Change through persuasion

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Leaders who successfully transform businesses do eight things right (and they do them in the right order).

Leading Change
Why Transformation Efforts Fail

by John P. Kotter

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Leading Change

Why Transformation Efforts Fail

The Idea in Brief

Most major change initiatives—whether intended to boost quality, improve culture, or reverse a corporate death spiral—generate only lukewarm results. Many fail miserably.

Why? Kotter maintains that too many managers don't realize transformation is a *process,* not an event. It advances through stages that build on each other. And it takes years. Pressured to accelerate the process, managers skip stages. But shortcuts never work.

Equally troubling, even highly capable managers make critical mistakes—such as declaring victory too soon. Result? Loss of momentum, reversal of hard-won gains, and devastation of the entire transformation effort.

By understanding the stages of change—and the pitfalls unique to each stage—you boost your chances of a successful transformation. The payoff? Your organization flexes with tectonic shifts in competitors, markets, and technologies—leaving rivals far behind.

The Idea in Practice

To give your transformation effort the best chance of succeeding, take the right actions at each stage—and avoid common pitfalls.

Stage	Actions Needed	Pitfalls
Establish a sense of urgency	• Examine market and competitive realities for potential crises and untapped opportunities. • Convince at least 75% of your managers that the status quo is more dangerous than the unknown.	• Underestimating the difficulty of driving people from their comfort zones • Becoming paralyzed by risks
Form a powerful guiding coalition	• Assemble a group with shared commitment and enough power to lead the change effort. • Encourage them to work as a team outside the normal hierarchy.	• No prior experience in teamwork at the top • Relegating team leadership to an HR, quality, or strategic-planning executive rather than a senior line manager
Create a vision	• Create a vision to direct the change effort. • Develop strategies for realizing that vision.	• Presenting a vision that's too complicated or vague to be communicated in five minutes
Communicate the vision	• Use every vehicle possible to communicate the new vision and strategies for achieving it. • Teach new behaviors by the example of the guiding coalition.	• Undercommunicating the vision • Behaving in ways antithetical to the vision
Empower others to act on the vision	• Remove or alter systems or structures undermining the vision. • Encourage risk taking and nontraditional ideas, activities, and actions.	• Failing to remove powerful individuals who resist the change effort
Plan for and create short-term wins	• Define and engineer visible performance improvements. • Recognize and reward employees contributing to those improvements.	• Leaving short-term successes up to chance • Failing to score successes early enough (12-24 months into the change effort)
Consolidate improvements and produce more change	• Use increased credibility from early wins to change systems, structures, and policies undermining the vision. • Hire, promote, and develop employees who can implement the vision. • Reinvigorate the change process with new projects and change agents.	• Declaring victory too soon—with the first performance improvement • Allowing resistors to convince "troops" that the war has been won
Institutionalize new approaches	• Articulate connections between new behaviors and corporate success. • Create leadership development and succession plans consistent with the new approach.	• Not creating new social norms and shared values consistent with changes • Promoting people into leadership positions who don't personify the new approach

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Editor's Note: Guiding change may be the ultimate test of a leader—no business survives over the long term if it can't reinvent itself. But, human nature being what it is, fundamental change is often resisted mightily by the people it most affects: those in the trenches of the business. Thus, leading change is both absolutely essential and incredibly difficult.

Perhaps nobody understands the anatomy of organizational change better than retired Harvard Business School professor John P. Kotter. This article, originally published in the spring of 1995, previewed Kotter's 1996 book *Leading Change*. It outlines eight critical success factors—from establishing a sense of extraordinary urgency, to creating short-term wins, to changing the culture ("the way we do things around here"). It will feel familiar when you read it, in part because Kotter's vocabulary has entered the lexicon and in part because it contains the kind of home truths that we recognize, immediately, as if we'd always known them. A decade later, his work on leading change remains definitive.

Over the past decade, I have watched more than 100 companies try to remake themselves into significantly better competitors. They have included large organizations (Ford) and small ones (Landmark Communications), companies based in the United States (General Motors) and elsewhere (British Airways), corporations that were on their knees (Eastern Airlines), and companies that were earning good money (Bristol-Myers Squibb). These efforts have gone under many banners: total quality management, reengineering, rightsizing, restructuring, cultural change, and turnaround. But, in almost every case, the basic goal has been the same: to make fundamental changes in how business is conducted in order to help cope with a new, more challenging market environment.

A few of these corporate change efforts have been very successful. A few have been utter failures. Most fall somewhere in between, with a distinct tilt toward the lower end of the scale. The lessons that can be drawn are interesting and will probably be relevant to even more organizations in the increasingly competitive business environment of the coming decade.

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 a satisfying result. A second very general lesson is that critical mistakes in any of the phases can have a devastating impact, slowing momentum and negating hard-won gains. Perhaps because we have relatively little experience in renewing organizations, even very capable people often make at least one big error.

Error 1: Not Establishing a Great Enough Sense of Urgency

Most successful change efforts begin when some individuals or some groups start to look hard at a company's competitive situation, market position, technological trends, and financial performance. They focus on the potential revenue drop when an important patent expires, the five-year trend in declining margins in a core business, or an emerging market that everyone seems to be ignoring. They then find ways to communicate this information broadly and dramatically, especially with respect to crises, potential crises, or great opportunities that are very timely. This first step is essential because just getting a transformation program started requires the aggressive cooperation of many individuals. Without motivation, people won't help, and the effort goes nowhere.

Compared with other steps in the change process, phase one can sound easy. It is not. Well over 50% of the companies I have watched fail in this first phase. What are the reasons for that failure? Sometimes executives underestimate how hard it can be to drive people out of their comfort zones. Sometimes they grossly overestimate how successful they have already been in increasing urgency. Sometimes they lack patience: "Enough with the preliminaries; let's get on with it." In many cases, executives become paralyzed by the downside possibilities. They worry that employees with seniority will become defensive, that morale will drop, that events will spin out of control, that short-term business results will be jeopardized, that the stock will sink, and that they will be blamed for creating a crisis.

A paralyzed senior management often comes from having too many managers and not enough leaders. Management's mandate is to minimize risk and to keep the current system operating. Change, by definition, requires creating a new system, which in turn always demands leadership. Phase one in a renewal process typically goes nowhere until enough real leaders are promoted or hired into senior-level jobs.

Transformations often begin, and begin well, when an organization has a new head who is a good leader and who sees the need for a major change. If the renewal target is the entire company, the CEO is key. If change is needed in a division, the division general manager is key. When these individuals are not new leaders, great leaders, or change champions, phase one can be a huge challenge.

Bad business results are both a blessing and a curse in the first phase. On the positive side, losing money does catch people's attention. But it also gives less maneuvering room. With good business results, the opposite is true: Convincing people of the need for change is much harder, but you have more resources to help make changes.

But whether the starting point is good performance or bad, in the more successful cases I have witnessed, an individual or a group always facilitates a frank discussion of potentially unpleasant facts about new competition, shrinking margins, decreasing market share, flat earnings, a lack of revenue growth, or other relevant indices of a declining competitive position. Because there seems to be an almost universal human tendency to shoot the bearer of bad news, especially if the head of the organization is not a change champion, executives in these companies often rely on outsiders to bring unwanted information. Wall Street analysts, customers, and consultants can all be helpful in this regard. The purpose of all this activity, in the words of one former CEO of a large European company, is "to make the status quo seem more dangerous than launching into the unknown."

In a few of the most successful cases, a group has manufactured a crisis. One CEO deliberately engineered the largest accounting loss in the company's history, creating huge pressures from Wall Street in the process. One division president commissioned first-ever customer satisfaction surveys, knowing full well that the

Now retired, **John P. Kotter** was the Konosuke Matsushita Professor of Leadership at Harvard Business School in Boston.

results would be terrible. He then made these findings public. On the surface, such moves can look unduly risky. But there is also risk in playing it too safe: When the urgency rate is not pumped up enough, the transformation process cannot succeed, and the long-term future of the organization is put in jeopardy.

When is the urgency rate high enough? From what I have seen, the answer is when about 75% of a company's management is honestly convinced that business as usual is totally unacceptable. Anything less can produce very serious problems later on in the process.

Error 2: Not Creating a Powerful Enough Guiding Coalition

Major renewal programs often start with just one or two people. In cases of successful transformation efforts, the leadership coalition grows and grows over time. But whenever some minimum mass is not achieved early in the effort, nothing much worthwhile happens.

It is often said that major change is impossible unless the head of the organization is an active supporter. What I am talking about goes far beyond that. In successful transformations, the chairman or president or division general manager, plus another five or 15 or 50 people, come together and develop a shared commitment to excellent performance through renewal. In my experience, this group never includes all of the company's most senior executives because some people just won't buy in, at least not at first. But in the most successful cases, the coalition is always pretty powerful—in terms of titles,

EIGHT STEPS TO TRANSFORMING YOUR ORGANIZATION

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

2 Forming a Powerful Guiding Coalition
- Assembling a group with enough power to lead the change effort
- Encouraging the group to work together as a team

3 Creating a Vision
- Creating a vision to help direct the change effort
- Developing strategies for achieving that vision

4 Communicating the Vision
- Using every vehicle possible to communicate the new vision and strategies
- Teaching new behaviors by the example of the guiding coalition

5 Empowering Others to Act on the Vision
- Getting rid of obstacles to change
- Changing systems or structures that seriously undermine the vision
- Encouraging risk taking and nontraditional ideas, activities, and actions

6 Planning for and Creating Short-Term Wins
- Planning for visible performance improvements
- Creating those improvements
- Recognizing and rewarding employees involved in the improvements

7 Consolidating Improvements and Producing Still More Change
- Using increased credibility to change systems, structures, and policies that don't fit the vision
- Hiring, promoting, and developing employees who can implement the vision
- Reinvigorating the process with new projects, themes, and change agents

8 Institutionalizing New Approaches
- Articulating the connections between the new behaviors and corporate success
- Developing the means to ensure leadership development and succession

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 done.

information and expertise, reputations, and relationships.

In both small and large organizations, a successful guiding team may consist of only three to five people during the first year of a renewal effort. But in big companies, the coalition needs to grow to the 20 to 50 range before much progress can be made in phase three and beyond. Senior managers always form the core of the group. But sometimes you find board members, a representative from a key customer, or even a powerful union leader.

Because the guiding coalition includes members who are not part of senior management, it tends to operate outside of the normal hierarchy by definition. This can be awkward, but it is clearly necessary. If the existing hierarchy were working well, there would be no need for a major transformation. But since the current system is not working, reform generally demands activity outside of formal boundaries, expectations, and protocol.

A high sense of urgency within the managerial ranks helps enormously in putting a guiding coalition together. But more is usually required. Someone needs to get these people together, help them develop a shared assessment of their company's problems and opportunities, and create a minimum level of trust and communication. Off-site retreats, for two or three days, are one popular vehicle for accomplishing this task. I have seen many groups of five to 35 executives attend a series of these retreats over a period of months.

Companies that fail in phase two usually underestimate the difficulties of producing change and thus the importance of a powerful guiding coalition. Sometimes they have no history of teamwork at the top and therefore undervalue the importance of this type of coalition. Sometimes they expect the team to 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, groups without strong line leadership never achieve the power that is required.

Efforts that don't have a powerful enough guiding coalition can make apparent progress for a while. But, sooner or later, the opposition gathers itself together and stops the change.

Error 3: Lacking a Vision

In every successful transformation effort that I have seen, the guiding coalition develops a picture of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees. A vision always goes beyond the numbers that are typically found in five-year plans. A vision says something that helps clarify the direction in which an organization needs to move. Sometimes the first draft comes mostly from a single individual. It is usually a bit blurry, at least initially. But after the coalition works at it for three or five or even 12 months, something much better emerges through their tough analytical thinking and a little dreaming. Eventually, a strategy for achieving that vision is also developed.

In one midsize European company, the first pass at a vision contained two-thirds of the basic ideas that were in the final product. The concept of global reach was in the initial version from the beginning. So was the idea of becoming preeminent in certain businesses. But one central idea in the final version—getting out of low value-added activities—came only after a series of discussions over a period of several months.

Without a sensible vision, a transformation effort can easily dissolve into a list of confusing and incompatible projects that can take the organization 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 the human resources department, the plant's quality program, the cultural change project in the sales force will not add up in a meaningful way.

In failed transformations, you often find plenty of plans, directives, and programs but no vision. In one case, a company gave out four-inch-thick notebooks describing its 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, most of the employees with whom I talked were either confused or alienated. The big, thick books did not rally them together or inspire change. In fact, they probably had just the opposite effect.

In a few of the less successful cases that I have seen, management had a sense of direction, but it was too complicated or blurry to be useful. Recently, I asked an executive in a midsize company to describe his vision and received in return a barely comprehensible 30-

minute lecture. Buried in his answer were the basic elements of a sound vision. But they were buried—deeply.

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.

Error 4: Undercommunicating the Vision by a Factor of Ten

I've seen three patterns with respect to communication, all very common. In the first, a group actually does develop a pretty good transformation vision and then proceeds to communicate it by holding a single meeting or sending out a single communication. Having used about 0.0001% of the yearly intracompany communication, the group is startled when few people 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 people still don't get it (not surprising, since vision captures only 0.0005% of the total yearly communication). In the third pattern, much more effort goes into newsletters and speeches, but some very visible senior executives still behave in ways that are antithetical to the vision. The net result is that cynicism among the troops goes up, while belief in the communication goes down.

Transformation is impossible unless hundreds or thousands of people are willing to help, often to the point of making short-term sacrifices. Employees will not make sacrifices, even if they are unhappy with the status quo, unless they believe that useful change is possible. Without credible communication, and a lot of it, the hearts and minds of the troops are never captured.

This fourth phase is particularly challenging if the short-term sacrifices include job losses. Gaining understanding and support is tough when downsizing is a part of the vision. For this reason, successful visions usually include new growth possibilities and the commitment to treat fairly anyone who is laid off.

Executives who communicate well incorporate messages into their hour-by-hour activities. In a routine discussion about a business problem, they talk about how proposed solutions fit (or don't fit) into the bigger picture. In a regular performance appraisal, they talk about how the employee's behavior helps or undermines the vision. In a review of a division's quarterly performance, they talk not only about the numbers but also about how the division's executives are contributing to the transformation. In a routine Q&A with employees at a company facility, they tie their answers back to renewal goals.

In more successful transformation efforts, executives use all existing communication channels to broadcast the vision. They turn boring, unread company newsletters into lively articles about the vision. They take ritualistic, tedious quarterly management meetings and turn them into exciting discussions of the transformation. They throw out much of the company's generic management education and replace it with courses that focus on business problems and the new vision. The guiding principle is simple: Use every possible channel, especially those that are being wasted on nonessential information.

Perhaps even more important, most of the executives I have known in successful cases of major change learn to "walk the talk." They consciously attempt to become a living symbol of the new corporate culture. This is often not easy. A 60-year-old plant manager who has spent precious little time over 40 years thinking about customers will not suddenly behave in a customer-oriented way. But I have witnessed just such a person change, and change a great deal. In that case, a high level of urgency helped. The fact that the man was a part of the guiding coalition and the vision-creation team also helped. So did all the communication, which kept reminding him of the desired behavior, and all the feedback from his peers and subordinates, which helped him see when he was not engaging in that behavior.

Communication comes in both words and deeds, and the latter are often the most powerful form. Nothing undermines change more than behavior by important individuals that is inconsistent with their words.

Error 5: Not Removing Obstacles to the New Vision

Successful transformations begin to involve large numbers of people as the process progresses. Employees are emboldened to try new approaches, to develop new ideas, and to provide leadership. The only constraint is that the actions fit within the broad parameters of the overall vision. The more people involved, the better the outcome.

To some degree, a guiding coalition empowers others to take action simply by successfully communicating the new direction. But communication is never sufficient by itself. Renewal also requires the removal of obstacles. Too often, an employee understands the new vision and wants to help make it happen, but an elephant appears to be blocking the path. In some cases, the elephant is in the person's head, and the challenge is to convince the individual that no external obstacle exists. But in most cases, the blockers are very real.

Sometimes the obstacle is the organizational structure: Narrow job categories can seriously undermine efforts to increase productivity or make it very difficult even to think about customers. Sometimes compensation or performance-appraisal systems make people choose between the new vision and their own self-interest. Perhaps worst of all are bosses who refuse to change and who make demands that are inconsistent with the overall effort.

One company began its transformation process with much publicity and actually made good progress through the fourth phase. Then the change effort ground to a halt because the officer in charge of the company's largest division was allowed to undermine most of the new initiatives. He paid lip service to the process but did not change his behavior or encourage his managers to change. He did not reward the unconventional ideas called for in the vision. He allowed human resource systems to remain intact even when they were clearly inconsistent with the new ideals. I think the officer's motives were complex. To some degree, he did not believe the company needed major change. To some degree, he felt personally threatened by all the change. To some degree, he was afraid that he could not produce both change and the expected operating profit. But despite the fact that they backed the renewal effort, the other officers did virtually nothing to stop the one blocker. Again, the reasons were complex. The company had no history of confronting problems like this. Some people were afraid of the officer. The CEO was concerned that he might lose a talented executive. The net result was disastrous. Lower-level managers concluded that senior management had lied to them about their commitment to renewal, cynicism grew, and the whole effort collapsed.

In the first half of a transformation, no organization has the momentum, power, or time to get rid of all obstacles. But the big ones must be confronted and removed. If the blocker is a person, it is important that he or she be treated fairly and in a way that is consistent with the new vision. Action is essential, both to empower others and to maintain the credibility of the change effort as a whole.

Error 6: Not Systematically Planning for, and Creating, Short-Term Wins

Real transformation takes time, and a renewal effort risks losing momentum if there are no short-term goals to meet and celebrate. Most people won't go on the long march unless they see compelling evidence in 12 to 24 months that the journey is producing expected results. Without short-term wins, too many people give up or actively join the ranks of those people who have been resisting change.

One to two years into a successful transformation effort, you find quality beginning to go up on certain indices or the decline in net income stopping. You find some successful new product introductions or an upward shift in market share. You find an impressive productivity improvement or a statistically higher customer satisfaction rating. But whatever the case, the win is unambiguous. The result is not just a judgment call that can be discounted by those opposing change.

Creating short-term wins is different from hoping for short-term wins. The latter is passive, the former active. In a successful transformation, managers actively look for ways to obtain clear performance improvements, establish goals in the yearly planning system, achieve the objectives, and reward the people involved with recognition, promotions, and even money. For example, the guiding coalition at a U.S. manufacturing company produced a highly visible and successful new product introduction about 20 months after the start of its renewal effort. The new product was selected about six months into the effort because it met multiple criteria: It could be designed and launched in a relatively short period, it could be handled by a small team of people who were devoted to the new vision, it had upside potential, and the new product-development team could operate outside the established departmental structure without practical problems. Little was left to chance, and the win boosted the credibility of the renewal process.

Managers often complain about being forced to produce short-term wins, but I've found that pressure can be a useful element in a change effort. 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.

Error 7: Declaring Victory Too Soon

After a few years of hard work, managers may be tempted to declare victory with the first clear performance improvement. While celebrating a win is fine, declaring the war won can be catastrophic. Until changes sink deeply into a company's culture, a process that can take five to ten years, new approaches are fragile and subject to regression.

In the recent past, I have watched a dozen change efforts operate under the reengineering theme. In all but two cases, victory was declared and the expensive consultants were paid and thanked when the first major project was completed after two to three years. Within two more years, the useful changes that had been introduced slowly disappeared. In two of the ten cases, it's hard to find any trace of the reengineering work today.

Over the past 20 years, I've seen the same sort of thing happen to huge quality projects, organizational development efforts, and more. Typically, the problems start early in the process: The urgency level is not intense enough, the guiding coalition is not powerful enough, and the vision is not clear enough. But it is the premature victory celebration that kills momentum. And then the powerful forces associated with tradition take over.

Ironically, it is often a combination of change initiators and change resistors that creates the premature victory celebration. In their enthusiasm over a clear sign of progress, the initiators go overboard. They are then joined by resistors, who are quick to spot any opportunity to stop change. After the celebration is over, the resistors point to the victory as a sign that the war has been won and the troops should be sent home. Weary troops allow themselves to be convinced that they won. Once home, the foot soldiers are reluctant to climb back on the ships. Soon thereafter, change comes to a halt, and tradition creeps back in.

After a few years of hard work, managers may be tempted to declare victory with the first clear performance improvement. While celebrating a win is fine, declaring the war won can be catastrophic.

