

# Change Leadership

*Many start but few finish well.*



by John P. Kotter

**M**OST ORGANIZATIONS have a leadership deficit because they ignore leadership potential and don't offer training or relevant role models.

Great leaders get others to move in a direction that is sensible for themselves, the business, and community. Today, we need more leaders who can help groups come up with visions that aren't self-serving—visions that serve the entire enterprise.

Historically, great leaders are self-confident people who have extraordinary capacity to make decisions when others crumble. They are confident, but not arrogant. In fact, great leaders are often described as having humility and vulnerability. I'm often struck by the extraordinary arrogance of some leaders—an arrogance that basically says, "I'm above the game. I'm smart and accomplished. Therefore, I know what's best, yet I have to put up with stupid rules set by small-minded people. It's only natural that I maneuver around those rules." You don't find that same arrogance in great leaders.

For change to be good, it's got to be in a positive direction. Initial stages of transformation are usually positive, but the change effort gets perverted as it becomes successful and as executives become more arrogant. Change isn't the issue; arrogance is. As some leaders start running into problems, in their arrogance they say, "No problem. We can handle all this. We can cut corners and make our own rules."

In organizations with a strong brand, if you don't have senior leaders who are humble and vigilant, you develop an arrogant culture. The single biggest challenge in managing change is not strategy, structure, or culture, but just getting people to change their behavior. One reason why that is so challenging is that we rely on giving logical reasons for change but fail to present people an emotionally compelling case. People change their behavior only when they are motivated to do so, and that happens when you speak to their feelings.

You need something *visual* that produces the emotions that motivate people to move toward the *vision*. Great leaders tell stories that create *pictures* in our minds and have emotional impact. Martin Luther King Jr. had a *dream*, not a strategy or goal, and he *showed* us his dream, his *picture* of the future. People change when they *see* something visual (the vision) that touches their feelings, challenges their thinking, and incites actions. People may realize the need for change, but not do anything differently because they lack the passion to break out of routines or habit patterns. The momentum of "how we've done things" tends to make our future look like our past.

Overcoming complacency—so vital at the start of change initiatives—often



requires a bit of surprise, something that grabs attention at an emotional and intellectual level. You need to surprise people and disrupt their view that everything is perfect. Successful change leaders show people what the problems are and how to resolve the problems. They use images that people can see, hear, or touch. This may mean showing a video of an angry customer rather than a report of a customer survey. Change leaders make their points in ways that are emotionally engaging and compelling. They tell and retell vivid stories. You don't have to spend a million dollars and six months to prepare for a change effort. You do have to touch people emotionally.

The ability to move people emotionally is a special gift. Few of us are born with it, but we can learn it. In

writing *The Heart of Change*, we found many people who had learned this skill. Some didn't look like leaders, but somewhere along the way, they learned to speak to people's feelings. One story involves people who realized that they had to start changing their own behavior. Many managers skip this part and start with, "Here's how you need to change" because it's easier to tell other people that they are acting incorrectly than to admit that you're not perfect. Executives, as they become more successful, get less feedback or information showing how they are a part of the problem. Many of them have never learned the principle, *always start with yourself first—and then go from there*. It is a great rule of thumb.

Personal example is a powerful method of influence that can affect feelings and facilitate change. However, when leaders don't examine their own actions, they might give the wrong example, something that is inconsistent with what they are saying to people. People pay attention to deeds more than words.

All of us, deep in our hearts, want to be heroes, at least to our children or team members. Today we need heroes at every level. More people need to step up and provide change leadership. Most of this leadership will be modest. It might be a young sales rep who sees a new business opportunity or puts together a vivid demonstration of a problem. The sum of all these heroic actions—large and small—enables organizations to change in big ways.

People need more positive examples of what works. In stories of what works, I never find a theme of self-preservation. Change leaders aren't self-centered people. When focused only on yourself, you won't stick your neck out or lead the team to new glory or create a shared win. You need a larger vision beyond saving your own skin.

If you're frustrated and powerful, you tend to fall back on fear to motivate people. You say, "I know the right thing to do here, and you'll either do it or be fired." While using fear may be natural, it's usually ineffective. The only lesson your people learn is that you have power, and they need to fear being fired. They learn nothing about the enterprise, its challenges, and the need to do things differently. Fearful people don't listen carefully to customers. They hide or come up with schemes to protect themselves. Fear can't drive transformation. However, fear may be used effectively as a surprise element.



It's the "hit them upside the head with a board" approach to get attention. But then you've got to quickly convert it into something positive or you get the drawbacks of fear.

