  - Bigger markets
  - Fewer barriers

More Large-Scale Change in Organisations

To avoid hazards and/or capitalise on opportunities, firms must become stronger competitors. Typical transformation methods include:
- Re-engineering
- Restructuring
- Quality programmes
- Strategic change
- Cultural change
# Process of Creating Major Change - 1

The eight-stage process of creating major change involves:

**Stage 1: Establishing a Sense of Urgency**
- Examining the market and competitive realities
- Identifying and discussing crises, potential crises, or major opportunities

**Stage 2: Creating the Guiding Coalition**
- Putting together a group with enough power to lead the change
- Getting the group to work together like a team

**Stage 3: Developing a Vision and Strategy**
- Creating a vision to help direct the change effort
- Developing strategies for achieving that vision

**Stage 4: Communicating the Change Vision**
- Using every vehicle possible to constantly communicate the new vision and strategies
- Having the guiding coalition role model the behavior expected of employees

**Stage 5: Empowering Broad-Based Action**
- Getting rid of obstacles
- Changing systems or structures that undermine the change vision
- Encouraging risk-taking and non-traditional ideas, activities, and actions

**Stage 6: Generating Short-Term Wins**
- Planning for visible improvements in performance, or “wins”
- Creating those wins
- Making visibly rewarding people who made the wins possible

**Stage 7: Consolidating Gains and Producing More Change**
- Using increased credibility to change all systems, structures, and policies that don’t fit together and don’t fit the transformation vision
- Reinvigorating the process with new projects, themes, and change agents

**Stage 8: Anchoring New Approaches in the Culture**
- Creating better performance through customer and productivity-oriented behavior, more and better leadership, and more effective management
- Articulating the connections between new behaviors and organizational success
- Developing means to ensure leadership development and succession

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# Management versus Leadership - 1

**Management**
- Planning and budgeting: establishing detailed steps and timelines for achieving needed results, then allocating the resources necessary to make it happen
- Organizing and staffing: establishing some structure for accomplishing plan requirements; staffing that structure with individuals; delegating responsibility and authority for carrying out the plan; providing policies and procedures to help guide people; and creating methods or systems to monitor implementation
- Controlling and problem solving: monitoring results, identifying deviations from plan, then planning and organizing to solve these problems

**Leadership**
- Produces a degree of predictability and order and has the potential to consistently produce the short-term results expected by various stakeholders (e.g., for customers, always being on time; for stockholders, being on budget)

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# Management versus Leadership - 2

**Leadership**
- Establishing direction: developing a vision of the future - often the distant future - and strategies for producing the changes needed to achieve that vision
- Aligning people: communicating direction in words and deeds to all those whose cooperation may be needed; so as to influence the creation of teams and coalitions that understand the vision and strategies and that accept their validity
- Motivating and inspiring: energizing people to overcome major political, bureaucratic, and resource barriers to change by satisfying basic, but often unfulfilled, human needs

**Management**
- Produces change, often to a dramatic degree, and has the potential to produce extremely useful change (e.g., new products that customers want, new approaches to labor relations that help make a firm more competitive)

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# Creation of Overmanaged, Underled Corporate Culture - 1

Some combination of visionary entrepreneurship and/or luck creates and implements a successful business strategy

A fairly dominant position (and thus lack of strong competition) is established in some market. The market is usually a product or service but could also be financial, labor, or supply.

The firm experiences much success in terms of growth and profits

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**Stage 1: Ways to Raise the Urgency Level - 1**

- Create a crisis by allowing a financial loss, exposing managers to major weaknesses vis-à-vis competitors, or allowing errors to blow up instead of being corrected at the last minute
- Eliminate obvious examples of excess (e.g., company-owned country club facilities, a large air force, gourmet executive dining rooms)
- Set revenue, income, productivity, customer satisfaction and cycle-time targets so high that they can't be reached by conducting business as usual

**Stage 1: Ways to Raise the Urgency Level - 2**

- Stop measuring subunit performance based only on narrow functional goals. Insist that more people be held accountable for broader measures of business performance
- Send more data about customer satisfaction and financial performance to more employees, especially information that demonstrates weaknesses vis-à-vis the competition
- Insist that people talk regularly to unsatisfied customers, unhappy suppliers, disgruntled shareholders

**Stage 1: Ways to Raise the Urgency Level - 3**

- Use consultants and other means to force more relevant data and honest discussion into management meetings
- Put more honest discussions of the firm's problems in company newspapers and senior management speeches. Stop senior management "happy talk"
- Bombard people with information on future opportunities, on the wonderful rewards for capitalising on those opportunities, and on the organisation's current inability to pursue those opportunities

**Stage 2: Putting Together the Guiding Coalition - 1**

- **Position power**: Are enough key players on board, especially the main line managers, so that those left out cannot easily block progress?
- **Expertise**: Are the various points of view - in terms of discipline, work experience, nationality, etc. - which are relevant to the task at hand, adequately represented so that informed, intelligent decisions will be made?
Stage 2: Putting Together the Guiding Coalition - 2

- **Credibility:** Does the group have enough people with good reputations in the firm so that its pronouncements will be taken seriously by other employees?
- **Leadership:** Does the group include enough proven leaders to be able to drive the change process?