Instead of declaring victory, leaders of successful efforts use the credibility afforded by short-term wins to tackle even bigger problems. They go after systems and structures that are not consistent with the transformation vision and have not been confronted before. They pay great attention to who is promoted, who is hired, and how people are developed. They include new reengineering projects that are even bigger in scope than the initial ones. They understand that renewal efforts take not months but years. In fact, in one of the most successful transformations that I have ever seen, we quantified the amount of change that occurred each year over a seven-year period. On a scale of one (low) to ten (high), year one received a two, year two a four, year three a three, year four a seven, year five an eight, year six a four, and year seven a two. The peak came in year five, fully 36 months after the first set of visible wins.

Error 8: Not Anchoring Changes in the Corporation's Culture

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 behaviors are rooted in social norms and shared values, they are subject to degradation as soon as the pressure for change is removed.

Two factors are particularly important in institutionalizing change in corporate culture. The first is a conscious attempt to show people how the new approaches, behaviors, and attitudes have helped improve performance. When people are left on their own to make the connections, they sometimes create very inaccurate links. For example, because results improved while charismatic Harry was boss, the troops link his mostly idiosyncratic style with those results instead of seeing how their own improved customer service and productivity were instrumental. Helping people see the right connections requires communication. Indeed, one company was relentless, and it paid off enormously. Time was spent at every major management meeting to discuss why performance was increasing. The company newspaper ran article after article showing how changes had boosted earnings.

The second factor is taking sufficient time to make sure that the next generation of top management really does personify the new approach. If the requirements for promotion don't change, renewal rarely lasts. One bad succession decision at the top of an organization can undermine a decade of hard work. Poor succession decisions are possible when boards of directors are not an integral part of the renewal effort. In at least three instances I have seen, the champion for change was the retiring executive, and although his successor was not a resistor, he was not a change champion. Because the boards did not understand the transformations in any detail, they could not see that their choices were not good fits. The retiring executive in one case tried unsuccessfully to talk his board into a less seasoned candidate who better personified the transformation. In the other two cases, the CEOs did not resist the boards' choices, because they felt the transformation could not be undone by their successors. They were wrong. Within two years, signs of renewal began to disappear at both companies.

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There are still more mistakes that people make, but these eight are the big ones. I realize that in a short article everything is made to sound a bit too simplistic. In reality, even successful change efforts are messy and full of surprises. But just as a relatively simple vision is needed to guide people through a major change, so a vision of the change process can reduce the error rate. And fewer errors can spell the difference between success and failure.

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Leading Change

Why Transformation Efforts Fail

Further Reading

ARTICLES

Building Your Company's Vision
by James C. Collins and Jerry I. Porras
Harvard Business Review
September–October 1996
Product no. 96501

Collins and Porras describe the glue that holds a change effort together. Great companies have a clear sense of why they exist—their core ideology—and where they want to go—their envisioned future. The mechanism for getting there is a BHAG (Big, Hairy, Audacious Goal), which typically takes 10 to 30 years to accomplish. The company's business, strategies, and even its culture may change, but its core ideology remains unchanged. At every step in this long process, the leader's key task is to create alignment with the vision of the company's future, so that regardless of the twists and turns in the journey, the organizational commitment to the goal remains strong.

Successful Change Programs Begin with Results
by Robert H. Schaffer and Harvey A. Thomson
Harvard Business Review
January–February 1992
Product no. 92108

Although a change initiative is a process, that doesn't mean process issues should be the primary concern. Most corporate change programs have a negligible impact on operational and financial performance because management focuses on the activities, not the results. By contrast, results-driven improvement programs seek to achieve specific, measurable improvements within a few months.

BOOKS

The Heart of Change: Real-Life Stories of How People Change Their Organizations
by John P. Kotter and Dan S. Cohen
Harvard Business School Press
2002
Product no. 2549

This book is organized around Kotter's eight-stage change process, and reveals the results of his research in over 100 organizations in the midst of large-scale change. Although most organizations believe that change happens by making people think differently, the authors say that the key lies more in making them feel differently. They introduce a new dynamic—"see-feel-change"—that sparks and fuels action by showing people potent reasons for change that charge their emotions. The book offers tips and tools to you apply to your own organization.

Leading Change
by John P. Kotter
Harvard Business School Press
1996
Product no. 7471

This book expands upon the article about why transformation efforts fail. Kotter addresses each of eight major stages of a change initiative in sequence, highlighting the key activities in each, and providing object lessons about where companies often go astray.

Harvard Business Review
www.hbr.org

Until now, change in business has been an either-or proposition: either quickly create economic value for shareholders or patiently develop an open, trusting corporate culture long term. But new research indicates that combining these "hard" and "soft" approaches can radically transform the way businesses change.

Cracking the Code of Change

by Michael Beer and Nitin Nohria

Included with this full-text *Harvard Business Review* article:

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Cracking the Code of Change

The Idea in Brief

Here's the brutal fact: 70% of all change initiatives fail. Why? Managers flounder in an alphabet soup of change methods, drowning in conflicting advice. Change efforts exact a heavy toll—human *and* economic—as companies flail from one change method to another.

To effect successful change, first **grasp the two basic theories of change:**

1) **Theory E** change emphasizes economic value—as measured *only* by shareholder returns. This "hard" approach boosts returns through economic incentives, drastic layoffs, and restructuring. "Chainsaw Al" Dunlop's firing 11,000 Scott Paper employees and selling several businesses—tripling shareholder value to $9 billion—is a stunning example.

2) **Theory O** change—a "softer" approach—focuses on developing corporate culture and human capability, patiently building trust and emotional commitment to the company through teamwork and communication.

Then, carefully and simultaneously **balance these very different approaches**. It's not easy. Employees distrust leaders who alternate between nurturing and cutthroat behavior. But, done well, you'll boost profits and productivity, and achieve sustainable competitive advantage.

The Idea in Practice

The UK grocery chain, ASDA, teetered on bankruptcy in 1991. Here's how CEO Archie Norman combined change Theories E and O with spectacular results: a culture of trust and openness—*and* an eightfold increase in shareholder value.

Change Dimension	How to Combine Theories E and O	Examples from ASDA
Goals	Embrace the paradox between economic value *and* organizational capability	Norman started his tenure by stating, "Our number one objective is to secure value for our shareholders" and "We need a culture built around common ideas...and listening, learning, and speed of response, from the stores upwards."
Leadership	Set direction from the top *and* engage people from below	Norman unilaterally set a new pricing strategy *and* shifted power from headquarters to stores. His forthright "Tell Archie" program encouraged dialogue with all employees. He hired warm, accessible Allan Leighton to complement his own Theory O leadership style and strengthened emotional commitment to the new ASDA.
Focus	Focus on both hard and soft sides of the organization	Norman set out to win both hearts *and* minds. He boosted economic value through hard, structural changes, e.g., removing top layers of hierarchy and freezing all wages. He paid equal attention to the soft side by spending 75% of his early months as HR director creating a more egalitarian and transparent organization—"a great place for everyone to work."
Process	Plan for spontaneity	Norman encouraged experimentation, setting up three "risk-free" stores where employees could fail without penalty. Managers experimented with store layout, product range, employee roles. A cross-functional team redesigned ASDA's entire retail organization—and produced significant innovations.
Reward System	Use incentives to reinforce rather than drive change	ASDA applied Theory E incentives in an O-like way. It encouraged all employees to participate actively in changing ASDA. And it rewarded their commitment with stock ownership and variable pay based on corporate *and* store performance.

Until now, change in business has been an either-or proposition: either quickly create economic value for shareholders or patiently develop an open, trusting corporate culture long term. But new research indicates that combining these "hard" and "soft" approaches can radically transform the way businesses change.

Cracking the Code of Change

by Michael Beer and Nitin Nohria

The new economy has ushered in great business opportunities—and great turmoil. Not since the Industrial Revolution have the stakes of dealing with change been so high. Most traditional organizations have accepted, in theory at least, that they must either change or die. And even Internet companies such as eBay, Amazon.com, and America Online recognize that they need to manage the changes associated with rapid entrepreneurial growth. Despite some individual successes, however, change remains difficult to pull off, and few companies manage the process as well as they would like. Most of their initiatives—installing new technology, downsizing, restructuring, or trying to change corporate culture—have had low success rates. The brutal fact is that about 70% of all change initiatives fail.

In our experience, the reason for most of those failures is that in their rush to change their organizations, managers end up immersing themselves in an alphabet soup of initiatives. They lose focus and become mesmerized by all the advice available in print and on-line about why companies should change, what they should try to accomplish, and how they should do it. This proliferation of recommendations often leads to muddle when change is attempted. The result is that most change efforts exert a heavy toll, both human and economic. To improve the odds of success, and to reduce the human carnage, it is imperative that executives understand the nature and process of corporate change much better. But even that is not enough. Leaders need to crack the code of change.

For more than 40 years now, we've been studying the nature of corporate change. And although every business's change initiative is unique, our research suggests there are two archetypes, or theories, of change. These archetypes are based on very different and often unconscious assumptions by senior executives—and the consultants and academics who advise them—about why and how changes should be made. Theory E is change based on economic value. Theory O is change based on organizational capability. Both are valid models; each theory of change achieves some of management's goals, either explicitly or implicitly. But each theory also has its costs—often unexpected ones.

Theory E change strategies are the ones that make all the headlines. In this "hard" approach to change, shareholder value is the only legitimate measure of corporate success. Change usually involves heavy use of economic incentives, drastic layoffs, downsizing, and restructuring. E change strategies are more common than O change strategies among companies in the United States, where financial markets push corporate boards for rapid turnarounds. For instance, when William A. Anders was brought in as CEO of General Dynamics in 1991, his goal was to maximize economic value—however painful the remedies might be. Over the next three years, Anders reduced the workforce by 71,000 people—44,000 through the divestiture of seven businesses and 27,000 through layoffs and attrition. Anders employed common E strategies.

Managers who subscribe to Theory O believe that if they were to focus exclusively on the price of their stock, they might harm their organizations. In this "soft" approach to change, the goal is to develop corporate culture and human capability through individual and organizational learning—the process of changing, obtaining feedback, reflecting, and making further changes. U.S. companies that adopt O strategies, as Hewlett-Packard did when its performance flagged in the 1980s, typically have strong, long-held, commitment-based psychological contracts with their employees.

Managers at these companies are likely to see the risks in breaking those contracts. Because they place a high value on employee commitment, Asian and European businesses are also more likely to adopt an O strategy to change.

Few companies subscribe to just one theory. Most companies we have studied have used a mix of both. But all too often, managers try to apply theories E and O in tandem without resolving the inherent tensions between them. This impulse to combine the strategies is directionally correct, but theories E and O are so different that it's hard to manage them simultaneously—employees distrust leaders who alternate between nurturing and cutthroat corporate behavior. Our research suggests, however, that there is a way to resolve the tension so that businesses can satisfy their shareholders while building viable institutions. Companies that effectively combine hard and soft approaches to change can reap big payoffs in profitability and productivity. Those companies are more likely to achieve a sustainable competitive advantage. They can also reduce the anxiety that grips whole societies in the face of corporate restructuring.

In this article, we will explore how one company successfully resolved the tensions between E and O strategies. But before we do that, we need to look at just how different the two theories are.

A Tale of Two Theories

To understand how sharply theories E and O differ, we can compare them along several key dimensions of corporate change: goals, leadership, focus, process, reward system, and use of consultants. (For a side-by-side comparison, see the exhibit "Comparing Theories of Change.") We'll look at two companies in similar businesses that adopted almost pure forms of each archetype. Scott Paper successfully used Theory E to enhance shareholder value, while Champion International used Theory O to achieve a complete cultural transformation that increased its productivity and employee commitment. But as we will soon observe, both paper producers also discovered the limitations of sticking with only one theory of change. Let's compare the two companies' initiatives.

Goals. When Al Dunlap assumed leadership of Scott Paper in May 1994, he immediately fired 11,000 employees and sold off several businesses. His determination to restructure the beleaguered company was almost monomaniacal. As he said in one of his speeches: "Shareholders are the number one constituency. Show me an annual report that lists six or seven constituencies, and I'll show you a mismanaged company." From a shareholder's perspective, the results of Dunlap's actions were stunning. In just 20 months, he managed to triple shareholder returns as Scott Paper's market value rose from about \$3 billion in 1994 to about \$9 billion by the end of 1995. The financial community applauded his efforts and hailed Scott Paper's approach to change as a model for improving shareholder returns.

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Champion's reform effort couldn't have been more different. CEO Andrew Sigler acknowledged that enhanced economic value was an appropriate target for management, but he believed that goal would be best achieved by transforming the behaviors of management, unions, and workers alike. In 1981, Sigler and other managers launched a long-term effort to restructure corporate culture around a new vision called the Champion Way, a set of values and principles designed to build up the competencies of the workforce. By improving the organization's capabilities in areas such as teamwork and communication, Sigler believed he could best increase employee productivity and thereby improve the bottom line.

Leadership. Leaders who subscribe to Theory E manage change the old-fashioned way: from the top down. They set goals with little involvement from their management teams and certainly without input from lower levels or unions. Dunlap was clearly the commander in chief at Scott Paper. The executives who survived his purges, for example, had to agree with his philosophy that shareholder value was now the company's primary objective. Nothing made clear Dunlap's leadership style better than the nickname he gloried in: "Chainsaw Al."

By contrast, participation (a Theory O trait) was the hallmark of change at Champion. Every effort was made to get all its employees emotionally committed to improving the company's performance. Teams drafted value statements, and even the industry's unions were brought into the dialogue. Employees were encouraged to identify and solve problems themselves. Change at Champion sprouted from the bottom up.

Focus. In E-type change, leaders typically focus immediately on streamlining the "hard-

Comparing Theories of Change

Our research has shown that all corporate transformations can be compared along the six dimensions shown here. The table outlines the differences between the E and O archetypes and illustrates what an integrated approach might look like.

Dimensions of Change	Theory E	Theory O	Theories E and O Combined
Goals	maximize shareholder value	develop organizational capabilities	explicitly embrace the paradox between economic value and organizational capability
Leadership	manage change from the top down	encourage participation from the bottom up	set direction from the top and engage the people below
Focus	emphasize structure and systems	build up corporate culture: employees' behavior and attitudes	focus simultaneously on the hard (structures and systems) and the soft (corporate culture)
Process	plan and establish programs	experiment and evolve	plan for spontaneity
Reward System	motivate through financial incentives	motivate through commitment—use pay as fair exchange	use incentives to reinforce change but not to drive it
Use of Consultants	consultants analyze problems and shape solutions	consultants support management in shaping their own solutions	consultants are expert resources who empower employees

Theory E change strategies usually involve heavy use of economic incentives, drastic layoffs, downsizing, and restructuring. Shareholder value is the only legitimate measure of corporate success.

ware" of the organization—the structures and systems. These are the elements that can most easily be changed from the top down, yielding swift financial results. For instance, Dunlap quickly decided to outsource many of Scott Paper's corporate functions—benefits and payroll administration, almost all of its management information systems, some of its technology research, medical services, telemarketing, and security functions. An executive manager of a global merger explained the E rationale: "I have a [profit] goal of $176 million this year, and there's no time to involve others or develop organizational capability."

By contrast, Theory O's initial focus is on building up the "software" of an organization—the culture, behavior, and attitudes of employees. Throughout a decade of reforms, no employees were laid off at Champion. Rather, managers and employees were encouraged to collectively reexamine their work practices and behaviors with a goal of increasing productivity and quality. Managers were replaced if they did not conform to the new philosophy, but the overall firing freeze helped to create a culture of trust and commitment. Structural change followed once the culture changed. Indeed, by the mid-1990s, Champion had completely reorganized all its corporate functions. Once a hierarchical, functionally organized company, Champion adopted a matrix structure that empowered employee teams to focus more on customers.

Process. Theory E is predicated on the view that no battle can be won without a clear, comprehensive, common plan of action that encourages internal coordination and inspires confidence among customers, suppliers, and investors. The plan lets leaders quickly motivate and mobilize their businesses; it compels them to take tough, decisive actions they presumably haven't taken in the past. The changes at Scott Paper unfolded like a military battle plan. Managers were instructed to achieve specific targets by specific dates. If they didn't adhere to Dunlap's tightly choreographed marching orders, they risked being fired.

Meanwhile, the changes at Champion were more evolutionary and emergent than planned and programmatic. When the company's decade-long reform began in 1981, there was no master blueprint. The idea was that innovative work processes, values, and culture changes in one plant would be adapted and used by other plants on their way through the corporate system. No single person, not even Sigler, was seen as the driver of change. Instead, local leaders took responsibility. Top management simply encouraged experimentation from the ground up, spread new ideas to other workers, and transferred managers of innovative units to lagging ones.

Reward System. The rewards for managers in E-type change programs are primarily financial. Employee compensation, for example, is linked with financial incentives, mainly stock options. Dunlap's own compensation package—which ultimately netted him more than $100 million—was tightly linked to shareholders' interests. Proponents of this system argue that financial incentives guarantee that employees' interests match stockholders' interests. Financial rewards also help top executives feel compensated for a difficult job—one in which they are often reviled by their onetime colleagues and the larger community.

The O-style compensation systems at Champion reinforced the goals of culture change, but they didn't drive those goals. A skills-based pay system and a corporatewide gains-sharing plan were installed to draw union workers and management into a community of purpose. Financial incentives were used only as a supplement to those systems and not to push particular reforms. While Champion did offer a companywide bonus to achieve business goals in two separate years, this came late in the change process and played a minor role in actually fulfilling those goals.

Use of Consultants. Theory E change strategies often rely heavily on external consultants. A SWAT team of Ivy League–educated MBAs, armed with an arsenal of state-of-the-art ideas, is brought in to find new ways to look at the business and manage it. The consultants can help CEOs get a fix on urgent issues and priorities. They also offer much-needed political and psychological support for CEOs who are under fire from financial markets. At Scott Paper, Dunlap engaged consultants to identify many of the painful cost-savings initiatives that he subsequently implemented.

Theory O change programs rely far less on consultants. The handful of consultants who were introduced at Champion helped managers and workers make their own business analyses and craft their own solutions. And while

Theory O change strategies are geared toward building up the corporate culture: employee behaviors, attitudes, capabilities, and commitment. The organization's ability to learn from its experiences is a legitimate yardstick of corporate success.

the consultants had their own ideas, they did not recommend any corporate program, dictate any solutions, or whip anyone into line. They simply led a process of discovery and learning that was intended to change the corporate culture in a way that could not be foreseen at the outset.

In their purest forms, both change theories clearly have their limitations. CEOs who must make difficult E-style choices understandably distance themselves from their employees to ease their own pain and guilt. Once removed from their people, these CEOs begin to see their employees as part of the problem. As time goes on, these leaders become less and less inclined to adopt O-style change strategies. They fail to invest in building the company's human resources, which inevitably hollows out the company and saps its capacity for sustained performance. At Scott Paper, for example, Dunlap trebled shareholder returns but failed to build the capabilities needed for sustained competitive advantage—commitment, coordination, communication, and creativity. In 1995, Dunlap sold Scott Paper to its longtime competitor Kimberly-Clark.

CEOs who embrace Theory O find that their loyalty and commitment to their employees can prevent them from making tough decisions. The temptation is to postpone the bitter medicine in the hopes that rising productivity will improve the business situation. But productivity gains aren't enough when fundamental structural change is required. That reality is underscored by today's global financial system, which makes corporate performance instantly transparent to large institutional shareholders whose fund managers are under enormous pressure to show good results. Consider Champion. By 1997, it had become one of the leaders in its industry based on most performance measures. Still, newly instated CEO Richard Olsen was forced to admit a tough reality: Champion shareholders had not seen a significant increase in the economic value of the company in more than a decade. Indeed, when Champion was sold recently to Finland-based UPM-Kymmene, it was acquired for a mere 1.5 times its original share value.

Managing the Contradictions

Clearly, if the objective is to build a company that can adapt, survive, and prosper over the years, Theory E strategies must somehow be combined with Theory O strategies. But unless they're carefully handled, melding E and O is likely to bring the worst of both theories and the benefits of neither. Indeed, the corporate changes we've studied that arbitrarily and haphazardly mixed E and O techniques proved destabilizing to the organizations in which they were imposed. Managers in those companies would certainly have been better off to pick either pure E or pure O strategies—with all their costs. At least one set of stakeholders would have benefited.

The obvious way to combine E and O is to sequence them. Some companies, notably General Electric, have done this quite successfully. At GE, CEO Jack Welch began his sequenced change by imposing an E-type restructuring. He demanded that all GE businesses be first or second in their industries. Any unit that failed that test would be fixed, sold off, or closed. Welch followed that up with a massive downsizing of the GE bureaucracy. Between 1981 and 1985, total employment at the corporation dropped from 412,000 to 299,000. Sixty percent of the corporate staff, mostly in planning and finance, was laid off. In this phase, GE people began to call Welch "Neutron Jack," after the fabled bomb that was designed to destroy people but leave buildings intact. Once he had wrung out the redundancies, however, Welch adopted an O strategy. In 1985, he started a series of organizational initiatives to change GE culture. He declared that the company had to become "boundaryless," and unit leaders across the corporation had to submit to being challenged by their subordinates in open forum. Feedback and open communication eventually eroded the hierarchy. Soon Welch applied the new order to GE's global businesses.