Even if people are motivated to change, they are often blocked by a feeling or belief that they can't change. Pessimism creates an emotional block to change. Effective change leaders use inspirational stories to bring out the natural optimism in everybody. They know how to inspire confidence, even in tough circumstances where people are depressed. They paint a hopeful picture in such a credible way that it soothes people and leads them to get out of the trenches to do something.

The change has to seep into the culture. The new behavior must maintain itself for a few weeks and show that it works. Then, the culture must support the change. For the new way of doing things to take hold, one change agent or leader can't support it all. People need to see the right behavior producing the right results. Too often leaders assume that once they start the change effort, they're done. They must make it part of the culture; otherwise, when they leave, the old way creeps back in.

How can people stay focused long enough to create short-term wins and change the culture? This is where vision helps. If you have clarity in your mind and heartfelt commitment to a vision, you stay focused. Again, the vision has to be something you can see clearly—not some blur or list of unrelated items. So many strategies and statements of values, visions, and goals boil down to lists of unrelated items, making it hard to stay focused. Your focus bounces from one item to another because you lack a framework to guide you. You might let something else that is not on the list blow over you and push you in another direction.

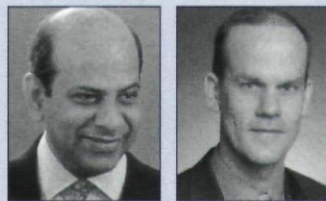
You might carefully select two areas where you can achieve short-term successes and have one team focus on one item and another team focus on the other. People need to see that the changes are not oddball ideas being pushed by the boss. They need to see short-term wins that validate the change vision. If the win is clear, visible, and valuable to people, then they will likely make change happen. LE

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**ACTION:** Achieve a visible win.

# Strategic Innovation

*Forget, borrow, learn.*



by Vijay Govindarajan and Chris Trimble

**H**OW DO YOU SUSTAIN GROWTH AND profitability in an age in which rivals quickly erode most any competitive advantage? One option is to launch entirely new businesses. Consider how some companies have redefined their customer, the value offered, and the delivery method—a process we call strategic innovation.

In 1996, General Motors formed a new business unit, OnStar, to commercialize an integrated information, safety, and communications system. In 2001, Procter & Gamble launched Tremor, a new marketing service for other companies. In 2003, the Walt Disney Company introduced Moviebeam, a wireless, no-hassle, in-home video rental store.

We've followed several such innovation stories—each a tale of a new business (NewCo) within established and successful organization (CoreCo). We were less interested in where the path-breaking ideas came from than how companies managed the process of going from idea to profitability. Nurturing creativity within an organization usually merits a great deal of attention, but the need for creativity is high only at the beginning of NewCo's life. Once a business plan is in place, the need for creativity begins to decay rapidly.

An entirely new approach is needed—one that emphasizes neither the creativity that inspires NewCo's launch nor the discipline that CoreCo demands to deliver bottom-line results.

## Three Challenges

NewCo faces three distinct challenges in its journey from idea to profitability:

**1. Forgetting:** NewCo's business

model is invariably different from CoreCo's model. The answers to the most fundamental business questions—Who is the customer? What value do we offer? How do we deliver it?—are dramatically different. The essence of the forgetting challenge is ensuring that CoreCo's success formula is not imported to NewCo.

**2. Borrowing:** NewCo's biggest advantage over its competition is the wealth of resources and assets within CoreCo. The essence of the borrowing challenge is gaining access to these resources, and doing so in a way that does not damage CoreCo's own commitment to excellence.

**3. Learning:** NewCo's business is highly uncertain. It must systematically resolve the specific unknowns within its approach as quickly as possible, and zero in on the best possible approach. Learning requires an entirely different approach to planning.

All three challenges naturally create tensions. To forget, NewCo must be distinct from CoreCo. At the same time, to borrow, NewCo must be linked to CoreCo. At points of interaction, stress naturally arises directly because of the differences in business models, values, styles, and priorities. Learning also leads to stress, because it requires an analytical discipline—much different from the operational discipline of execution and performance.

These are the types of tensions that can be healthy for NewCo, and when a corporation manages them well, the journey from idea to profitability is a smooth one.

But is it worth the risk? Consider the risk of the alternative—sticking to the knitting—a choice that inevitably leads to decay. Without growth, CEOs lose jobs, employees stagnate, organizations become stale, and competitiveness stagnates. Strategic innovation, on the other hand, can deliver breakthrough growth and generate new life-cycle curves. It enables companies to stay ahead of change by creating, growing, and profiting from new business models. LE

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**ACTION:** Anticipate innovation-related tensions.





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