Stage 3: Creating an Effective Vision - 1

- **First draft:** The process often starts with an initial statement from a single individual, reflecting both their dreams and real marketplace needs
- **Role of the guiding coalition:** The first draft is always modelled over time by the guiding coalition or an even larger group of people
- **Importance of teamwork:** The group process never works well without a minimum of effective teamwork
- **Role of the head and the heart:** Both analytical thinking and a lot of dreaming are essential throughout the activity

Stage 3: Creating an Effective Vision - 2

- **Messiness of the process:** Vision creation is usually a process of two steps forward and one back, movement to the left and then to the right
- **Time frame:** Vision is never created in a single meeting. The activity takes months, sometimes years
- **End product:** The process results in a direction for the future that is desirable, feasible, focused, flexible, and is conveyable in five minutes or less

Stage 4: Key Elements in the Effective Communication of Vision - 1

- **Simplicity:** All jargon and techno-babble must be eliminated
- **Metaphor, analogy and example:** A verbal picture is worth a thousand words
- **Multiple forums:** Big meetings and small, memos and newspapers, formal and informal interaction - all are effective for spreading the word
- **Repetition:** Ideas sink in deeply only after they have been heard many times
Stage 4: Key Elements in the Effective Communication of Vision - 2
- Leadership by example: Behaviour from important people that is inconsistent with the vision overpowers other forms of communication
- Explanation of seeming inconsistencies: Unaddressed inconsistencies undermine the credibility of all communication
- Give-and-take: Two-way communication is always more powerful than one-way communication

Stage 5: 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 actions to achieve that purpose
- Make structures compatible with the vision: Unaligned structures block needed action

Stage 5: Empowering People to Effect Change - 2
- Provide the training employees need: Without the right skills and attitudes, people feel disempowered
- Align information and personnel systems to the vision: Unaligned systems also block needed action
- Confront supervisors who undercut needed change: Nothing disempowers people the way a bad boss can

Stage 6: The Role of Short-Term Wins - 1
- Provide evidence that sacrifices are worth it: Wins greatly help justify the short-term costs involved
- Reward change agents with a pat on the back: After a lot of hard work, positive feedback builds morale and motivation
- Help fine-tune vision and strategies: Short-term wins give the guiding coalition concrete data on the viability of their ideas

Stage 6: The Role of Short-Term Wins - 2
- Undermine cynics and self-serving resisters: Clear improvements in performance make it difficult for people to block needed change
- Keep bosses on board: Provide those higher in the hierarchy with evidence that the transformation is on track
- Build momentum: Turns neutrals into supporters, reluctant supporters into active helpers, etc.

Relationship of Leadership, Management, Short-Term Results and Successful Transformation

- Transformation efforts can be successful for a while, but often fail after short-term results become erratic
- All highly successful transformation efforts combine good leadership with good management
- Short-term results are possible, especially through cost cutting or mergers and acquisitions. But real transformation programs have trouble getting started and major, long-term change is rarely achieved
Stage 7: Elements in a Successful, Major Change Effort - 1

- More change, not less: The guiding coalition uses the credibility afforded by short-term wins to tackle additional and bigger change projects
- More help: Additional people are brought in, promoted and developed to help with all the changes
- Leadership from senior management: Senior people focus on maintaining clarity of shared purpose for the overall effort and keeping urgency levels up

Stage 7: Elements in a Successful, Major Change Effort - 2

- Project management and leadership from below: Lower ranks in the hierarchy provide leadership for specific projects and manage those projects
- Reduction of unnecessary interdependencies: To make change easier in both the short and long term, managers identify unnecessary interdependencies and eliminate them

Stage 8: 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
- Depends on results: New approaches usually sink into a culture only after it’s very clear that they work and are superior to old methods
- Requires a lot of talk: Without verbal instruction and support, people are often reluctant to admit the validity of new practices

Stage 8: Anchoring Change in a Culture - 2

- May involve turnover: Sometimes the only way to change a culture is to change key people
- Makes decisions on succession crucial: If promotion processes are not changed to be compatible with the new practices, the old culture will reassert itself

The 20th & 21st Century Organisations Compared - 1

<table>
<thead>
<tr>
<th>Twentieth Century</th>
<th>Twenty-first Century</th>
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<tbody>
<tr>
<td>Structure</td>
<td></td>
</tr>
<tr>
<td>Bureaucratic</td>
<td>Non-bureaucratic, with fewer rules and employees</td>
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<tr>
<td>Multi-leveled</td>
<td>Limited to fewer levels</td>
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<tr>
<td>Organised with the expectation that senior management will manage</td>
<td>Organised with the expectation that management will lead, lower-level employees will manage</td>
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<tr>
<td>Characterised by policies and procedures that create many complicated internal interdependences</td>
<td>Characterised by policies and procedures that produce the minimal internal interdependence needed to serve customers</td>
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The 20th & 21st Century Organisations Compared - 2

<table>
<thead>
<tr>
<th>Twentieth Century</th>
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<tbody>
<tr>
<td>Culture</td>
<td></td>
</tr>
<tr>
<td>Inwardly focused</td>
<td>Externally oriented</td>
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<tr>
<td>Centralised</td>
<td>Empowering</td>
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<tr>
<td>Slow to make decisions</td>
<td>Quick to make decisions</td>
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<tr>
<td>Political</td>
<td>Open and candid</td>
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<tr>
<td>Risk averse</td>
<td>More risk tolerant</td>
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## The 20th & 21st Century Organisations Compared - 3

<table>
<thead>
<tr>
<th>Twentieth Century</th>
<th>Twenty-first Century</th>
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<tbody>
<tr>
<td>Systems</td>
<td>Systems</td>
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<tr>
<td>- Depend on few performance information systems</td>
<td>- Depend on many performance information systems, providing data on customers especially</td>
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<tr>
<td>- Distribute performance data to executives only</td>
<td>- Distribute performance data widely</td>
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<tr>
<td>- Offer management training and support systems to senior people only</td>
<td>- Offer management training and support systems to many people</td>
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## Leading Change Concepts

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