Unfortunately for companies like Champion, sequenced change is far easier if you begin, as Welch did, with Theory E. Indeed, it is highly unlikely that E would successfully follow O because of the sense of betrayal that would involve. It is hard to imagine how a draconian program of layoffs and downsizing can leave intact the psychological contract and culture a company has so patiently built up over the years. But whatever the order, one sure problem with sequencing is that it can take a very long time; at GE it has taken almost two decades. A sequenced change may also require two CEOs, carefully chosen for their contrasting styles and philosophies, which may create its own set of problems. Most turnaround managers don't survive restructuring—partly because of their own inflexibility and partly because they can't live down the distrust that their ruthlessness has earned them. In most cases, even the best- intentioned effort to rebuild trust and commitment rarely overcomes a bloody past. Welch is the exception that proves the rule.

So what should you do? How can you achieve rapid improvements in economic value while simultaneously developing an open, trusting corporate culture? Paradoxical as those goals may appear, our research shows that it is possible to apply theories E and O together. It requires great will, skill—and wisdom. But precisely because it is more difficult than mere sequencing, the simultaneous use of O and E strategies is more likely to be a source of sustainable competitive advantage.

One company that exemplifies the reconciliation of the hard and soft approaches is ASDA, the UK grocery chain that CEO Archie Norman took over in December 1991, when the retailer was nearly bankrupt. Norman laid off employees, flattened the organization, and sold off losing businesses—acts that usually spawn distrust among employees and distance executives from their people. Yet during Norman's eight-year tenure as CEO, ASDA also became famous for its atmosphere of trust and openness. It has been described by executives at Wal-Mart—itself famous for its corporate culture—as being "more like Wal-Mart than we are." Let's look at how ASDA resolved the conflicts of E and O along the six main dimensions of change.

Explicitly confront the tension between E and O goals. With his opening speech to ASDA's executive team—none of whom he had met—Norman indicated clearly that he intended to apply both E and O strategies in his change effort. It is doubtful that any of his listeners fully understood him at the time, but it was important that he had no conflicts about recognizing the paradox between the two strategies for change. He said as much in his maiden speech: "Our number one objective is to secure value for our shareholders and secure the trading future of the business. I am not coming in with any magical solutions. I intend to spend the next few weeks listening and forming ideas for our precise direction….We need a culture built around common ideas and goals that include listening, learning, and speed of response, from the stores upwards. [But] there will be management reorganization. My objective is to establish a clear focus on the stores, shorten lines of communication, and build one team." If there is a contradiction between building a high-involvement organization and restructuring to enhance shareholder value, Norman embraced it.

Set direction from the top and engage people below. From day one, Norman set strategy without expecting any participation from below. He said ASDA would adopt an everyday-low-pricing strategy, and Norman unilaterally determined that change would begin by having two experimental store formats up and running within six months. He decided to shift power from the headquarters to the stores, declaring: "I want everyone to be close to the stores. We must love the stores to death; that is our business." But even from the start, there

Change Theories in the New Economy

Historically, the study of change has been restricted to mature, large companies that needed to reverse their competitive declines. But the arguments we have advanced in this article also apply to entrepreneurial companies that need to manage rapid growth. Here, too, we believe that the most successful strategy for change will be one that combines theories E and O.

Just as there are two ways of changing, so there are two kinds of entrepreneurs. One group subscribes to an ideology akin to Theory E. Their primary goal is to prepare for a cash-out, such as an IPO or an acquisition by an established player. Maximizing market value before the cash-out is their sole and abiding purpose. These entrepreneurs emphasize shaping the firm's strategy, structure, and systems to build a quick, strong market presence. Mercurial leaders who drive the company using a strong top-down style are typically at the helm of such companies. They lure others to join them using high-powered incentives such as stock options. The goal is to get rich quick.

Other entrepreneurs, however, are driven by an ideology more akin to Theory O—the building of an institution. Accumulating wealth is important, but it is secondary to creating a company that is based on a deeply held set of values and that has a strong culture. These entrepreneurs are likely to subscribe to an egalitarian style that invites everyone's participation. They look to attract others who share their passion about the cause—though they certainly provide generous stock options as well. The goal in this case is to make a difference, not just to make money.

Many people fault entrepreneurs who are driven by a Theory E view of the world. But we can think of other entrepreneurs who have destroyed businesses because they were overly wrapped up in the Theory O pursuit of a higher ideal and didn't pay attention to the pragmatics of the market. Steve Jobs's venture, Next, comes to mind. Both types of entrepreneurs have to find some way of tapping the qualities of theories E and O, just as large companies do.

CEOs who embrace Theory O find that their loyalty and commitment to their employees can prevent them from making tough decisions.

was an O quality to Norman's leadership style. As he put it in his first speech: "First, I am forthright, and I like to argue. Second, I want to discuss issues as colleagues. I am looking for your advice and your disagreement." Norman encouraged dialogue with employees and customers through colleague and customer circles. He set up a "Tell Archie" program so that people could voice their concerns and ideas.

Making way for opposite leadership styles was also an essential ingredient to Norman's—and ASDA's—success. This was most clear in Norman's willingness to hire Allan Leighton shortly after he took over. Leighton eventually became deputy chief executive. Norman and Leighton shared the same E and O values, but they had completely different personalities and styles. Norman, cool and reserved, impressed people with the power of his mind—his intelligence and business acumen. Leighton, who is warmer and more people oriented, worked on employees' emotions with the power of his personality. As one employee told us, "People respect Archie, but they love Allan." Norman was the first to credit Leighton with having helped to create emotional commitment to the new ASDA. While it might be possible for a single individual to embrace opposite leadership styles, accepting an equal partner with a very different personality makes it easier to capitalize on those styles. Leighton certainly helped Norman reach out to the organization. Together they held quarterly meetings with store managers to hear their ideas, and they supplemented those meetings with impromptu talks.

Focus simultaneously on the hard and soft sides of the organization. Norman's immediate actions followed both the E goal of increasing economic value and the O goal of transforming culture. On the E side, Norman focused on structure. He removed layers of hierarchy at the top of the organization, fired the financial officer who had been part of ASDA's disastrous policies, and decreed a wage freeze for everyone—management and workers alike. But from the start, the O strategy was an equal part of Norman's plan. He bought time for all this change by warning the markets that financial recovery would take three years. Norman later said that he spent 75% of his early months at ASDA as the company's human resource director, making the organization less hierarchical, more egalitarian, and more transparent. Both Norman and Leighton were keenly aware that they had to win hearts and minds. As Norman put it to workers: "We need to make ASDA a great place for everyone to work."

Plan for spontaneity. Training programs, total-quality programs, and top-driven culture change programs played little part in ASDA's transformation. From the start, the ASDA change effort was set up to encourage experimentation and evolution. To promote learning, for example, ASDA set up an experimental store that was later expanded to three stores. It was declared a risk-free zone, meaning there would be no penalties for failure. A cross-functional task force "renewed," or redesigned, ASDA's entire retail proposition, its organization, and its managerial structure. Store managers were encouraged to experiment with store layout, employee roles, ranges of products offered, and so on. The experiments produced significant innovations in all aspects of store operations. ASDA's managers learned, for example, that they couldn't renew a store unless that store's management team was ready for new ideas. This led to an innovation called the Driving Test, which assessed whether store managers' skills in leading the change process were aligned with the intended changes. The test perfectly illustrates how E and O can come together: it bubbled up O-style from the bottom of the company, yet it bound managers in an E-type contract. Managers who failed the test were replaced.

Let incentives reinforce change, not drive it. Any synthesis of E and O must recognize that compensation is a double-edged sword. Money can focus and motivate managers, but it can also hamper teamwork, commitment, and learning. The way to resolve this dilemma is to apply Theory E incentives in an O way. Employees' high involvement is encouraged to develop their commitment to change, and variable pay is used to reward that commitment. ASDA's senior executives were compensated with stock options that were tied to the company's value. These helped attract key executives to ASDA. Unlike most E-strategy companies, however, ASDA had a stock-ownership plan for all employees. In addition, store-level employees got variable pay based on both corporate performance and their stores' records. In the end, compensation represented a fair exchange of value

To thrive and adapt in the new economy, companies must simultaneously build up their corporate cultures and enhance shareholder value; the O and E theories of business change must be in perfect step.

between the company and its individual employees. But Norman believed that compensation had not played a major role in motivating change at the company.

Use consultants as expert resources who empower employees. Consultants can provide specialized knowledge and technical skills that the company doesn't have, particularly in the early stages of organizational change. Management's task is figuring out how to use those resources without abdicating leadership of the change effort. ASDA followed the middle ground between Theory E and Theory O. It made limited use of four consulting firms in the early stages of its transformation. The consulting firms always worked alongside management and supported its leadership of change. However, their engagement was intentionally cut short by Norman to prevent ASDA and its managers from becoming dependent on the consultants. For example, an expert in store organization was hired to support the task force assigned to renew ASDA's first few experimental stores, but later stores were renewed without his involvement.

By embracing the paradox inherent in simultaneously employing E and O change theories, Norman and Leighton transformed ASDA to the advantage of its shareholders and employees. The organization went through personnel changes, unit sell-offs, and hierarchical upheaval. Yet these potentially destructive actions did not prevent ASDA's employees from committing to change and the new corporate culture because Norman and Leighton had won employees' trust by constantly listening, debating, and being willing to learn. Candid about their intentions from the outset, they balanced the tension between the two change theories.

By 1999, the company had multiplied shareholder value eightfold. The organizational capabilities built by Norman and Leighton also gave ASDA the sustainable competitive advantage that Dunlap had been unable to build at Scott Paper and that Sigler had been unable to build at Champion. While Dunlap was forced to sell a demoralized and ineffective organization to Kimberly-Clark, and while a languishing Champion was sold to UPM-Kymmene, Norman and Leighton in June 1999 found a friendly and culturally compatible suitor in Wal-Mart, which was willing to pay a substantial premium for the organizational capabilities that ASDA had so painstakingly developed.

In the end, the integration of theories E and O created major change—and major payoffs—for ASDA. Such payoffs are possible for other organizations that want to develop a sustained advantage in today's economy. But that advantage can come only from a constant willingness and ability to develop organizations for the long term combined with a constant monitoring of shareholder value—E dancing with O, in an unending minuet.

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Further Reading

ARTICLES

Campaigning for Change
by Larry Hirschhorn
Harvard Business Review
July 2002
Product no. R0207G

Hirschhorn describes two additional balancing acts you need to perform in order to lead change successfully. To ignite large-scale change at multiple levels in your organization, conduct three simultaneous campaigns: *political* (amass coalitions), *marketing* (evoke employees' ideas and emotions), and *military* (secure managerial attention). This three-pronged approach helps you maximize contributions to change from all points in your organization. Also build *top-down momentum* by developing and communicating an accessible theme. Build *bottom-up momentum* by enlisting employees who already embrace change. And maximize *contributions from all levels* by spreading best practices and knowledge from "beachheads" back into the entire company.

Why Change Programs Don't Produce Change
by Michael Beer, Russell A. Eisenstat, and Bert Spector
Harvard Business Review
November–December 1990
Product no. 90601

The authors provide additional detail about Theory O change, explaining how to strengthen organizational capabilities by empowering managers and employees to execute change. Start by articulating a *general* direction to meet your key competitive challenge. Then let unit managers design and execute *specific* changes to address that challenge. Through informal task alignment—altering employees' responsibilities and relationships to solve concrete problems—managers focus employees' energy on work itself, not on abstractions like "empowerment." Spread lessons from successful changes. Once revitalization is established, institutionalize it by changing formal policies and structures.

Harvard Business Review
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Leaders can make change happen only if they have a coherent strategy for persuasion. The impressive turnaround at a world-renowned teaching hospital shows how to plan a change campaign—and carry it out.

Change Through Persuasion

by David A. Garvin and Michael A. Roberto

Included with this full-text *Harvard Business Review* article:

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Change Through Persuasion

The Idea in Brief

When a company is teetering on the brink of ruin, most turnaround leaders revamp strategy, shift around staff, and root out inefficiencies. Then they wait patiently for the payoff—only to suffer bitter disappointment as the expected improvements fail to materialize.

How to make change stick? Conduct a four-stage persuasion campaign: 1) Prepare your organization's cultural "soil" months before setting your turnaround plan in concrete—by convincing employees that your company can survive only through radical change. 2) Present your plan—explaining in detail its purpose and expected impact. 3) After executing the plan, manage employees' emotions by acknowledging the pain of change—while keeping people focused on the hard work ahead. 4) As the turnaround starts generating results, reinforce desired behavioral changes to prevent backsliding.

Using this four-part process, the CEO of Beth Israel Deaconess Medical Center (BIDMC) brought the failing hospital back from near-certain death. Hemorrhaging $58 million in losses in 2001, BIDMC reported a $37.4 million net gain from operations in 2004. Revenues rose, while costs shrank. Morale soared—as reflected by a drop in nursing turnover from between 15% and 16% in 2002 to just 3% by 2004.

The Idea in Practice

Use these steps to persuade your workforce to embrace and execute needed change:

SET THE STAGE FOR ACCEPTANCE

Develop a bold message that provides compelling reasons to do things differently.

▶ Example:
On his first day as Beth Israel Deaconess Medical Center's CEO, Paul Levy publicized the possibility that BIDMC would be sold to a for-profit institution. He delivered an all-hands-on-deck e-mail to the staff citing the hospital's achievements while confirming that the threat of sale was real. The e-mail also signaled actions he would take, including layoffs, and described his open management style (hallway chats, lunches with staff). In addition, Levy circulated a third-party, warts-and-all report on BIDMC's plight on the hospital's intranet—so staff could no longer claim ignorance.

FRAME THE TURNAROUND PLAN

Present your turnaround plan in a way that helps people interpret your ideas correctly.

▶ Example:
Levy augmented his several-hundred-page plan with an e-mail that evoked BIDMC's mission and uncompromising values and reaffirmed the importance of remaining an academic medical center. He provided further details about the plan, emphasizing needed tough measures based on the third-party report. He also explained past plans' deficiencies, contrasting earlier efforts' top-down methods with his plan's collaborative approach. Employees thus felt the plan belonged to them.

MANAGE THE MOOD

Strike the right notes of optimism and realism to make employees feel cared for while also keeping them focused on your plan's execution.

▶ Example:
Levy acknowledged the pain of layoffs, then urged employees to look forward to "[setting] an example for what a unique academic medical center like ours means for this region." He also issued progress updates while reminding people that BIDMC still needed to control costs. As financial performance picked up, he lavishly praised the staff.

PREVENT BACKSLIDING

Provide opportunities for employees to practice desired behaviors repeatedly. If necessary, publicly criticize disruptive, divisive behaviors.

▶ Example:
Levy had established meeting rules requiring staff to state their objections to decisions and to "disagree without being disagreeable." When one medical chief e-mailed Levy complaining about a decision made during a meeting—and copied the other chiefs and board chairman—Levy took action. He responded with an e-mail to the same audience, publicly reprimanding the chief for his tone, lack of civility, and failure to follow the rule about speaking up during meetings.

Leaders can make change happen only if they have a coherent strategy for persuasion. The impressive turnaround at a world-renowned teaching hospital shows how to plan a change campaign—and carry it out.

Change Through Persuasion

by David A. Garvin and Michael A. Roberto

Faced with the need for massive change, most managers respond predictably. They revamp the organization's strategy, then round up the usual set of suspects—people, pay, and processes—shifting around staff, realigning incentives, and rooting out inefficiencies. They then wait patiently for performance to improve, only to be bitterly disappointed. For some reason, the right things still don't happen.

Why is change so hard? First of all, most people are reluctant to alter their habits. What worked in the past is good enough; in the absence of a dire threat, employees will keep doing what they've always done. And when an organization has had a succession of leaders, resistance to change is even stronger. A legacy of disappointment and distrust creates an environment in which employees automatically condemn the next turnaround champion to failure, assuming that he or she is "just like all the others." Calls for sacrifice and self-discipline are met with cynicism, skepticism, and knee-jerk resistance.

Our research into organizational transformation has involved settings as diverse as multinational corporations, government agencies, nonprofits, and high-performing teams like mountaineering expeditions and firefighting crews. We've found that for change to stick, leaders must design and run an effective persuasion campaign—one that begins weeks or months before the actual turnaround plan is set in concrete. Managers must perform significant work up front to ensure that employees will actually listen to tough messages, question old assumptions, and consider new ways of working. This means taking a series of deliberate but subtle steps to recast employees' prevailing views and create a new context for action. Such a shaping process must be actively managed during the first few months of a turnaround, when uncertainty is high and setbacks are inevitable. Otherwise, there is little hope for sustained improvement.

Like a political campaign, a persuasion campaign is largely one of differentiation from the past. To the typical change-averse employee, all restructuring plans look alike. The trick for turnaround leaders is to show employees precisely how their plans differ from their predecessors'. They must convince people that the organization is truly on its deathbed—or, at the very least, that radical changes are required if it is to survive and thrive. (This is a particularly difficult challenge when years of persistent problems have been accompanied by few changes in the status quo.) Turnaround leaders must also gain trust by demonstrating through word and deed that they are the right leaders for the job and must convince employees that theirs is the correct plan for moving forward.

Accomplishing all this calls for a four-part communications strategy. Prior to announcing a policy or issuing a set of instructions, leaders need to set the stage for acceptance. At the time of delivery, they must create the frame through which information and messages are interpreted. As time passes, they must manage the mood so that employees' emotional states support implementation and follow-through. And at critical intervals, they must provide reinforcement to ensure that the desired changes take hold without backsliding.

In this article, we describe this process in more detail, drawing on the example of the turnaround of Beth Israel Deaconess Medical Center (BIDMC) in Boston. Paul Levy, who became CEO in early 2002, managed to bring the failing hospital back from the brink of ruin. We had ringside seats during the first six months of the turnaround. Levy agreed to hold videotaped interviews with us every two to four weeks during that period as we prepared a case study describing his efforts. He also gave us access to his daily calendar, as well as to assorted e-mail correspondence and internal memorandums and reports. From this wealth of data, we were able to track the change process as it unfolded, without the usual biases and distortions that come from 20/20 hindsight. The story of how Levy tilled the soil for change provides lessons for any CEO in a turnaround situation.

Setting the Stage

Paul Levy was an unlikely candidate to run BIDMC. He was not a doctor and had never managed a hospital, though he had previously served as the executive dean for administration at Harvard Medical School. His claim to fame was his role as the architect of the Boston Harbor Cleanup, a multibillion-dollar pollution-control project that he had led several years earlier. (Based on this experience, Levy identified a common yet insidiously destructive organizational dynamic that causes dedicated teams to operate in counterproductive ways, which he described in "The Nut Island Effect: When Good Teams Go Wrong," March 2001.) Six years after completing the Boston Harbor project, Levy approached the BIDMC board and applied for the job of cleaning up the troubled hospital.

Despite his lack of hospital management experience, Levy was appealing to the board. The Boston Harbor Cleanup was a difficult, highly visible change effort that required deft political and managerial skills. Levy had stood firm in the face of tough negotiations and often-heated public resistance and had instilled accountability in city and state agencies. He was also a known quantity to the board, having served on a BIDMC steering committee formed by the board chairman in 2001.

Levy saw the prospective job as one of public service. BIDMC was the product of a difficult 1996 merger between two hospitals—Beth Israel and Deaconess—each of which had distinguished reputations, several best-in-the-world departments and specializations, and deeply devoted staffs. The problems began after the merger. A misguided focus on clinical practice rather than backroom integration, a failure to cut costs, and the repeated inability to execute plans and adapt to changing conditions in the health care marketplace all contributed to BIDMC's dismal performance.

By the time the board settled on Levy, affairs at BIDMC had reached the nadir. The hospital was losing $50 million a year. Relations between the administration and medical staff were strained, as were those between management and the board of directors. Employees felt demoralized, having witnessed the rapid decline in their institution's once-legendary status and the disappointing failure of its past leaders. A critical study was conducted by the Hunter Group, a leading health-care consulting firm. The report, detailing the dire conditions at the hospital and the changes needed to turn things around, had been completed but not yet released. Meanwhile, the state attorney general, who was responsible for overseeing charitable trusts, had put pressure on the board to sell the failing BIDMC to a

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for-profit institution.

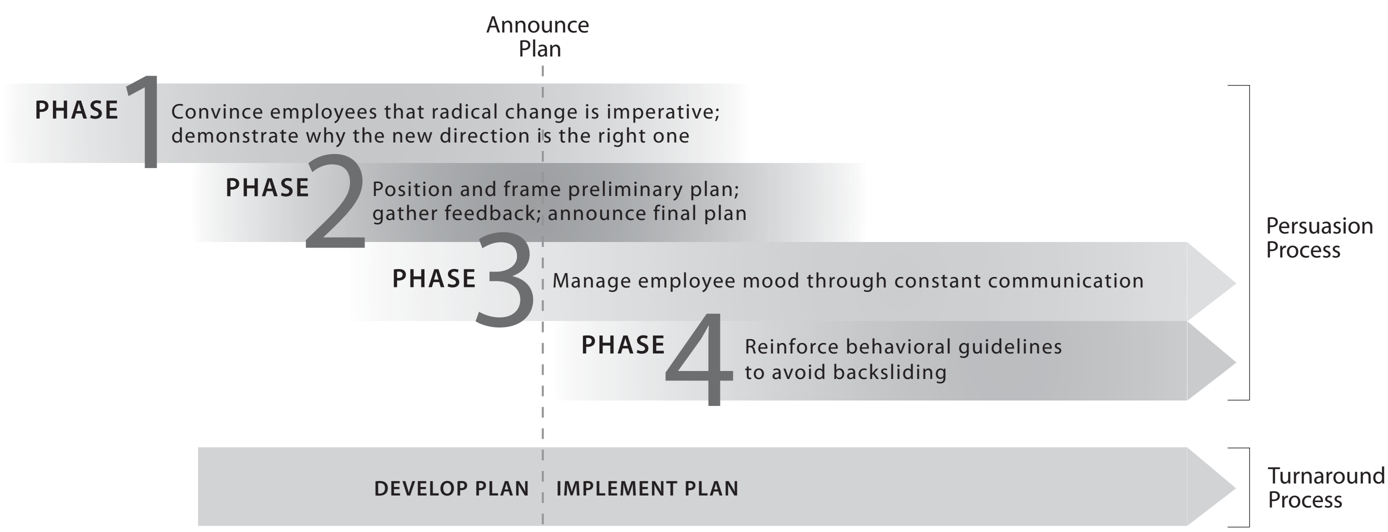
Like many CEOs recruited to fix a difficult situation, Levy's first task was to gain a mandate for the changes ahead. He also recognized that crucial negotiations were best conducted before he took the job, when his leverage was greatest, rather than after taking the reins. In particular, he moved to secure the cooperation of the hospital board by flatly stating his conditions for employment. He told the directors, for example, that should they hire him, they could no longer interfere in day-to-day management decisions. In his second and third meetings with the board's search committee, Levy laid out his timetable and intentions. He insisted that the board decide on his appointment quickly so that he could be on the job before the release of the Hunter report. He told the committee that he intended to push for a smaller, more effective group of directors. Though the conditions were somewhat unusual, the board was convinced that Levy had the experience to lead a successful turnaround, and they accepted his terms. Levy went to work on January 7, 2002.

The next task was to set the stage with the hospital staff. Levy was convinced that the employees, hungry for a turnaround, would do their best to cooperate with him if he could emulate and embody the core values of the hospital culture, rather than impose his personal values. He chose to act as the managerial equivalent of a good doctor—that is, as one who, in dealing with a very ill patient, delivers both the bad news and the chances of success honestly and imparts a realistic sense of hope, without sugar coating.

Like any leader facing a turnaround, Levy also knew he had to develop a bold message that provided compelling reasons to do things differently and then cast that message in capital letters to signal the arrival of a new order. To give his message teeth, he linked it to an implicit threat. Taking his cue from his private discussions with the state attorney general, whom he had persuaded to keep the hospital open for the time being, Levy chose to publicize the very real possibility the hospital would be sold. While he realized he risked frightening the staff and the patients with this bad news, he believed that a strong wake-up call was necessary to get employees to face up to the situation.

The Four Phases of a Persuasion Campaign

A typical turnaround process consists of two stark phases: plan development, followed by an implementation that may or may not be welcomed by the organization. For the turnaround plan to be widely accepted and adopted, however, the CEO must develop a separate persuasion campaign, the goal of which is to create a continuously receptive environment for change. The campaign begins well before the CEO's first day on the job—or, if the CEO is long established, well before formal development work begins—and continues long after the final plan is announced.



Like a political campaign, a persuasion campaign is largely one of differentiation from the past.

During his first morning on the job, Levy delivered an all-hands-on-deck e-mail to the staff. The memo contained four broad messages. It opened with the good news, pointing out that the organization had much to be proud of ("This is a wonderful institution, representing the very best in academic medicine: exemplary patient care, extraordinary research, and fine teaching"). Second, Levy noted that the threat of sale was real ("This is our last chance"). Third, he signaled the kinds of actions employees could expect him to take ("There will be a reduction in staff"). And finally, he described the open management style he would adopt. He would manage by walking around—lunching with staff in the cafeteria, having impromptu conversations in the hallways, talking with employees at every opportunity to discover their concerns. He would communicate directly with employees through e-mail rather than through intermediaries. He also noted that the Hunter report would be posted on the hospital intranet, where all employees would have the opportunity to review its recommendations and submit comments for the final turnaround plan. The direct, open tone of the e-mail memo signaled exactly how Levy's management style would differ from that of his predecessors.

In the afternoon, he disclosed BIDMC's situation in interviews with the *Boston Globe* and the *Boston Herald*, the city's two major newspapers. He told reporters the same thing he had told the hospital's employees: that, in the absence of a turnaround, the hospital would be sold to a for-profit chain and would therefore lose its status as a Harvard teaching hospital. Staving off a sale would require tough measures, including the laying off of anywhere from 500 to 700 employees. Levy insisted that there would be no nursing layoffs, in keeping with the hospital's core values of high-quality patient care. The newspaper reports, together with the memo circulated that morning, served to immediately reset employee expectations while dramatically increasing staff cooperation and willingness to accept whatever new initiatives might prove necessary to the hospital's survival.

Two days later, the critical Hunter report came out and was circulated via the hospital's intranet. Because the report had been produced by an objective third party, employees were open to its unvarnished, warts-and-all view of the hospital's current predicament. The facts were stark, and the staff could no longer claim ignorance. Levy received, and personally responded to, more than 300 e-mail suggestions for improvement in response to the report, many of which he later included in the turnaround plan.

Creating the Frame

Once the stage has been set for acceptance, effective leaders need to help employees interpret proposals for change. Complex plans can be interpreted in any number of ways; not all of them ensure acceptance and favorable outcomes. Skilled leaders therefore use "frames" to provide context and shape perspective for new proposals and plans. By framing the issues, leaders help people digest ideas in particular ways. A frame can take many forms: It can be a companywide presentation that prepares employees before an unexpected change, for example, or a radio interview that provides context following an unsettling layoff.

Levy used one particularly effective framing device to help employees interpret a preliminary draft of the turnaround plan. This device took the form of a detailed e-mail memo accompanying the dense, several-hundred-page plan. The memo explained, in considerable detail, the plan's purpose and expected impact.

The first section of the memo sought to mollify critics and reduce the fears of doctors and nurses. Its tone was positive and uplifting; it discussed BIDMC's mission, strategy, and uncompromising values, emphasizing the hospital's "warm, caring environment." This section of the letter also reaffirmed the importance of remaining an academic medical center, as well as reminding employees of their shared mission and ideals. The second part of the letter told employees what to expect, providing further details about the turnaround plan. It emphasized that tough measures and goals would be required but noted that the specific recommendations were based, for the most part, on the advice in the Hunter report, which employees had already reviewed. The message to employees was, "You've already seen and endorsed the Hunter report. There are no future surprises."

The third part of the letter anticipated and responded to prospective concerns; this had the effect of circumventing objections. This section explicitly diagnosed past plans and explained their deficiencies, which were largely due to their having been imposed top-down, with little employee ownership, buy-in, or discussion. Levy then offered a direct interpretation of what had gone wrong. Past plans, he said, had underestimated the size of the financial problem, set unrealistic expectations for new revenue growth, and failed to test implementation proposals. This section of the letter also drove home the need for change at a deeper, more visceral level than employees had experienced in the past. It emphasized that this plan was a far more collective effort than past proposals had been, because it incorporated many employee suggestions.

By framing the turnaround proposal this way, Levy accomplished two things. First, he was able to convince employees that the plan belonged to them. Second, the letter served as the basis for an ongoing communication platform. Levy reiterated its points at every opportunity—not only with employees but also in public meetings and in discussions with the press.

Managing the Mood

Turnarounds are depressing events, especially when they involve restructuring and downsizing. Relationships are disrupted, friends move on, and jobs disappear. In such settings, managing the mood of the organization becomes an essential leadership skill. Leaders must pay close attention to employees' emotions—the ebb and flow of their feelings and moods—and work hard to preserve a receptive climate for change. Often, this requires a delicate balancing act between presenting good and bad news in just the right proportion. Employees need to feel that their sacrifices have not been in vain and that their accomplishments have been recognized and rewarded. At the same time, they must be reminded that complacency is not an option. The communication challenge is daunting. One must strike the right notes of optimism and realism and carefully calibrate the timing, tone, and positioning of every message.

Paul Levy's challenge was threefold: to give remaining employees time to grieve and recover from layoffs and other difficult measures; to make them feel that he cared for and supported them; and to ensure that the turnaround plan proceeded apace. The process depended on mutual trust and employees' desire to succeed. "I had to calibrate the push and pull of congratulations and pressure, but I also depended on the staff's underlying value system and sense of mission," he said. "They were highly motivated, caring individuals who had stuck with the place through five years of hell. They wanted to do good."

The first step was to acknowledge employees' feelings of depression while helping them look to the future. Immediately after the first round of layoffs, people were feeling listless and dejected; Levy knew that releasing the final version of the turnaround plan too soon after the layoffs could be seen as cold. In an e-mail he sent to all employees a few days later, Levy explicitly empathized with employees' feelings ("This week is a sad one…it is hard for those of us remaining…offices are emptier than usual"). He then urged employees to look forward and concluded on a strongly optimistic note ("…our target is not just survival: It is to thrive and set an example for what a unique academic medical center like ours means for this region"). His upbeat words were reinforced by a piece of good luck that weekend when the underdog New England Patriots won their first Super Bowl championship in dramatic fashion in the last 90 seconds of the game. When Levy returned to work the following Monday, employees were saying, "If the Patriots can do it, we can, too."

The next task was to keep employees focused on the continuing hard work ahead. On April 12, two months into the restructuring process, Levy sent out a "Frequently Asked Questions" e-mail giving a generally favorable view of progress to date. At the same time, he spoke plainly about the need to control costs and reminded employees that merit pay increases would remain on hold. This was hardly the rosy picture that most employees were hoping for, of course. But Levy believed sufficient time had passed that employees could accommodate a more realistic and tough tone on his part.

A month later, everything changed. Operational improvements that were put in place during the first phase of the turnaround had begun to take hold. Financial performance was well ahead of budget, with the best results since the merger. In another e-mail, Levy praised employees lavishly. He also convened a series of open question-and-answer forums, where employees heard more details about the hospital's tangible progress and received kudos for their accomplishments.

Dysfunctional Routines

Six Ways to Stop Change in Its Tracks

Just as people are creatures of habit, organizations thrive on routines. Management teams, for example, routinely cut budgets after performance deviates from plan. Routines—predictable, virtually automatic behaviors—are unstated, self-reinforcing, and remarkably resilient. Because they lead to more efficient cognitive processing, they are, for the most part, functional and highly desirable.

Dysfunctional routines, by contrast, are barriers to action and change. Some are outdated behaviors that were appropriate once but are now unhelpful. Others manifest themselves in knee-jerk reactions, passivity, unproductive foot-dragging, and, sometimes, active resistance.

Dysfunctional routines are persistent, but they are not unchangeable. Novelty—the perception that current circumstances are truly different from those that previously prevailed—is one of the most potent forces for dislodging routines. To overcome them, leaders must clearly signal that the context has changed. They must work directly with employees to recognize and publicly examine dysfunctional routines and substitute desired behaviors.

The dog and pony show must go on.

Some organizations put so much weight on process that they confuse ends and means, form and content. How you present a proposal becomes more important than what you propose. Managers construct presentations carefully and devote large amounts of time to obtaining sign-offs. The result is death by PowerPoint. Despite the appearance of progress, there's little real headway.

A culture of "no."

In organizations dominated by cynics and critics, there is always a good reason not to do something. Piling on criticism is an easy way to avoid taking risks and claim false superiority. Lou Gerstner gets credit for naming this routine, which he found on his arrival at IBM, but it is common in many organizations. Another CEO described her team's response to new initiatives by likening it to a skeet shoot: "Someone would yell, 'Pull!' there would be a deafening blast, and the idea would be in pieces on the ground. " This routine has two sources: a culture that overvalues criticism and analysis,and complex decision-making processes requiring multiple approvals, in which anybody can say "no"but nobody can say "yes."It is especially likely in organizations that are divided into large subunits or segments, led by local leaders with great power who are often unwilling to comply with directives from above.

Ready, aim, aim...

Here,the problem is the organization's inability to settle on a definitive course of action. Staff members generate a continual stream of proposals and reports; managers repeatedly tinker with each one, fine-tuning their choices without ever making a final decision. Often called "analysis paralysis," this pattern is common in perfectionist cultures where mistakes are career threatening and people who rock the boat drown.

The grass is always greener.

To avoid facing challenges in their core business, some managers look to new products, new services, and new lines of business. At times, such diversication is healthy. But all too often these efforts are merely an avoidance tactic that keeps tough problems at arm's length.

This too shall pass.

In organizations where prior leaders repeatedly proclaimed a state of crisis but then made few substantive changes, employees tend to be jaded. In such situations, they develop a heads-down, bunker mentality and a reluctance to respond to management directives. Most believe that the wisest course of action is to ignore new initiatives,work around them, or wait things out.

After the meeting ends, debate begins.

This routine is often hard to spot because so much of it takes place under cover. Cordial, apparently cooperative meetings are followed by resistance. Sometimes, resisters are covert; often, they end-run established forums entirely and take their concerns directly to the top. The result? Politics triumphs over substance, staff meetings become empty rituals, and meddling becomes the norm.

Reinforcing Good Habits

Without a doubt, the toughest challenge faced by leaders during a turnaround is to avoid backsliding into dysfunctional routines—habitual patterns of negative behavior by individuals and groups that are triggered automatically and unconsciously by familiar circumstances or stimuli. (For more on how such disruptive patterns work, see the sidebar "Dysfunctional Routines: Six Ways to Stop Change in Its Tracks.") Employees need help maintaining new behaviors, especially when their old ways of working are deeply ingrained and destructive. Effective change leaders provide opportunities for employees to practice desired behaviors repeatedly, while personally modeling new ways of working and providing coaching and support.

In our studies of successful turnarounds, we've found that effective leaders explicitly reinforce organizational values on a constant basis, using actions to back up their words. Their goal is to change behavior, not just ways of thinking. For example, a leader can talk about values such as openness, tolerance, civility, teamwork, delegation, and direct communication in meetings and e-mails. But the message takes hold only if he or she also signals a dislike of disruptive, divisive behaviors by pointedly—and, if necessary, publicly—criticizing them.

At Beth Israel Deaconess Medical Center, the chiefs of medicine, surgery, orthopedics, and other key functions presented Levy with special behavioral challenges, particularly because he was not a doctor. Each medical chief was in essence a "mini-dean," the head of a largely self-contained department with its own faculty, staff, and resources. As academic researchers, they were rewarded primarily for individual achievement. They had limited experience solving business or management problems.

In dealing with the chiefs, Levy chose an approach that blended with a strong dose of discipline with real-time, public reinforcement. He developed guidelines for behavior and insisted that everyone in the hospital measure up to them. In one of his earliest meetings with the chiefs, Levy presented a simple set of "meeting rules," including such chestnuts as "state your objections" and "disagree without being disagreeable," and led a discussion about them, demonstrating the desired behaviors through his own leadership of the meeting. The purpose of these rules was to introduce new standards of interpersonal behavior and, in the process, to combat several dysfunctional routines.

One serious test of Levy's ability to reinforce these norms came a month and a half after he was named CEO. After a staff meeting at which all the department chairs were present, one chief—who had remained silent—sent an e-mail to Levy complaining about a decision made during the meeting. The e-mail copied the other chiefs as well as the chairman of the board. Many CEOs would choose to criticize such behavior privately. But Levy responded in an e-mail to the same audience, publicly denouncing the chief for his tone, his lack of civility, and his failure to speak up earlier in the process, as required by the new meeting rules. It was as close to a public hanging as anyone could get. Several of the chiefs privately expressed their support to Levy; they too had been offended by their peer's presumptuousness. More broadly, the open criticism served to powerfully reinforce new norms while curbing disruptive behavior.

Even as they must set expectations and reinforce behaviors, effective change leaders also recognize that many employees simply do not know how to make decisions as a group or work cooperatively. By delegating critical decisions and responsibilities, a leader can provide employees with ample opportunities to practice new ways of working; in such cases, employees' performance should be evaluated as much on their adherence to the new standards and processes as on their substantive choices. In this spirit, Levy chose to think of himself primarily as a kind of appeals court judge. When employees came to him seeking his intervention on an issue or situation, he explained, he would "review the process used by the 'lower court' to determine if it followed the rules. If so, the decision stands." He did not review cases de novo and substitute his judgment for that of the individual department or unit. He insisted that employees work through difficult issues themselves, even when they were not so inclined, rather than rely on him to tell them what to do. At other times, he intervened personally and coached employees when they lacked basic skills. When two members of his staff disagreed on a proposed course of action, Levy triggered an open, emotional debate, then worked with the participants and their bosses behind the scenes to resolve the differences. At the next staff meeting, he praised the participants' willingness to disagree publicly, reemphasizing that vigorous debate was healthy and desirable and that confrontation was not to be avoided. In this way, employees gained experience in working through their problems on their own.

Performance, of course, is the ultimate measure of a successful turnaround. On that score, BIDMC has done exceedingly well since Levy took the helm. The original restructuring plan called for a three-year improvement process, moving from a $58 million loss in 2001 to breakeven in 2004. At the end of the 2004 fiscal year, performance was far ahead of plan, with the hospital reporting a $37.4 million net gain from operations. Revenues were up, while costs were sharply reduced. Decision making was now crisper and more responsive, even though there was little change in the hospital's senior staff or medical leadership. Morale, not surprisingly, was up as well. To take just one indicator, annual nursing turnover, which was 15% to 16% when Levy became CEO, had dropped to 3% by mid-2004. Pleased with the hospital's performance, the board signed Levy to a new three-year contract.

Heads, Hearts, and Hands

It's clear that the key to Paul Levy's success at Beth Israel Deaconess Medical Center is that he understood the importance of making sure the cultural soil had been made ready before planting the seeds of change. In a receptive environment, employees not only understand why change is necessary; they're also emotionally committed to making it happen, and they faithfully execute the required steps.

On a cognitive level, employees in receptive environments are better able to let go of competing, unsubstantiated views of the nature and extent of the problems facing their organizations. They hold the same, objective views of the causes of poor performance. They acknowledge the seriousness of current financial, operational, and marketplace difficulties. And they take responsibility for their own contributions to those problems. Such a shared, fact-based diagnosis is crucial for moving forward.

On an emotional level, employees in receptive environments identify with the organization and its values and are committed to its continued existence. They believe that the organization stands for something more than profitability, market share, or stock performance and is therefore worth saving. Equally important, they trust the leader, believing that he or she shares their values and will fight to preserve them. Leaders earn considerable latitude from employees—and their proposals usually get the benefit of the doubt—when their hearts are thought to be in the right place.

Workers in such environments also have physical, hands-on experience with the new behaviors expected of them. They have seen the coming changes up close and understand what they are getting into. In such an atmosphere where it's acceptable for employees to wrestle with decisions on their own and practice unfamiliar ways of working, a leader can successfully allay irrational fears and undercut the myths that so often accompany major change efforts.

There is a powerful lesson in all this for leaders. To create a receptive environment, persuasion is the ultimate tool. Persuasion promotes understanding; understanding breeds acceptance; acceptance leads to action. Without persuasion, even the best of turnaround plans will fail to take root.

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Further Reading

ARTICLES

Campaigning for Change
by Larry Hirschhorn
Harvard Business Review
July 2002
Product no. R0207G

Hirschhorn suggests additional strategies for launching an effective persuasion campaign. He advocates three distinct—but linked—campaigns: 1) **Political:** Forge alliances with zealots at first, then with consensus builders as the change initiative unfolds. Eliminate bureaucracy layers and alter work processes to give employees ownership of the change. 2) **Marketing:** Sell your initiative's benefits by spreading effective new practices throughout your company and asking change-ready employees to spread the word about the initiative. 3) **Military:** Overcome resistance by building on insurgent initiatives and the passions feeding them. Establish beachheads to spur innovation, then loop the resulting learning back into your organization.

Leading Change: Why Transformation Efforts Fail
by John P. Kotter
Harvard Business Review
February 2000
Product no. 95204

Kotter affirms the importance of establishing a sense of urgency while leading change and offers additional guidelines for orchestrating a successful change process. Key actions include forming a guiding coalition to work as a change-leadership team outside the normal hierarchy, creating and communicating a compelling vision of where the change will take your company, and empowering employees to act on the vision. Additional strategies include generating and capitalizing on short-term successes, consolidating improvements to produce still more change, and institutionalizing new approaches and behaviors by, for example, promoting people into leadership positions who personify the new ways.

Harvard Business Review
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How can you catapult your organization to high performance when time and money are scarce? Police chief Bill Bratton has pulled that off again and again. Here's what it takes.

Tipping Point Leadership

by W. Chan Kim and Renée Mauborgne

Included with this full-text *Harvard Business Review* article:

Reprint R0304D

Tipping Point Leadership

The Idea in Brief

How can you overcome the hurdles facing any organization struggling to change: addiction to the status quo, limited resources, demotivated employees, and opposition from powerful vested interests?

Take lessons from police chief Bill Bratton, who's pulled the trick off five times. Most dramatically, he transformed the U.S.'s most dangerous city—New York—into its safest. Bratton used **tipping point leadership** to make unarguable calls for change, concentrate resources on what really mattered, mobilize key players' commitment, and silence naysayers.

Not every executive has Bratton's personality, but most have his potential—if they follow his success formula.

The Idea in Practice

FOUR STEPS TO THE TIPPING POINT

1. Break through the cognitive hurdle. To make a compelling case for change, don't just point at the numbers and demand better ones. Your abstract message won't stick. Instead, make key managers *experience* your organization's problems.

▶ Example:
New Yorkers once viewed subways as the most dangerous places in their city. But the New York Transit Police's senior staff pooh-poohed public fears—because none had ever ridden subways. To shatter their complacency, Bratton required all NYTP officers—himself included—to commute by subway. Seeing the jammed turnstiles, youth gangs, and derelicts, they grasped the need for change—and embraced responsibility for it.

2. Sidestep the resource hurdle. Rather than trimming your ambitions (dooming your company to mediocrity) or fighting for more resources (draining attention from the underlying problems), concentrate *current* resources on areas *most* needing change.

▶ Example:
Since the majority of subway crimes occurred at only a few stations, Bratton focused manpower there—instead of putting a cop on every subway line, entrance, and exit.

3. Jump the motivational hurdle. To turn a mere strategy into a movement, people must recognize what needs to be done and yearn to do it themselves. But don't try reforming your whole organization; that's cumbersome and expensive. Instead, motivate *key influencers*—persuasive people with multiple connections. Like bowling kingpins hit straight on, they topple all the other pins. Most organizations have several key influencers who share common problems and concerns—making it easy to identify and motivate them.

▶ Example:
Bratton put the NYPD's key influencers—precinct commanders—under a spotlight during semiweekly crime strategy review meetings, where peers and superiors grilled commanders about precinct performance. Results? A culture of performance, accountability, and learning that commanders replicated down the ranks.

Also make challenges attainable. Bratton exhorted staff to make NYC's streets safe "block by block, precinct by precinct, and borough by borough."

4. Knock over the political hurdle. Even when organizations reach their tipping points, powerful vested interests resist change. Identify and silence key naysayers early by putting a respected senior insider on your top team.

▶ Example:
At the NYPD, Bratton appointed 20-year veteran cop John Timoney as his number two. Timoney knew the key players and how they played the political game. Early on, he identified likely saboteurs and resisters among top staff—prompting a changing of the guard.

Also, silence opposition with indisputable facts. When Bratton proved his proposed crime-reporting system required less than 18 minutes a day, time-crunched precinct commanders adopted it.

How can you catapult your organization to high performance when time and money are scarce? Police chief Bill Bratton has pulled that off again and again. Here's what it takes.

Tipping Point Leadership

by W. Chan Kim and Renée Mauborgne

In February 1994, William Bratton was appointed police commissioner of New York City. The odds were against him. The New York Police Department, with a $2 billion budget and a workforce of 35,000 police officers, was notoriously difficult to manage. Turf wars over jurisdiction and funding were rife. Officers were underpaid relative to their counterparts in neighboring communities, and promotion seemed to bear little relationship to performance. Crime had gotten so far out of control that the press referred to the Big Apple as the Rotten Apple. Indeed, many social scientists had concluded, after three decades of increases, that New York City crime was impervious to police intervention. The best the police could do was react to crimes once they were committed.

Yet in less than two years, and without an increase in his budget, Bill Bratton turned New York into the safest large city in the nation. Between 1994 and 1996, felony crime fell 39%; murders, 50%; and theft, 35%. Gallup polls reported that public confidence in the NYPD jumped from 37% to 73%, even as internal surveys showed job satisfaction in the police department reaching an all-time high. Not surprisingly, Bratton's popularity soared, and in 1996, he was featured on the cover of *Time.* Perhaps most impressive, the changes have outlasted their instigator, implying a fundamental shift in the department's organizational culture and strategy. Crime rates have continued to fall: Statistics released in December 2002 revealed that New York's overall crime rate is the lowest among the 25 largest cities in the United States.

The NYPD turnaround would be impressive enough for any police chief. For Bratton, though, it is only the latest of no fewer than five successful turnarounds in a 20-year career in policing. In the hope that Bratton can repeat his New York and Boston successes, Los Angeles has recruited him to take on the challenge of turning around the LAPD. (For a summary of his achievements, see the exhibit "Bratton in Action.")

So what makes Bill Bratton tick? As management researchers, we have long been fascinated by what triggers high performance or suddenly brings an ailing organization back to life. In an effort to find the common elements underlying such leaps in performance, we have built a database of more than 125 business and nonbusiness organizations. Bratton first caught our attention in the early 1990s, when we heard about his turnaround of the New York Transit Police. Bratton was special for us because in all of his turnarounds, he succeeded in record time despite facing all four of the hurdles that managers consistently claim block high performance: an organization wedded to the status quo, limited resources, a demotivated staff, and opposition from powerful vested interests. If Bratton could succeed against these odds, other leaders, we reasoned, could learn a lot from him.

Over the years, through our professional and personal networks and the rich public information available on the police sector, we have systematically compared the strategic, managerial, and performance records of Bratton's turnarounds. We have followed up by interviewing the key players, including Bratton himself, as well as many other people who for professional—or sometimes personal—reasons tracked the events.

Our research led us to conclude that all of Bratton's turnarounds are textbook examples of what we call tipping point leadership. The theory of tipping points, which has its roots in epidemiology, is well known; it hinges on the insight that in any organization, once the beliefs and energies of a critical mass of people are engaged, conversion to a new idea will spread like an epidemic, bringing about fundamental change very quickly. The theory suggests that such a movement can be unleashed only by agents who make unforgettable and unarguable calls for change, who concentrate their resources on what really matters, who mobilize the commitment of the organization's key players, and who succeed in silencing the most vocal naysayers. Bratton did all of these things in all of his turnarounds.

Most managers only dream of pulling off the kind of performance leaps Bratton delivered. Even Jack Welch needed some ten years and tens of millions of dollars of restructuring and training to turn GE into the powerhouse it is today. Few CEOs have the time and money that Welch had, and most—even those attempting relatively mild change—are soon daunted by the scale of the hurdles they face. Yet we have found that the dream can indeed become a reality. For what makes Bratton's turnarounds especially exciting to us is that his approach to overcoming the hurdles standing in the way of high performance has been remarkably consistent. His successes, therefore, are not just a matter of personality but also of method, which suggests that they can be replicated. Tipping point leadership is learnable.

In the following pages, we'll lay out the approach that has enabled Bratton to overcome the forces of inertia and reach the tipping point. We'll show first how Bratton overcame the cognitive hurdles that block companies from recognizing the need for radical change. Then we'll describe how he successfully managed around the public sector's endemic constraints on resources, which he even turned to his advantage. In the third section, we'll explain how Bratton overcame the motivational hurdles that had discouraged and demoralized even the most eager police officers. Finally, we'll describe how Bratton neatly closed off potentially fatal resistance from vocal and powerful opponents. (For a graphic summary of the ideas expressed in this article, see the exhibit "Tipping Point Leadership at a Glance.")

Break Through the Cognitive Hurdle

In many turnarounds, the hardest battle is simply getting people to agree on the causes of current problems and the need for change. Most CEOs try to make the case for change simply by pointing to the numbers and insisting that the company achieve better ones. But messages communicated through numbers seldom stick. To the line managers—the very people the CEO needs to win over—the case for change seems abstract and remote. Those whose units are doing well feel that the criticism is not directed at them, that the problem is top management's. Managers of poorly performing units feel that they have been put on notice—and people worried about job security are more likely to be scanning the job market than trying to solve the company's problems.

For all these reasons, tipping point leaders

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Bratton in Action

The New York Police Department was not Bill Bratton's first turnaround. The table describes his biggest challenges and achievements during his 20 years as a policy reformer.

Domain	Boston Police District 4	Massachusetts Bay Transit Authority (MBTA)	Boston Metropolitan Police ("The Mets")	New York Transit Police (NYTP)	New York Police Department (NYPD)
Years	1977–1982	1983–1986	1986–1990	1990–1992	1994–1996
Position	Sergeant, lieutenant	Superintendent	Superintendent	Chief of police	Commissioner
Setting	Assaults, drug dealing, prostitution, public drinking, and graffiti were endemic to the area. The Boston public shied away from attending baseball games and other events and from shopping in the Fenway neighborhood for fear of being robbed or attacked or having their cars stolen.	Subway crime had been on the rise for the past five years. The media dubbed the Boston subway the Terror Train. The *Boston Globe* published a series on police incompetence in the MBTA.	The Mets lacked modern equipment, procedures, and discipline. Physical facilities were crumbling. Accountability, discipline, and morale were low in the 600-person Mets workforce.	Crime had risen 25% per year in the past three years – twice the overall rate for the city. Subway use by the public had declined sharply; polls indicated that New Yorkers considered the subway the most dangerous place in the city. There were 170,000 fare evaders per day, costing the city $80 million annually. Aggressive panhandling and vandalism were endemic. More than 5,000 people were living in the subway system.	The middle class was fleeing to the suburbs in search of a better quality of life. There was public despair in the face of the high crime rate. Crime was seen as part of a breakdown of social norms. The budget for policing was shrinking. The NYPD budget (aside from personnel) was being cut by 35%. The staff was demoralized and relatively underpaid.
Results	Crime throughout the Fenway area was dramatically reduced. Tourists, residents, and investment returned as an entire area of the city rebounded.	Crime on the MBTA decreased by 27%; arrests rose to 1,600 per year from 600. The MBTA police met more than 800 standards of excellence to be accredited by the National Commission on Accreditation for Police Agencies. It was only the 13th police department in the country to meet this standard. Equipment acquired during his tenure: 55 new midsize cars, new uniforms, and new logos. Ridership began to grow.	Employee morale rose as Bratton instilled accountability, protocol, and pride. In three years, the Metropolitan Police changed from a dispirited, do-nothing, reactive organization with a poor self-image and an even worse public image to a very proud, proactive department. Equipment acquired during his tenure: 100 new vehicles, a helicopter, and a state-of-the-art radio system.	In two years, Bratton reduced felony crime by 22%, with robberies down by 40%. Increased confidence in the subway led to increased ridership. Fare evasion was cut in half. Equipment acquired during his tenure: a state-of-the-art communication system, advanced handguns for officers, and new patrol cars (the number of cars doubled).	Overall crime fell by 17%. Felony crime fell by 39%. Murders fell by 50%. Theft fell by 35% (robberies were down by one-third, burglaries by one-quarter). There were 200,000 fewer victims a year than in 1990. By the end of Bratton's tenure, the NYPD had a 73% positive rating, up from 37% four years earlier.

like Bratton do not rely on numbers to break through the organization's cognitive hurdles. Instead, they put their key managers face-to-face with the operational problems so that the managers cannot evade reality. Poor performance becomes something they witness rather than hear about. Communicating in this way means that the message—performance is poor and needs to be fixed—sticks with people, which is essential if they are to be convinced not only that a turnaround is necessary but that it is something they can achieve.

When Bratton first went to New York to head the transit police in April 1990, he discovered that none of the senior staff officers rode the subway. They commuted to work and traveled around in cars provided by the city. Comfortably removed from the facts of underground life—and reassured by statistics showing that only 3% of the city's major crimes were committed in the subway—the senior managers had little sensitivity to riders' widespread concern about safety. In order to shatter the staff's complacency, Bratton began requiring that all transit police officials—beginning with himself—ride the subway to work, to meetings, and at night. It was many staff officers' first occasion in years to share the ordinary citizen's subway experience and see the situation their subordinates were up against: jammed turnstiles, aggressive beggars, gangs of youths jumping turnstiles and jostling people on the platforms, winos and homeless people sprawled on benches. It was clear that even if few major crimes took place in the subway, the whole place reeked of fear and disorder. With that ugly reality staring them in the face, the transit force's senior managers could no longer deny the need for a change in their policing methods.

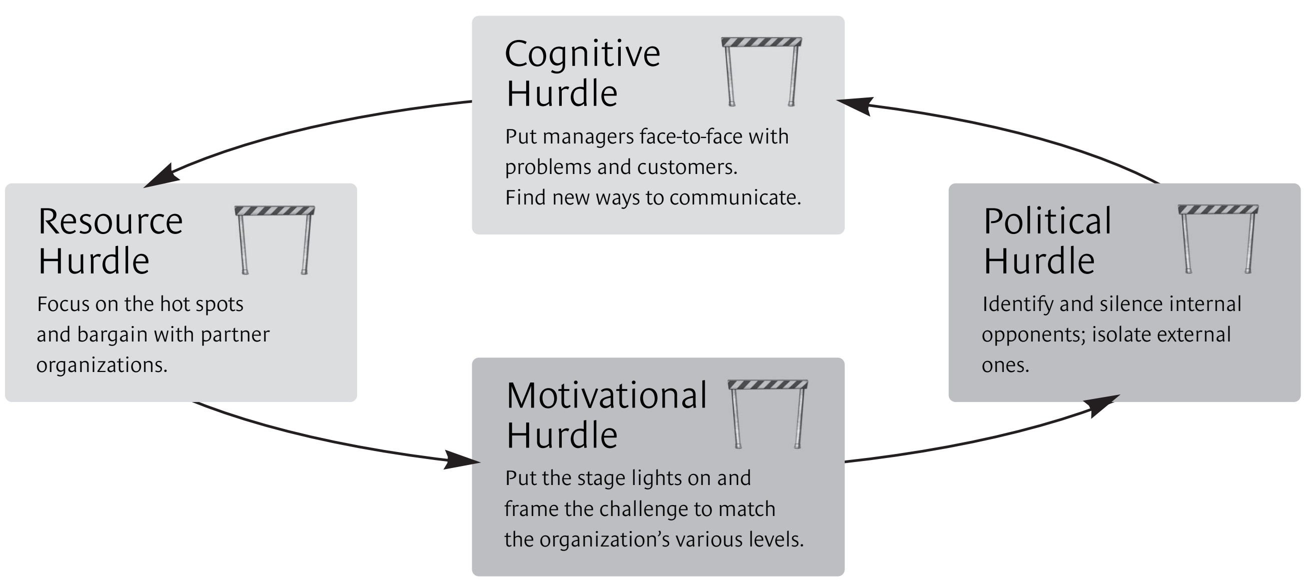
Bratton uses a similar approach to help sensitize his superiors to his problems. For instance, when he was running the police divi-

Tipping Point Leadership at a Glance

Leaders like Bill Bratton use a four-step process to bring about rapid, dramatic, and lasting change with limited resources. The cognitive and resource hurdles shown here represent the obstacles that organizations face in reorienting and formulating strategy. The motivational and political hurdles prevent a strategy's rapid execution. Tipping all four hurdles leads to rapid strategy reorientation and execution. Overcoming these hurdles is, of course, a continuous process because the innovation of today soon becomes the conventional norm of tomorrow.

Rapid strategy reorientation

Rapid strategy execution



In any organization, once the beliefs and energies of a critical mass of people are engaged, conversion to a new idea will spread like an epidemic.

sion of the Massachusetts Bay Transit Authority (MBTA), which runs the Boston-area subway and buses, the transit authority's board decided to purchase small squad cars that would be cheaper to buy and run. Instead of fighting the decision, Bratton invited the MBTA's general manager for a tour of the district. He picked him up in a small car just like the ones that were to be ordered. He jammed the seats forward to let the general manager feel how little legroom a six-foot cop would have, then drove him over every pothole he could find. Bratton also put on his belt, cuffs, and gun for the trip so the general manager could see how little space there was for the tools of the officer's trade. After just two hours, the general manager wanted out. He said he didn't know how Bratton could stand being in such a cramped car for so long on his own—let alone if there were a criminal in the backseat. Bratton got the larger cars he wanted.

Bratton reinforces direct experiences by insisting that his officers meet the communities they are protecting. The feedback is often revealing. In the late 1970s, Boston's Police District 4, which included Symphony Hall, the Christian Science Mother Church, and other cultural institutions, was experiencing a surge in crime. The public was increasingly intimidated; residents were selling and leaving, pushing the community into a downward spiral. The Boston police performance statistics, however, did not reflect this reality. District 4 police, it seemed, were doing a splendid job of rapidly clearing 911 calls and tracking down perpetrators of serious crimes. To solve this paradox, Bratton had the unit organize community meetings in schoolrooms and civic centers so that citizens could voice their concerns to district sergeants and detectives. Obvious as the logic of this practice sounds, it was the first time in Boston's police history that anyone had attempted such an initiative—mainly because the practice up to that time had argued for detachment between police and the community in order to decrease the chances of police corruption.

The limitations of that practice quickly emerged. The meetings began with a show-and-tell by the officers: This is what we are working on and why. But afterward, when citizens were invited to discuss the issues that concerned them, a huge perception gap came to light. While the police officers took pride in solving serious offenses like grand larceny and murder, few citizens felt in any danger from these crimes. They were more troubled by constant minor irritants: prostitutes, panhandlers, broken-down cars left on the streets, drunks in the gutters, filth on the sidewalks. The town meetings quickly led to a complete overhaul of the police priorities for District 4. Bratton has used community meetings like this in every turnaround since.

Bratton's internal communications strategy also plays an important role in breaking through the cognitive hurdles. Traditionally, internal police communication is largely based on memos, staff bulletins, and other documents. Bratton knows that few police officers have the time or inclination to do more than throw these documents into the wastebasket. Officers rely instead on rumor and media stories for insights into what headquarters is up to. So Bratton typically calls on the help of expert communication outsiders. In New York, for instance, he recruited John Miller, an investigative television reporter known for his gutsy and innovative style, as his communication czar. Miller arranged for Bratton to communicate through video messages that were played at roll calls, which had the effect of bringing Bratton—and his opinions—closer to the people he had to win over. At the same time, Miller's journalistic savvy made it easier for the NYPD to ensure that press interviews and stories echoed the strong internal messages Bratton was sending.

Sidestep the Resource Hurdle

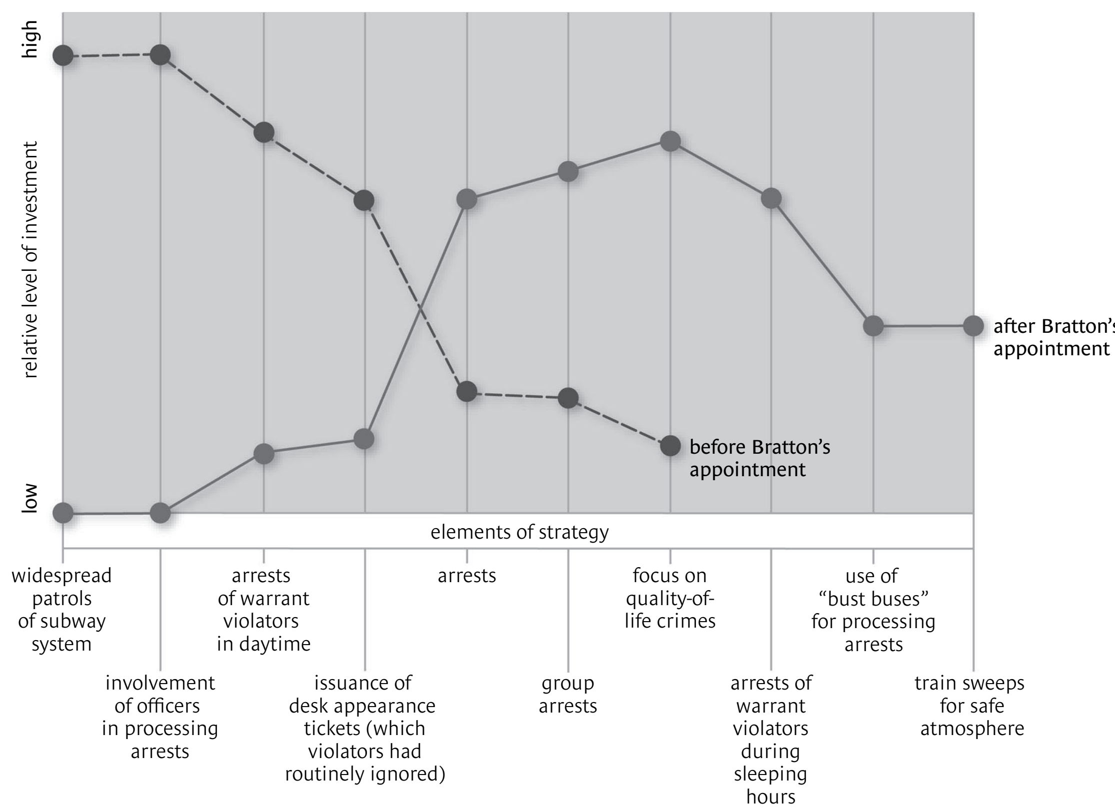
Once people in an organization accept the need for change and more or less agree on what needs to be done, leaders are often faced with the stark reality of limited resources. Do they have the money for the necessary changes? Most reformist CEOs do one of two things at this point. They trim their ambitions, dooming the company to mediocrity at best and demoralizing the workforce all over again, or they fight for more resources from their bankers and shareholders, a process that can take time and divert attention from the underlying problems.

That trap is completely avoidable. Leaders like Bratton know how to reach the organization's tipping point without extra resources.

The Strategy Canvas of Transit:

How Bratton Refocused Resources

In comparing strategies across companies, we like to use a tool we call the strategy canvas, which highlights differences in strategies and resource allocation. The strategy canvas shown here compares the strategy and allocation of resources of the New York Transit Police before and after Bill Bratton's appointment as chief. The vertical axis shows the relative level of resource allocation. The horizontal axis shows the various elements of strategy in which the investments were made. Although a dramatic shift in resource allocation occurred and performance rose dramatically, overall investment of resources remained more or less constant. Bratton did this by de-emphasizing or virtually eliminating some traditional features of transit police work while increasing emphasis on others or creating new ones. For example, he was able to reduce the time police officers spent processing suspects by introducing mobile processing centers known as "bust buses."



Leaders like Bratton do not need extra resources to reach the tipping point. They concentrate resources where the need and the likely payoffs are greatest.

They can achieve a great deal with the resources they have. What they do is concentrate their resources on the places that are most in need of change and that have the biggest possible payoffs. This idea, in fact, is at the heart of Bratton's famous (and once hotly debated) philosophy of zero-tolerance policing.

Having won people over to the idea of change, Bratton must persuade them to take a cold look at what precisely is wrong with their operating practices. It is at this point that he turns to the numbers, which he is adept at using to force through major changes. Take the case of the New York narcotics unit. Bratton's predecessors had treated it as secondary in importance, partly because they assumed that responding to 911 calls was the top priority. As a result, less than 5% of the NYPD's manpower was dedicated to fighting narcotics crimes.

At an initial meeting with the NYPD's chiefs, Bratton's deputy commissioner of crime strategy, Jack Maple, asked people around the table for their estimates of the percentage of crimes attributable to narcotics use. Most said 50%; others, 70%; the lowest estimate was 30%. On that basis, a narcotics unit consisting of less than 5% of the police force was grossly understaffed, Maple pointed out. What's more, it turned out that the narcotics squad largely worked Monday through Friday, even though drugs were sold in large quantities—and drug-related crimes persistently occurred—on the weekends. Why the weekday schedule? Because it had always been done that way; it was an unquestioned modus operandi. Once these facts were presented, Bratton's call for a major reallocation of staff and resources within the NYPD was quickly accepted.

A careful examination of the facts can also reveal where changes in key policies can reduce the need for resources, as Bratton demonstrated during his tenure as chief of New York's transit police. His predecessors had lobbied hard for the money to increase the number of subway cops, arguing that the only way to stop muggers was to have officers ride every subway line and patrol each of the system's 700 exits and entrances. Bratton, by contrast, believed that subway crime could be resolved not by throwing more resources at the problem but by better targeting those resources. To prove the point, he had members of his staff analyze where subway crimes were being committed. They found that the vast majority occurred at only a few stations and on a couple of lines, which suggested that a targeted strategy would work well. At the same time, he shifted more of the force out of uniform and into plain clothes at the hot spots. Criminals soon realized that an absence of uniforms did not necessarily mean an absence of cops.

Distribution of officers was not the only problem. Bratton's analysis revealed that an inordinate amount of police time was wasted in processing arrests. It took an officer up to 16 hours per arrest to book the suspect and file papers on the incident. What's more, the officers so hated the bureaucratic process that they avoided making arrests in minor cases. Bratton realized that he could dramatically increase his available policing resources—not to mention the officers' motivation—if he could somehow improvise around this problem. His solution was to park "bust buses"—old buses converted into arrest-processing centers—around the corner from targeted subway stations. Processing time was cut from 16 hours to just one. Innovations like that enabled Bratton to dramatically reduce subway crime—even without an increase in the number of officers on duty at any given time. (The exhibit "The Strategy Canvas of Transit: How Bratton Refocused Resources" illustrates how radically Bratton refocused the transit police's resources.)

Bratton's drive for data-driven policing solutions led to the creation of the famous Compstat crime database. The database, used to identify hot spots for intense police intervention, captures weekly crime and arrest activity—including times, locations, and associated enforcement activities—at the precinct, borough, and city levels. The Compstat reports allowed Bratton and the entire police department to easily discern established and emerging hot spots for efficient resource targeting and retargeting.

In addition to refocusing the resources he already controls, Bratton has proved adept at trading resources he doesn't need for those he does. The chiefs of public-sector organizations are reluctant to advertise excess resources, let alone lend them to other agencies, because acknowledged excess resources tend to get reallocated. So over time, some organizations end up well endowed with resources they don't need—even if they are short of others. When Bratton took over as chief of the transit police, for example, his general counsel and policy adviser, Dean Esserman, now police chief of Providence, Rhode Island, discovered that the transit unit had more unmarked cars than it needed but was starved of office space. The New York Division of Parole, on the other hand, was short of cars but had excess office space. Esserman and Bratton offered the obvious trade. It was gratefully accepted by the parole division, and transit officials were delighted to get the first floor of a prime downtown building. The deal stoked Bratton's credibility within the organization, which would make it easier for him to introduce more fundamental changes later, and it marked him, to his political bosses, as a man who could solve problems.

Jump the Motivational Hurdle

Alerting employees to the need for change and identifying how it can be achieved with limited resources are necessary for reaching an organization's tipping point. But if a new strategy is to become a movement, employees must not only recognize what needs to be done, they must also want to do it. Many CEOs recognize the importance of getting people motivated to make changes, but they make the mistake of trying to reform incentives throughout the whole organization. That process takes a long time to implement and can prove very expensive, given the wide variety of motivational needs in any large company.

Bratton solves the motivation problem by singling out the key influencers. They act like kingpins in bowling: When you hit them just right, all the pins topple over.

One way Bratton solves the motivation problem is by singling out the key influencers—people inside or outside the organization with disproportionate power due to their connections with the organization, their ability to persuade, or their ability to block access to resources. Bratton recognizes that these influencers act like kingpins in bowling: When you hit them just right, all the pins topple over. Getting the key influencers motivated frees an organization from having to motivate everyone, yet everyone in the end is touched and changed. And because most organizations have relatively small numbers of key influencers, and those people tend to share common problems and concerns, it is relatively easy for CEOs to identify and motivate them.

Bratton's approach to motivating his key influencers is to put them under a spotlight. Perhaps his most significant reform of the NYPD's operating practices was instituting a semiweekly strategy review meeting that brought the top brass together with the city's 76 precinct commanders. Bratton had identified the commanders as key influential people in the NYPD, because each one directly managed 200 to 400 officers. Attendance was mandatory for all senior staff, including three-star chiefs, deputy commissioners, and borough chiefs. Bratton was there as often as possible.

At the meetings, which took place in an auditorium at the police command center, a selected precinct commander was called before a panel of the senior staff (the selected officer was given only two days' notice, in order to keep all the commanders on their toes). The commander in the spotlight was questioned by both the panel and other commanders about the precinct's performance. He or she was responsible for explaining projected maps and charts that showed, based on the Compstat data, the precinct's patterns of crimes and when and where the police responded. The commander would be required to provide a detailed explanation if police activity did not mirror crime spikes and would also be asked how officers were addressing the precinct's issues and why performance was improving or deteriorating. The meetings allowed Bratton and his senior staff to carefully monitor and assess how well commanders were motivating and managing their people and how well they were focusing on strategic hot spots.

The meetings changed the NYPD's culture in several ways. By making results and responsibilities clear to everyone, the meetings helped to introduce a culture of performance. Indeed, a photo of the commander who was about to be grilled appeared on the front page of the handout that each meeting participant received, emphasizing that the commander was accountable for the precinct's results. An incompetent commander could no longer cover up his failings by blaming his precinct's results on the shortcomings of neighboring precincts, because his neighbors were in the room and could respond. By the same token, the meetings gave high achievers a chance to be recognized both for making improvements in their own precincts and for helping other commanders. The meetings also allowed police leaders to compare notes on their experiences; before Bratton's arrival, precinct commanders hardly ever got together as a group. Over time, this management style filtered down through the ranks, as the precinct commanders tried out their own versions of Bratton's meetings. With the spotlight shining brightly on their performance, the commanders were highly motivated to get all the officers under their control marching to the new strategy.

The great challenges in applying this kind of motivational device, of course, are ensuring that people feel it is based on fair processes and seeing to it that they can draw lessons from both good and bad results. Doing so increases the organization's collective strength and everyone's chance of winning. Bratton addresses the issue of fair process by engaging all key influencers in the procedures, setting clear performance expectations, and explaining why these strategy meetings, for example, are essential for fast execution of policy. He addresses the issue of learning by insisting that the team of top brass play an active role in meetings and by being an active moderator himself. Precinct commanders can talk about their achievements or failures without feeling that they are showing off or being shown up. Successful commanders aren't seen as bragging, because it's clear to everyone that they were asked by Bratton's top team to show, in detail, how they achieved their successes. And for commanders on the receiving end, the sting of having to be taught a lesson by a colleague is mitigated, at least, by their not having to suffer the indignity of asking for it. Bratton's popularity soared when he created a humorous video satirizing the grilling that precinct commanders were given; it showed the cops that he understood just how much he was asking of them.

Bratton also uses another motivational lever: framing the reform challenge itself. Framing the challenge is one of the most subtle and sensitive tasks of the tipping point leader; unless people believe that results are attainable, a turnaround is unlikely to succeed. On the face of it, Bratton's goal in New York was so ambitious as to be scarcely believable. Who would believe that the city could be made one of the safest in the country? And who would want to invest time and energy in chasing such an impossible dream?

To make the challenge seem manageable, Bratton framed it as a series of specific goals that officers at different levels could relate to. As he put it, the challenge the NYPD faced was to make the streets of New York safe "block by block, precinct by precinct, and borough by borough." Thus framed, the task was both all encompassing and doable. For the cops on the street, the challenge was making their beats or blocks safe—no more. For the commanders, the challenge was making their precincts safe—no more. Borough heads also had a concrete goal within their capabilities: making their boroughs safe—no more. No matter what their positions, officers couldn't say that what was being asked of them was too tough. Nor could they claim that achieving it was out of their hands. In this way, responsibility for the turnaround shifted from Bratton to each of the thousands of police officers on the force.

Knock Over the Political Hurdle

Organizational politics is an inescapable reality in public and corporate life, a lesson Bratton learned the hard way. In 1980, at age 34 one of the youngest lieutenants in Boston's police department, he had proudly put up a plaque in his office that said: "Youth and skill will win out every time over age and treachery." Within just a few months, having been shunted into a dead-end position due to a mixture of office politics and his own brashness, Bratton took the sign down. He never again forgot the importance of understanding the plotting, intrigue, and politics involved in pushing through change. Even if an organization has reached the tipping point, powerful vested interests will resist the impending reforms. The more likely change becomes, the more fiercely and vocally these negative influencers—both internal and external—will fight to protect their positions, and their resistance can seriously damage, even derail, the reform process.

Bratton anticipates these dangers by identifying and silencing powerful naysayers early on. To that end, he always ensures that he has a respected senior insider on the top team. At the NYPD, for instance, Bratton appointed John Timoney, now Miami's police commissioner, as his number two. Timoney was a

Bratton's alliance with the mayor's office and the New York Times *isolated the courts, which had opposed his zero-tolerance policing out of fear that it would clog court schedules.*

cop's cop, respected and feared for his dedication to the NYPD and for the more than 60 decorations he had received. Twenty years in the ranks had taught him who all the key players were and how they played the political game. One of the first tasks Timoney carried out was to report to Bratton on the likely attitudes of the top staff toward Bratton's concept of zero-tolerance policing, identifying those who would fight or silently sabotage the new initiatives. This led to a dramatic changing of the guard.

Of course, not all naysayers should face the ultimate sanction—there might not be enough people left to man the barricades. In many cases, therefore, Bratton silences opposition by example and indisputable fact. For instance, when first asked to compile detailed crime maps and information packages for the strategy review meetings, most precinct commanders complained that the task would take too long and waste valuable police time that could be better spent fighting crime. Anticipating this argument, deputy commissioner Jack Maple set up a reporting system that covered the city's most crime-ridden areas. Operating the system required no more than 18 minutes a day, which worked out, as he told the precinct commanders, to less than 1% of the average precinct's workload. Try to argue with that.

Often the most serious opposition to reform comes from outside. In the public sector, as in business, an organization's change of strategy has an impact on other organizations—partners and competitors alike. The change is likely to be resisted by those players if they are happy with the status quo and powerful enough to protest the changes. Bratton's strategy for dealing with such opponents is to isolate them by building a broad coalition with the other independent powers in his realm. In New York, for example, one of the most serious threats to his reforms came from the city's courts, which were concerned that zero-tolerance policing would result in an enormous number of small-crimes cases clogging the court schedule.

To get past the opposition of the courts, Bratton solicited the support of no less a personage than the mayor, Rudolph Giuliani, who had considerable influence over the district attorneys, the courts, and the city jail on Rikers Island. Bratton's team demonstrated to the mayor that the court system had the capacity to handle minor "quality of life" crimes, even though doing so would presumably not be palatable for them.

The mayor decided to intervene. While conceding to the courts that a crackdown campaign would cause a short-term spike in court work, he also made clear that he and the NYPD believed it would eventually lead to a workload reduction for the courts. Working together in this way, Bratton and the mayor were able to maneuver the courts into processing quality-of-life crimes. Seeing that the mayor was aligned with Bratton, the courts appealed to the city's legislators, advocating legislation to exempt them from handling minor-crime cases on the grounds that such cases would clog the system and entail significant costs to the city. Bratton and the mayor, who were holding weekly strategy meetings, added another ally to their coalition by placing their case before the press, in particular the *New York Times.* Through a series of press conferences and articles and at every interview opportunity, the issue of zero tolerance was put at the front and center of public debate with a clear, simple message: If the courts did not help crack down on quality-of-life crimes, the city's crime rates would not improve. It was a matter not of saving dollars but of saving the city.

Bratton's alliance with the mayor's office and the city's leading media institution successfully isolated the courts. The courts could hardly be seen as publicly opposing an initiative that would not only make New York a more attractive place to live but would ultimately reduce the number of cases brought before them. With the mayor speaking aggressively in the press about the need to pursue quality-of-life crimes and the city's most respected—and liberal—newspaper giving credence to the policy, the costs of fighting Bratton's strategy were daunting. Thanks to this savvy politicking, one of Bratton's biggest battles was won, and the legislation was not enacted. The courts would handle quality-of-life crimes. In due course, the crime rates did indeed come tumbling down.

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Of course, Bill Bratton, like any leader, must share the credit for his successes. Turning around an organization as large and as wedded to the status quo as the NYPD requires a collective effort. But the tipping point would not have been reached without him—or another leader like him. And while we recognize that not every executive has the personality to be a Bill Bratton, there are many who have that potential once they know the formula for success. It is that formula that we have tried to present, and we urge managers who wish to turn their companies around, but have limited time and resources, to take note. By addressing the hurdles to tipping point change described in these pages, they will stand a chance of achieving the same kind of results for their shareholders as Bratton has delivered to the citizens of New York.

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Further Reading

ARTICLES

Cracking the Code of Change
by Michael Beer and Nitin Nohria
Harvard Business Review
May–June 2000
Product no. 651X

Beer and Nohria would describe Bratton's tipping point leadership as a savvy blending of two different—but complementary—theories of change: "Theory E" emphasizes economic results through hard-nosed actions such as layoffs and restructuring. "Theory O" is a "softer" approach focusing on developing corporate culture and human capability, and patiently building trust and commitment to the company through teamwork and communication.

To achieve sustainable competitive advantage, Beer and Nohria recommend combining theories E and O on five change dimensions: goals, leadership, focus, process, and rewards. For example, set direction from above *while also* engaging people from below, and establish systems that encourage experimentation by setting up "risk-free" zones where employees can fail without penalty.

Leading Change: Why Transformation Efforts Fail
by John P. Kotter
Harvard Business Review
March–April 1995
Product no. 4231

Bratton's change-leadership process in many ways reflects Kotter's model. In Kotter's view, successful transformations go through a series of eight distinct stages—which executives must work through in sequence. Skipping steps to try to accelerate the process—or making a critical mistake in any one stage—invariably spawns problems.

The stages are: establish a sense of urgency, form a powerful guiding coalition, create a compelling vision, communicate that vision through every possible means, empower others to act on the vision, score short-term wins, consolidate improvements to produce still more change, and institutionalize new approaches.

BOOK

The Heart of Change: Real-Life Stories of How People Change Their Organization
by John P. Kotter and Dan S. Cohen
Harvard Business School Press
2002
Product no. 2549

This book emphasizes cognitive and motivational strategies Bratton also uses: making a case for change in ways that spark people's emotions and inspire them to seize ownership of the effort. The authors introduce the "see-feel-change" dynamic, which is based on Kotter's eight-stage change model.

Kotter and Cohen maintain that the key to lasting change isn't making people *behave* differently; it's making them *feel* differently—by appealing to their hearts more than their minds. The key? Use concrete, visual elements. One manufacturer convinced division presidents that purchasing processes were out of control by bagging samples of the 424 kinds of welding gloves the company was buying and displaying the collection on the boardroom table. The bags included pricing information, so everyone saw that the company was buying gloves ranging from $3.22 to $10.55—though the items were nearly identical. The presidents gained a graphic sense of "this is how bad it is" and people still talk about the "glove story" today.

Harvard Business Review
www.hbr.org

It's a psychological dynamic called a "competing commitment," and until managers understand how it works and the ways to overcome it, they can't do a thing about change-resistant employees.

The Real Reason People Won't Change

by Robert Kegan and Lisa Laskow Lahey

Included with this full-text *Harvard Business Review* article:

Reprint R0110E

The Idea in Brief

Tearing out your managerial hair over employees who just won't change—especially the ones who are clearly smart, skilled, and deeply committed to your company and your plans for improvement?

Before you throw up your hands in frustration, listen to recent psychological research: These otherwise valued employees aren't *purposefully* subversive or resistant. Instead, they may be unwittingly caught in a **competing commitment** —a subconscious, hidden goal that conflicts with their *stated* commitments. For example: A project leader dragging his feet has an unrecognized competing commitment to avoid tougher assignments that may come his way if he delivers too successfully on the current project.

Competing commitments make people personally immune to change. Worse, they can undermine your best employees'—and your company's—success.

If the thought of tackling these hidden commitments strikes you as a psychological quagmire, you're not alone. However, you can help employees uncover and move beyond their competing commitments—*without* having to "put them on the couch." But take care: You'll be challenging employees' deepest psychological foundations and questioning their longest-held beliefs.

Why bother, you ask? Consider the rewards: You help talented employees become much more effective and make far more significant contributions to your company. And, you discover what's *really* going on when people who seem genuinely committed to change dig in their heels.

The Idea in Practice

Use these steps to break through an employee's immunity to change:

DIAGNOSE THE COMPETING COMMITMENT

Take two to three hours to explore these questions with the employee:

"What would you like to see changed at work, so you could be more effective, or so work would be more satisfying?" Responses are usually complaints—e.g., Tom, a manager, grumbled, "My subordinates keep me out of the loop."

"What commitment does your complaint imply?" Complaints indicate what people care about most—e.g., Tom revealed, "I believe in open, candid communication."

"What are *you* doing, or not doing, to keep your commitment from being more fully realized?" Tom admitted, "When people bring bad news, I tend to shoot the messenger."

"Imagine doing the *opposite* of the undermining behavior. Do you feel any discomfort, worry, or vague fear?" Tom imagined listening calmly and openly to bad news and concluded, "I'm afraid I'll hear about a problem I can't fix."

"By engaging in this undermining behavior, what worrisome outcome are you committed to preventing?" The answer *is* the competing commitment—what causes them to dig in their heels against change. Tom conceded, *"I'm committed to not learning about problems I can't fix."*

IDENTIFY THE BIG ASSUMPTION

This is the worldview that colors everything we see and that generates our competing commitment.

People often form big assumptions early in life and then seldom, if ever, examine them. They're woven into the very fabric of our lives. But only by bringing them into the light can people finally challenge their deepest beliefs and recognize why they're engaging in seemingly contradictory behavior.

To identify the big assumption, guide an employee through this exercise:

Create a sentence stem that inverts the competing commitment, then "fill in the blank." Tom turned his competing commitment to not hearing about problems he couldn't fix into this big assumption: "I assume that if I *did* hear about problems I can't fix, *people would discover I'm not qualified to do the job*."

TEST—AND CONSIDER REPLACING—THE BIG ASSUMPTION

By analyzing the circumstances leading up to and reinforcing their big assumptions, employees empower themselves to test those assumptions. They can now carefully and safely experiment with behaving differently than they usually do.

After running several such tests, employees may feel ready to reevaluate the big assumption itself—and possibly even replace it with a new worldview that more accurately reflects their abilities.

At the very least, they'll eventually find more effective ways to support their competing commitment *without* sabotaging other commitments. *They* achieve ever-greater accomplishments—and your *organization* benefits by finally gaining greater access to their talents.

It's a psychological dynamic called a "competing commitment," and until managers understand how it works and the ways to overcome it, they can't do a thing about change-resistant employees.

The Real Reason People Won't Change

by Robert Kegan and Lisa Laskow Lahey

Every manager is familiar with the employee who just won't change. Sometimes it's easy to see why—the employee fears a shift in power, the need to learn new skills, the stress of having to join a new team. In other cases, such resistance is far more puzzling. An employee has the skills and smarts to make a change with ease, has shown a deep commitment to the company, genuinely supports the change—and yet, inexplicably, does nothing.

What's going on? As organizational psychologists, we have seen this dynamic literally hundreds of times, and our research and analysis have recently led us to a surprising yet deceptively simple conclusion. Resistance to change does not reflect opposition, nor is it merely a result of inertia. Instead, even as they hold a sincere commitment to change, many people are unwittingly applying productive energy toward a hidden *competing commitment*. The resulting dynamic equilibrium stalls the effort in what looks like resistance but is in fact a kind of personal immunity to change.

When you, as a manager, uncover an employee's competing commitment, behavior that has seemed irrational and ineffective suddenly becomes stunningly sensible and masterful—but unfortunately, on behalf of a goal that conflicts with what you and even the employee are trying to achieve. You find out that the project leader who's dragging his feet has an unrecognized competing commitment to avoid the even tougher assignment—one he fears he can't handle—that might come his way next if he delivers too successfully on the task at hand. Or you find that the person who won't collaborate despite a passionate and sincere commitment to teamwork is equally dedicated to avoiding the conflict that naturally attends any ambitious team activity.

In these pages, we'll look at competing commitments in detail and take you through a process to help your employees overcome their immunity to change. The process may sound straightforward, but it is by no means quick or easy. On the contrary, it challenges the very psychological foundations upon which people function. It asks people to call into question beliefs they've long held close, perhaps since childhood. And it requires people to admit to painful, even embarrassing, feelings that they would not ordinarily disclose to others or even to themselves. Indeed, some people will opt not to disrupt their immunity to change, choosing instead to continue their fruitless struggle against their competing commitments.

As a manager, you must guide people through this exercise with understanding and sensitivity. If your employees are to engage in honest introspection and candid disclosure, they must understand that their revelations won't be used against them. The goal of this exploration is solely to help them become more effective, not to find flaws in their work or character. As you support your employees in unearthing and challenging their innermost assumptions, you may at times feel you're playing the role of a psychologist. But in a sense, managers *are* psychologists. After all, helping people overcome their limitations to become more successful at work is at the very heart of effective management.

We'll describe this delicate process in detail, but first let's look at some examples of competing commitments in action.

Shoveling Sand Against the Tide

Competing commitments cause valued employees to behave in ways that seem inexplicable and irremediable, and this is enormously frustrating to managers. Take the case of John, a talented manager at a software company. (Like all examples in this article, John's experiences are real, although we have altered identifying features. In some cases, we've constructed composite examples.) John was a big believer in open communication and valued close working relationships, yet his caustic sense of humor consistently kept colleagues at a distance. And though he wanted to move up in the organization, his personal style was holding him back. Repeatedly, John was counseled on his behavior, and he readily agreed that he needed to change the way he interacted with others in the organization. But time after time, he reverted to his old patterns. Why, his boss wondered, did John continue to undermine his own advancement?

As it happened, John was a person of color working as part of an otherwise all-white executive team. When he went through an exercise designed to help him unearth his competing commitments, he made a surprising discovery about himself. Underneath it all, John believed that if he became too well integrated with the team, it would threaten his sense of loyalty to his own racial group. Moving too close to the mainstream made him feel very uncomfortable, as if he were becoming "one of them" and betraying his family and friends. So when people gathered around his ideas and suggestions, he'd tear down their support with sarcasm, inevitably (and effectively) returning himself to the margins, where he was more at ease. In short, while John was genuinely committed to working well with his colleagues, he had an equally powerful competing commitment to keeping his distance.

Consider, too, a manager we'll call Helen, a rising star at a large manufacturing company. Helen had been assigned responsibility for speeding up production of the company's most popular product, yet she was spinning her wheels. When her boss, Andrew, realized that an important deadline was only two months away and she hadn't filed a single progress report, he called her into a meeting to discuss the project. Helen agreed that she was far behind schedule, acknowledging that she had been stalling in pulling together the team. But at the same time she showed a genuine commitment to making the project a success. The two developed a detailed plan for changing direction, and Andrew assumed the problem was resolved. But three weeks after the meeting, Helen still hadn't launched the team.

Why was Helen unable to change her behavior? After intense self-examination in a workshop with several of her colleagues, she came to an unexpected conclusion: Although she truly wanted the project to succeed, she had an accompanying, unacknowledged commitment to maintaining a subordinate position in relation to Andrew. At a deep level, Helen was concerned that if she succeeded in her new role—one she was excited about and eager to undertake—she would become more a peer than a subordinate. She was uncertain whether Andrew was prepared for the turn their relationship would take. Worse, a promotion would mean that she, not Andrew, would be ultimately accountable for the results of her work—and Helen feared she wouldn't be up to the task.

Robert Kegan is the William and Miriam Meehan Professor of Adult Learning and Professional Development and **Lisa Laskow Lahey** is the research director of the Change Leadership Group at the Harvard University Graduate School of Education in Cambridge, Massachusetts. They are the coauthors of *How the Way We Talk Can Change the Way We Work* (Jossey-Bass/Wiley, 2001) and the founding principals of Minds at Work (www.mindsatwork.com), a consulting firm based in Lexington, Massachusetts.

These stories shed some light on the nature of immunity to change. The inconsistencies between John's and Helen's stated goals and their actions reflect neither hypocrisy nor unspoken reluctance to change but the paralyzing effect of competing commitments. Any manager who seeks to help John communicate more effectively or Helen move her project forward, without understanding that each is also struggling unconsciously toward an opposing agenda, is shoveling sand against the tide.

Diagnosing Immunity to Change

Competing commitments aren't distressing only to the boss; they're frustrating to employees as well. People with the most sincere intentions often unwittingly create for themselves Sisyphean tasks. And they are almost always tremendously relieved when they discover just *why* they feel as if they are rolling a boulder up a hill only to have it roll back down again. Even though uncovering a competing commitment can open up a host of new concerns, the discovery offers hope for finally accomplishing the primary, stated commitment.

Based on the past 15 years of working with hundreds of managers in a variety of companies, we've developed a three-stage process to help organizations figure out what's getting in the way of change. First, managers guide employees through a set of questions designed to uncover competing commitments. Next, employees examine these commitments to determine the underlying assumptions at their core. And finally, employees start the process of changing their behavior.

We'll walk through the process fairly quickly below, but it's important to note that each step will take time. Just uncovering the competing commitment will require at least two or three hours, because people need to reflect on each question and the implications of their answers. The process of challenging competing commitments and making real progress toward overcoming immunity to change unfolds over a longer period—weeks or even months. But just

Getting Groups to Change

Although competing commitments and big assumptions tend to be deeply personal, groups are just as susceptible as individuals to the dynamics of immunity to change. Face-to-face teams, departments, and even companies as a whole can fall prey to inner contradictions that "protect" them from significant changes they may genuinely strive for. The leadership team of a video production company, for instance, enjoyed a highly collaborative, largely flat organizational structure. A year before we met the group, team members had undertaken a planning process that led them to a commitment of which they were unanimously in favor: In order to ensure that the company would grow in the way the team wished, each of the principals would take responsibility for aggressively overseeing a distinct market segment.

The members of the leadership team told us they came out of this process with a great deal of momentum. They knew which markets to target, they had formed some concrete plans for moving forward, and they had clearly assigned accountability for each market. Yet a year later, the group had to admit it had accomplished very little, despite the enthusiasm. There were lots of rational explanations: "We were unrealistic; we thought we could do new things and still have time to keep meeting our present obligations." "We didn't pursue new clients aggressively enough." "We tried new things but gave up too quickly if they didn't immediately pay off."

Efforts to overcome these barriers—to pursue clients more aggressively, for instance—didn't work because they didn't get to the cause of the unproductive behavior. But by seeing the team's explanations as a potential window into the bigger competing commitment, we were able to help the group better understand its predicament. We asked, "Can you identify even the vaguest fear or worry about what might happen if you *did* more aggressively pursue the new markets? Or if you reduced some of your present activity on behalf of building the new business?" Before long, a different discourse began to emerge, and the other half of a striking groupwide contradiction came into view: The principals were worried that pursuing the plan would drive them apart functionally and emotionally.

"We now realize we are also committed to preserving the noncompetitive, intellectually rewarding, and cocreative spirit of our corporate enterprise," they concluded. On behalf of this commitment, the team members had to commend themselves on how "noncompetitively" and "cocreatively" they were finding ways to undermine the strategic plans they still believed were the best route to the company's future success. The team's big assumptions? "We assumed that pursuing the target-market strategy, with each of us taking aggressive responsibility for a given segment, would create the 'silos' we have long happily avoided and would leave us more isolated from one another. We also assumed the strategy would make us more competitively disposed toward one another." Whether or not the assumptions were true, they would have continued to block the group's efforts until they were brought to light. In fact, as the group came to discover, there were a variety of moves that would allow the leadership team to preserve a genuinely collaborative collegiality while pursuing the new corporate strategy.

A Diagnostic Test for Immunity to Change

The most important steps in diagnosing immunity to change are uncovering employees' competing commitments and unearthing their big assumptions. To do so, we ask a series of questions and record key responses in a simple grid. Below we've listed the responses for six people who went through this exercise, including the examples described in the text. The grid paints a picture of the change-immunity system, making sense of a previously puzzling dynamic.

	Stated commitment *I am committed to…*	**What am I doing, or not doing, that is keeping my stated commitment from being fully realized?**	**Competing commitments**	**Big assumptions**
John	***…high quality communication with my colleagues.***	Sometimes I use sarcastic humor to get my point across.	I am committed to maintaining a distance from my white colleagues.	I assume I will lose my authentic connection to my racial group if I get too integrated into the mainstream.
Helen	***…the new initiative.***	I don't push for top performance from my team members or myself; I accept mediocre products and thinking too often; I don't prioritize.	I am committed to not upsetting my relationship with my boss by leaving the mentee role.	I assume my boss will stop supporting me if I move toward becoming his peer; I assume that I don't have what it takes to successfully carry out a cutting-edge project.
Tom	***…hearing from my subordinates and maximizing the flow of information into my office.***	I don't ask questions or ask to be kept in the loop on sensitive or delicate matters; I shoot the messenger when I hear bad news.	I am committed to not learning about things I can't do anything about.	I assume as a leader I should be able to address all problems; I assume I will be seen as incompetent if I can't solve all problems that come up.
Mary	***…distributed leadership by enabling people to make decisions.***	I don't delegate enough; I don't pass on the necessary information to the people I distribute leadership to.	I am committed to having things go my way, to being in control, and to ensuring that the work is done to my high standards.	I assume that other people will waste my time and theirs if I don't step in; I assume others aren't as smart as I am.
Bill	***…being a team player.***	I don't collaborate enough; I make unilateral decisions too often; I don't really take people's input into account.	I am committed to being the one who gets the credit and to avoiding the frustration or conflict that comes with collaboration.	I assume that no one will appreciate me if I am not seen as the source of success; I assume nothing good will come of my being frustrated or in conflict.
Jane	***…turning around my department.***	Too often I let things slide; I'm not proactive enough in getting people to follow through with their tasks.	I am committed to not setting full sail until I have a clear map of how we get our department from here to there.	I assume that if I take my group out into deep waters and discover I am unable to get us to the other side, I will be seen as an incompetent leader who is undeserving of trust or responsibility.

getting the commitments on the table can have a noticeable effect on the decisions people make and the actions they take.

Uncovering Competing Commitments

Overcoming immunity to change starts with uncovering competing commitments. In our work, we've found that even though people keep their competing commitments well hidden, you can draw them out by asking a series of questions—as long as the employees believe that personal and potentially embarrassing disclosures won't be used inappropriately. It can be very powerful to guide people through this diagnostic exercise in a group—typically with several volunteers making their own discoveries public—so people can see that others, even the company's star performers, have competing commitments and inner contradictions of their own.

The first question we ask is, *What would you like to see changed at work, so that you could be more effective or so that work would be more satisfying?* Responses to this question are nearly always couched in a complaint—a form of communication that most managers bemoan because of its negative, unproductive tone. But complaints can be immensely useful. People complain only about the things they care about, and they complain the loudest about the things they care about most. With little effort, people can turn their familiar, uninspiring gripes into something that's more likely to energize and motivate them—a commitment, genuinely their own.

To get there, you need to ask a second question: *What commitments does your complaint imply?* A project leader we worked with, we'll call him Tom, had grumbled, "My subordinates keep me out of the loop on important developments in my project." This complaint yielded the statement, "I believe in open and candid communication." A line manager we'll call Mary lamented people's unwillingness to speak up at meetings; her complaint implied a commitment to shared decision making.

While undoubtedly sincere in voicing such commitments, people can nearly always identify some way in which they are in part responsible for preventing them from being fulfilled. Thus, the third question is: *What are* you *doing, or not doing, that is keeping your commitment from being more fully realized?* Invariably, in our experience, people can identify these undermining behaviors in just a couple of seconds. For example, Tom admitted: "When people bring me bad news, I tend to shoot the messenger." And Mary acknowledged that she didn't delegate much and that she sometimes didn't release all the information people needed in order to make good decisions.

In both cases, there may well have been other circumstances contributing to the shortfalls, but clearly both Tom and Mary were engaging in behavior that was affecting the people around them. Most people recognize this about themselves right away and are quick to say, "I need to stop doing that." Indeed, Tom had repeatedly vowed to listen more openly to potential problems that would slow his projects. However, the purpose of this exercise is not to make these behaviors disappear—at least not now. The purpose is to understand why people behave in ways that undermine their own success.

The next step, then, is to invite people to consider the consequences of forgoing the behavior. We do this by asking a fourth question: *If you imagine doing the opposite of the undermining behavior, do you detect in yourself any discomfort, worry, or vague fear?* Tom imagined himself listening calmly and openly to some bad news about a project and concluded, "I'm afraid I'll hear about a problem that I can't fix, something that I can't do anything about." And Mary? She considered allowing people more latitude and realized that, quite frankly, she feared people wouldn't make good decisions and she would be forced to carry out a strategy she thought would lead to an inferior result.

The final step is to transform that passive fear into a statement that reflects an active commitment to preventing certain outcomes. We ask, *By engaging in this undermining behavior, what worrisome outcome are you committed to preventing?* The resulting answer is the competing commitment, which lies at the very heart of a person's immunity to change. Tom admitted, "I am committed to not learning about problems I can't fix." By intimidating his staff, he prevented them from delivering bad news, protecting himself from the fear that he was not in control of the project. Mary, too, was protecting herself—in her case, against the consequences of bad decisions. "I am committed to making sure my group does not make decisions that I don't like."

Such revelations can feel embarrassing. While primary commitments nearly always reflect noble goals that people would be happy to shout from the rooftops, competing commitments are very personal, reflecting vulnerabilities that people fear will undermine how they are regarded both by others and themselves. Little wonder people keep them hidden and hasten to cover them up again once they're on the table.

But competing commitments should not be seen as weaknesses. They represent some version of self-protection, a perfectly natural and reasonable human impulse. The question is, if competing commitments are a form of self-protection, what are people protecting themselves from? The answers usually lie in what we call their *big assumptions*—deeply rooted beliefs about themselves and the world around them. These assumptions put an order to the world and at the same time suggest ways in which the world can go out of order. Competing commitments arise from these assumptions, driving behaviors unwittingly designed to keep the picture intact.

Examining the Big Assumption

People rarely realize they hold big assumptions because, quite simply, they accept them as reality. Often formed long ago and seldom, if ever, critically examined, big assumptions are woven into the very fabric of people's existence. (For more on the grip that big assumptions hold on people, see the sidebar "Big Assumptions: How Our Perceptions Shape Our Reality.") But with a little help, most people can call them up fairly easily, especially once they've identified their competing commitments. To do this, we first ask people to create the beginning of a sentence by inverting the competing commitment, and then we ask them to fill in the blank. For Tom ("I am committed to not hearing about problems I can't fix"), the big assumption turned out to be, "I assume that if I *did* hear about problems I can't fix, people would discover I'm not qualified to do my job." Mary's big assumption was that her teammates weren't as smart or experienced as she and that she'd be wasting her time and others' if she didn't maintain control. Returning to our earlier story, John's big assumption might be, "I assume that if I develop unambivalent relationships with my white coworkers, I will sacrifice my racial identity and alienate my own community."

This is a difficult process, and it doesn't happen all at once, because admitting to big assumptions makes people uncomfortable. The process can put names to very personal feelings people are reluctant to disclose, such as deep-seated fears or insecurities, highly discouraging or simplistic views of human nature, or perceptions of their own superior abilities or intellect. Unquestioning acceptance of a big assumption anchors and sustains an immune system: A competing commitment

Big Assumptions: How Our Perceptions Shape Our Reality

Big assumptions reflect the very human manner in which we invent or shape a picture of the world and then take our inventions for reality. This is easiest to see in children. The delight we take in their charming distortions is a kind of celebration that they are actively making sense of the world, even if a bit eccentrically. As one story goes, two youngsters had been learning about Hindu culture and were taken with a representation of the universe in which the world sits atop a giant elephant, and the elephant sits atop an even more giant turtle. "I wonder what the turtle sits on," says one of the children. "I think from then on," says the other, "it's turtles all the way down."

But deep within our amusement may lurk a note of condescension, an implication that this is what distinguishes children from grown-ups. Their meaning-making is subject to youthful distortions, we assume. Ours represents an accurate map of reality.

But does it? Are we really finished discovering, once we have reached adulthood, that our maps don't match the territory? The answer is clearly no. In our 20 years of longitudinal and cross-sectional research, we've discovered that adults must grow into and out of several qualitatively different views of the world if they are to master the challenges of their life experiences (see Robert Kegan, *In Over Our Heads,* Harvard University Press, 1994).

A woman we met from Australia told us about her experience living in the United States for a year. "Not only do you drive on the wrong side of the street over here," she said, "your steering wheels are on the wrong side, too. I would routinely pile into the right side of the car to drive off, only to discover I needed to get out and walk over to the other side.

"One day," she continued, "I was thinking about six different things, and I got into the right side of the car, took out my keys, and was prepared to drive off. I looked up and thought to myself, 'My God, here in the violent and lawless United States, they are even stealing *steering wheels!* '"

Of course, the countervailing evidence was just an arm's length to her left, but—and this is the main point—*why should she look?* Our big assumptions create a disarming and deluding sense of certainty. If we know where a steering wheel belongs, we are unlikely to look for it some place else. If we know what our company, department, boss, or subordinate can and can't do, why should we look for countervailing data—even if it is just an arm's length away?

makes all the sense in the world, and the person continues to engage in behaviors that support it, albeit unconsciously, to the detriment of his or her "official," stated commitment. Only by bringing big assumptions to light can people finally challenge their assumptions and recognize why they are engaging in seemingly contradictory behavior.

Questioning the Big Assumption

Once people have identified their competing commitments and the big assumptions that sustain them, most are prepared to take some immediate action to overcome their immunity. But the first part of the process involves observation, not action, which can be frustrating for high achievers accustomed to leaping into motion to solve problems. Let's take a look at the steps in more detail.

Step 1: Notice and record current behavior. Employees must first take notice of what does and doesn't happen as a consequence of holding big assumptions to be true. We specifically ask people *not* to try to make any changes in their thinking or behavior at this time but just to become more aware of their actions in relation to their big assumptions. This gives people the opportunity to develop a better appreciation for how and in what contexts big assumptions influence their lives. John, for example, who had assumed that working well with his white colleagues would estrange him from his ethnic group, saw that he had missed an opportunity to get involved in an exciting, high-profile initiative because he had mocked the idea when it first came up in a meeting.

Step 2: Look for contrary evidence. Next, employees must look actively for experiences that might cast doubt on the validity of their big assumptions. Because big assumptions are held as fact, they actually inform what people see, leading them to systematically (but unconsciously) attend to certain data and avoid or ignore other data. By asking people to search specifically for experiences that would cause them to question their assumptions, we help them see that they have filtering out certain types of information—information that could weaken the grip of the big assumptions.

Because big assumptions are held as fact, they actually inform what people see, leading them to systematically (but unconsciously) attend to certain data and avoid or ignore other data.

When John looked around him, he considered for the first time that an African-American manager in another department had strong working relationships with her mostly white colleagues, yet seemed not to have compromised her personal identity. He also had to admit that when he had been thrown onto an urgent task force the year before, he had worked many hours alongside his white colleagues and found the experience satisfying; he had felt of his usual ambivalence.

Step 3: Explore the history. In this step, we people to become the "biographers" of their assumptions: How and when did the assumptions first take hold? How long have they been around? What have been some of their critical turning points?

Typically, this step leads people to earlier life experiences, almost always to times before their current jobs and relationships with current coworkers. This reflection usually makes people dissatisfied with the foundations of their big assumptions, especially when they see that these have accompanied them to their current positions and have been coloring their experiences for many years. Recently, a CEO expressed astonishment as she realized she'd been applying the same self-protective stance in her work that she'd developed during a difficult divorce years before. Just as commonly, as was the case for John, people trace their big assumptions to early experiences with parents, siblings, or friends. Understanding the circumstances that influenced the formation of the assumptions can free people to consider whether these beliefs apply to their present selves.

Step 4: Test the assumption. This step entails creating and running a modest test of the big assumption. This is the first time we ask people to consider making changes in their behavior. Each employee should come up with a scenario and run it by a partner who serves as a sounding board. (Left to their own devices, people tend to create tests that are either too risky or so tentative that they don't actually challenge the assumption and in fact reaffirm its validity.) After conferring with a partner, John, for instance, volunteered to join a short-term committee looking at his department's process for evaluating new product ideas. Because the team would dissolve after a month, he would be able to extricate himself fairly quickly if he grew too uncomfortable with the relationships. But the experience would force him to spend a significant amount of time with several of his white colleagues during that month and would provide him an opportunity to test his sense of the real costs of being a full team member.

Step 5: Evaluate the results. In the last step, employees evaluate the test results, evaluate the test itself, design and run new tests, and eventually question the big assumptions. For John, this meant signing up for other initiatives and making initial social overtures to white coworkers. At the same time, by engaging in volunteer efforts within his community outside of work, he made sure that his ties to his racial group were not compromised.

It is worth noting that revealing a big assumption doesn't necessarily mean it will be exposed as false. But even if a big assumption does contain an element of truth, an individual can often find more effective ways to operate once he or she has had a chance to challenge the assumption and its hold on his or her behavior. Indeed, John found a way to support the essence of his competing commitment—to maintain his bond with his racial group—while minimizing behavior that sabotaged his other stated commitments.

Uncovering Your Own Immunity

As you go through this process with your employees, remember that managers are every bit as susceptible to change immunity as employees are, and your competing commitments and big assumptions can have a significant impact on the people around you. Returning once more to Helen's story: When we went through this exercise with her boss, Andrew, it turned out that he was harboring some contradictions of his own. While he was committed to the success of his subordinates, Andrew at some level assumed that he alone could meet his high standards, and as a result he was laboring under a competing commitment to maintain absolute control over his projects. He was unintentionally communicating this lack of confidence to his subordinates—including Helen—in subtle ways. In the end, Andrew's and Helen's competing commitments were, without their knowledge, mutually reinforcing, keeping Helen dependent on Andrew and allowing Andrew to control her projects.

Helen and Andrew are still working through this process, but they've already gained invaluable insight into their behavior and the ways they are impeding their own progress. This may seem like a small step, but bringing these issues to the surface and confronting them head-on is challenging and painful—yet tremendously effective. It allows managers to see, at last, what's really going on when people who are genuinely committed to change nonetheless dig in their heels. It's not about identifying unproductive behavior and systematically making plans to correct it, as if treating symptoms would cure a disease. It's not about coaxing or cajoling or even giving poor performance reviews. It's about understanding the complexities of people's behavior, guiding them through a productive process to bring their competing commitments to the surface, and helping them cope with the inner conflict that is preventing them from achieving their goals.

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Further Reading

ARTICLES

The Executive as Coach
by James Waldroop and Timothy Butler
Harvard Business Review
November–December 1996
Product no. 5343

Squeamish about playing the role of psychologist with change-resistant employees? Butler and Waldroop offer another approach to helping people achieve their true potential: **coaching**. Rather than requiring you to delve into employees' deepest personal dilemmas, coaching focuses more on measurable behaviors. It also features structured meetings during which you evaluate the problem behavior, assess its severity, and use specific techniques to define and work toward desired changes. Like the process that Kegan and Lahey describe, coaching lets you recoup your investment in valuable employees who, with your help, can move from merely very good to great.

Why Do Employees Resist Change?
by Paul Strebel
Harvard Business Review
May–June 1996
Product no. 4142

Strebel looks at antipathy to change from a different angle: the relationship between employees and their organization. This relationship has three dimensions: 1) the *formal* aspect, manifested in job descriptions and performance agreements, 2) the *psychological* aspect, where trust, dependence, and respect affect employees' behavior, and 3) the social dimension, which emerges from the organization's culture. Employees sometimes resist change because it alters the terms of their commitments with the organization. To break through resistance to change, executives must define—and persuade people to accept—the new terms as they relate to all three dimensions.

Breakthrough Bargaining
by Deborah M. Kolb and Judith Williams
Harvard Business Review
February 2001
Product no. 6080

Hidden commitments and assumptions can stymie many different aspects of employee performance—including that all-important ability to negotiate constructively. As Kolb and Williams explain, unspoken beliefs determine how bargainers deal with each other, whose opinions get heard, and whose interests hold sway. These beliefs can stall negotiations, particularly between players who hold unequal power—e.g., subordinate/boss, new/veteran, male/female. To transform blocked bargaining into constructive conversation, the authors suggest three kinds of strategic moves: 1) *power* moves to coax reluctant bargainers to the table by showing them how they'll be better off, 2) *process* moves to shape negotiation agendas and increase your effectiveness, and 3) *appreciative* moves to foster trust and candor by highlighting common interests.

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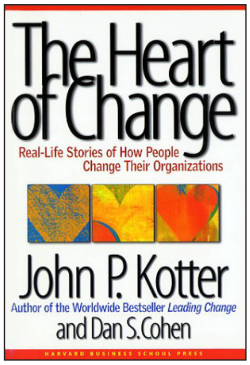

The Heart of Change

Real-Life Stories of How People Change Their Organizations

by John P. Kotter and Dan S. Cohen

Focus

- Communication
- Finance & Accounting
- Global Business
- Innovation & Entrepreneurship
- **Leadership & Managing People**
- Organizational Development
- Sales & Marketing
- Strategy & Execution
- Technology & Operations

Take-Aways

- Although gathering and analyzing information is usually seen as the best way to make a business decision, in fact, people change only when you touch their emotions. Thus, change makers must appeal not to the logical brain but to the eyes and "heart."
- The change process has eight steps:
- One: Demonstrate (do not just explain) that change is "urgent."
- Two: Assemble a "guiding team" including but not limited to top managers. Ideas will come from all levels of the company.
- Three: Once you have urgency and a team, develop a motivating "vision."
- Four: Communicate the vision and urgency with honesty, clarity and passion.
- Five: Confront barriers, such as cynical attitudes, old procedures or lack of resources.
- Six: Attempt changes that can be done in the short run to build hope and energy. However, do not let short-term wins lead to complacency.
- Seven: Maintain focus on your ultimate goals.
- Eight: Institutionalize the company's new behaviors, attitudes and processes.

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Relevance

What You Will Learn

In this Abstract, you will learn: 1) How to use the eight steps of successful organizational change; 2) How leading companies have implemented these steps; and 3) What not to do.

Overview

By interviewing 400 individuals from 130 distinct businesses to get their change sagas, authors John P. Kotter and Dan S. Cohen further develop the approach to organizational change presented in Kotter's *Leading Change* (1996). Their central insight is that organizations change when their people change. And people change for emotional reasons. The authors warn against trying to promote transformation in your organization by relying purely on spreadsheets or reports, and provide background information on why it is important also to address employees' emotions. They explain that the best way to engage the emotions is not to "tell" but to "show" – via videos, displays or even office design. The visual sense, they point out, processes enormous amounts of complex information instantly. At the end of each chapter, the authors include useful, simple, "Exercises That Might Help." Kotter reintroduces his eight-step change model and demonstrates how it works, using stories of real-life managers and companies as concrete examples for each of the eight steps. Thus the form of the book – "showing" – exactly replicates its core lesson.

Abstract

"The heart of change is in the emotions. The flow of see-feel-change is more powerful than that of analysis-think-change."

The Heart of Change

In some eras, stability matters. Businesses are preoccupied with consolidating their positions. But today's economic environment is turbulent, and companies of all kinds must either change or die. Yet, people still find change difficult. Most people don't do it well because they have never had a successful change experience. Too often, managers try to instigate change with appeals to reason – with reports, spreadsheets, budgets, plans or mission statements. But these tactics cannot create the widespread sense of urgency organizations need to alter their course. Instead, the "heart of change" resides in the heart itself – the emotions of individual employees. Only deep feelings can motivate people to change familiar behavior, and only individual behavioral changes can drive organizational change. Changes in vision, systems, products and culture all have their roots in behavioral change.

"The emotions that undermine change include anger, false pride, pessimism, arrogance, cynicism, panic, exhaustion, insecurity and anxiety. The facilitating emotions include faith, trust, optimism, urgency, reality-based pride, passion, excitement, hope and enthusiasm."

Step One: "Increase Urgency"

So, how do you reach the heart to create a sense of urgency? A story or artifact that demonstrates the problem works better than endless explanation. One vivid, creative and inexpensive demonstration constructed by a frustrated manufacturing company manager provides a good illustration. The company had no central purchasing system or policy; instead, each factory bought its own supplies. Convinced that this was a waste of money, the manager asked a summer intern to find out what kinds of gloves each factory used and how much they cost. The manager knew things were bad, but he was astonished to discover that the factories used 424 different kinds of gloves, which they purchased for prices ranging from less than $5 to more than $15 per pair. Next, the intern obtained a sample of each glove and sorted the samples into categories by price and division.

"We fail because we haven't sufficiently experienced highly successful change. Without that experience, we are too often left pessimistic, fearful, or without enough faith to act."

"People change what they do less because they are given analysis that shifts their thinking than because they are shown a truth that influences their feelings."

"Smart strategy does not emerge from a pond full of politics, parochialism and guarded communication."

"More often than not, the question of speed [of transformation] is really very simple in today's world: The answer is to move as fast as possible."

The manager put them on display in the central office boardroom. The executives who toured the display were speechless. They sent the glove display to every division and many factories, telling and retelling the story. The experience became the first step in developing a new, company-wide purchasing system.

Note that the impetus for change did not come from the top. The manager knew he needed to reach executives, but he engaged people throughout the company because of the vividness of his message. Of course, he had to present the glove display without blame or anger. When people feel defensive or fearful, they focus on self-preservation, not creative solutions or progress.

Step Two: "Build the Guiding Team"

Once employees feel that change is urgent, many are eager to help. Choose a team of "the right" people who are committed to working together. An organization's politics and history – especially if it has undergone mergers – can undermine efforts to construct a strong team. Confronting problems or changing old patterns can be difficult, given people's tendency to "duck the issues." Or, work gets "dumped" on weak people, setting the team up to fail. "Ducking and dumping" are common, but you can avoid them with trust and good leadership.

One company that grew quickly through acquisitions reached the point where it had to look inward and begin to put the pieces together. The close-knit, homogenous executives who were used to the tempo of takeover negotiations found this change in direction hard to take. One executive said, "Before we used to get a deal done and then work like hell to make it work. It was exciting. Now there's none of that." But the firm's new leader recognized that it needed a different kind of team. He invited people from all functions and divisions to participate. At times, the team's diversity felt unwieldy. Members often debated their direction and priorities – but that was the point. To create this new kind of group, the new leader had to buck company history and trends.

Choosing the right people means both "pulling" – inspiring team members, often through modeling – and "pushing" – redirecting those who are ineffective or entrenched in old ways, or taking them off the team. Sometimes, consultants or managers try to solve team problems by creating "complex governance structures," which may even work a little better than a poorly constituted team. But endless subcommittees and reports aren't solutions. Instead, they often become ways to "duck" formal or informal power structures. Direct, honest communication, though painful in the short term, creates trust and works better in the long term.

Step Three: "Get the Vision Right"

Once you achieve consensus that change is urgent and put a leadership team in place, the team can begin to craft a vision. A vision is not a budget, plan or strategy – although these pieces help implement the vision. Ultimately, developing a workable vision requires "venturing into unknown territory."

One British company used an exercise called "painting pictures." Deregulation left their industry at a turning point. The possibilities for a future direction were divergent and confusing. Members of management selected seven broad options, and for each one outlined possible products, revenue, employees, customers and competition. They examined the assumptions behind each option, and what it would take to achieve it. They wrote short descriptions and discussed them in detail, down to what their offices might look like, that is, the "painting." After the meetings, participants received a one-page summary. "You

"A budget is the financial piece of the plan. A plan specifies step by step how to implement a strategy. A strategy shows how to achieve a vision. A vision shows an end state where all the plans and strategies will eventually take you."

"A vision can usually fit on a page and be described in an elevator ride."

"Our brains [are] hard-wired from thousands of years of evolution to absorb deeply what we see, in particular, but also what we hear and touch. The eyes pull in gobs of information every second."

"Honesty always trumps propaganda."

could almost hear the sigh of relief that they weren't being sent another Excel file or an e-mail with 16 new attachments." Once the options had been "painted," people could be assigned to develop plans and budgets – now that they had some specifics.

A good vision motivates people, as the widespread problem of "efficiency versus service" illustrates. Simply telling managers to cut costs does not motivate them; if anything, it makes them feel stifled. In contrast, in one government agency, the staff was inspired by a vision of better service, and began to focus on "removing impediments. And removing impediments in the bureaucracy inevitably leads to eliminating wasted expense. It follows logically."

Step Four: "Communicate for Buy-In"

When employees first hear about a big change, their responses often reflect fear, cynicism and anxiety. Communication that ignores these feelings becomes propaganda and arguing about emotions sounds defensive. Instead, present the vision clearly and honestly, and confidently address responses such as anger. To get this right, most teams need to practice, using notes, role-playing and feedback.

What a company says must match what it actually does. One company's change effort to cut costs stalled when employees challenged the message, particularly questioning the purpose of the existing fancy executive offices. Bosses balked. They said spending for renovations would contradict the cost-cutting vision. Then, a new CEO came in and "nuked" the entire executive floor. Workers began to share the exclusive elevator. The firm sold artwork and added conference rooms. Executives moved around as massive renovations tore everything up. Ultimately, the new space was less expensive to run and more efficient. The savings eventually paid for the renovation. Most importantly, the drastic action demonstrated that the leadership viewed transformation seriously, even if it discomfited those at the very top of the hierarchy.

Step Five: Remove Barriers to "Empower Action"

The classic "barrier" is an "old school" boss, such as the stubborn manager who greeted all new ideas with, "We tried it and it didn't work" or "We thought about it and decided not to try it." One crucial customer grew so frustrated that he asked for the manager to be fired. Instead, the company assigned the manager – on pain of taking on the task or losing his job – to be a quality inspector in that customer's plant for several months. The experience turned his attitude around completely. He came back full of ideas about how the company could improve its products. The moral: Do not jump to the conclusion that someone is "hopeless." Verbal explanations did not work. Training probably would not have helped. The manager changed when he "saw" things differently through the prism of his new experience.

Executives often see the entire middle management structure as a "rock" that impedes change. But change cannot happen unless steps one through four are carried out correctly. Perhaps the leadership has not demonstrated or communicated urgency; maybe the team isn't functioning; maybe the vision is not well developed. Systems – especially evaluation procedures and standards – are other common "rocks." Do not set people up for failure by asking them to change and take risks within a system that offers tiny rewards for achieving transformation and "a hammer on the head" for failing. Reward people for innovation. Fear, anxiety, cynicism and other negative thought patterns are behind most resistance to change. To counteract "the power of the mind to disempower," reward new kinds of behavior, provide role models who have been through a successful change, share sufficient information and cultivate a realistic attitude that everything can't be done at once.

Step Six: "Create Short-Term Wins"

The vision is long-term, but initially shoot for some quick immediate successes. Short-term successes confirm the work of transformation leaders, boost hard-working staffers, undermine skeptics and stoke everyone's belief in the change effort.

"People are not machines. We need more than maintenance. We need the rejuvenation that comes from sleep, relaxation and fun off the job."

One firm's change team created a "Big Four" goals list. Even though they eventually needed to make many changes, they posted only the top four targets. Employees read and discussed the messages. When a goal was accomplished, the team crossed it off and added a new one. Workers felt energized as they saw progress. One employee said, "We're really knocking 'em down." However, never exaggerate or propagandize the effort to establish "wins." In an e-mail "message of the week," one transformation team claimed, "90% of our pre-go-live objectives have been met." Workers knew this high estimate was patently false. After that, they mistrusted even documented good news. Morale deteriorated. One manager warned, "…any form of hoopla is a mistake."

Step Seven: "Don't Let Up"

Step seven may seem to contradict step six, since it de-emphasizes short-term wins. But, people must remain aware that the job is not finished. Instead, use short-term wins as an impetus to heighten urgency, reigniting the initial fire of the change campaign. In one firm, cross-company teams with broad powers – dubbed "action labs" – led the change efforts. One action lab created a video that mocked executives' negative behaviors during a budgeting process. The characters included a "Merchant of Fear," a "Glory Hunter" and a "People Protector." One lab member reported, "I think top management burned the film." But even so, executives referred to it: "Watch out, this is beginning to look like Merchant-of-Fear talk," they would say.

"Everyone engaged in a big [change] effort…should probably have a banner above the mirror in his or her bathroom at home…that says, 'Dying will not help'."

Exhaustion is another pitfall at this stage. People feel urgency, they're making rapid changes, they're still doing all their old work – and it is just too much. Hopelessness takes over; people feel there's no way out. The solution is straightforward: drop some of the work. One company rigorously examined the merit, value and necessity of each task. As a result, management quit requiring departments to produce 25-page monthly reports. It cut regular reports to two pages, saving thousands of hours of writing and reading.

Step Eight: "Make Change Stick"

Groups enforce their embedded cultural norms without even thinking. Because culture goes so deep, changing it may be the hardest kind of transformation. Many people assume that cultural change must come first. After all, if people can open up to new values and processes, the rest must be easy. In fact, culture changes only after people have tried out new behavior and are convinced that it works. These new attitudes do not become culture until they go deep. If they last only as long as the change leaders are in charge, real change has not happened. Most companies find that they must teach the innovative norms to new hires in training sessions, and must promote staff members who exemplify the fresh values.

About the Authors

John P. Kotter has taught at the Harvard Business School since 1972 and has written numerous articles and books including the award-winning *Leading Change* (1996). Dan S. Cohen, a principal with Deloitte Consulting, heads the firm's Global Energy Change Leadership practice and developed its Global Change Leadership Methodology. He lectures widely about organizational behavior.

