

CHANGE CHANGE

HOW ORGANIZATIONS ACHIEVE
HARD-TO-IMAGINE RESULTS
IN UNCERTAIN AND VOLATILE TIMES

JOHN P. KOTTER

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GAURAV GUPTA

WILEY

Advance Praise for Change

“Kotter’s new book, *Change*, is a game changer. He and his co-authors provide deep insight into the misunderstood intersection between logical and psychological business transformation strategies. If you want your business to Survive and Thrive, this book is a must read.”

Kelly S. King, Chairman and CEO, Truist Bank

“This is destined to be a wake-up call for a lot of businesses and other enterprises and a classic that will be referred to for a very long time.

“Extremely well written, crisp and to the point, it clearly lays out the concepts and flows seamlessly into the research/examples/cases with a compelling comparison of the ‘old way’ and the ‘new way.’ Above all, it articulates the new theories and approaches in very powerful and credible ways.”

Bill Deckelman, EVP and General Counsel, DXC Technology Company

“Just as they do in their consulting, the authors of this book make the complex challenge of leading change accessible. It boils down the ‘theory of change’ into commonsense advice that is actionable and relevant—no matter if you are changing strategy, reconsidering structure, or simply trying to adapt at the speed of today’s change. As we prepare for a post-COVID world, never has there been a time when harnessing the imagination and energy of employees has been more critical for companies that want to thrive in an environment that may look completely different than a year ago. This marvelous book can help companies prepare for this massive challenge . . . and opportunity.”

Jessica DeVlieger, Global CEO, C Space

“Comprehensive. Integrated. The book helps people like myself look up from short-term pressures and keep a focus on the larger issues we face. It offers a perspective that most CEOs or chairs will immediately understand. And it is hugely relevant to the challenges we face today.”

*Anthony McCord, Chief Transformation Officer,
New York City Mass Transit Authority*

“The background, history, and case studies show a new way of thinking and acting. The lessons are short, to the point, yet profound. This is a call to action for all who care to move from the ranks of management to be key leaders in their companies, industries, and communities.”

Douglas Williams, EVP, COO, HMS Holdings

“Different from other books on change, the focus is on three broad sets of critical influencing factors: human behavior hardwiring (to survive and/or thrive), modern organizational structures and how they undercut change, and the notion that leadership can come from everywhere and not just the top. It beautifully captures how almost everyone approaches change today, i.e., top down and metrics driven, as well as a research- and experience-based (vastly better) alternative. The ‘dual system’ idea is clever and greatly needed because we must have both the reliability, efficiency, and scale afforded by modern organizational structures and the adaptability, agility, and flexibility afforded by fluid networks.”

Peter Kim, Vice President, Thermo Fisher Scientific

“Change is everywhere now, yet there is no broadly accepted and effective way to adapt to it. Obstacles slow progress, and the most relevant obstacle to change and innovation is often the very nature of established firms.

“Kotter and his co-authors show in this book how to build a platform able to promote and welcome change. They describe with story after story how to multiply the resources engaged in providing strategic agility, speed, and the like while continuing to deliver ongoing short-term results. They also illuminate how to make your organization ready for the next big set of changes, whatever they are.

“Revealing. Intriguing. Masterful.”

Alberto Irace, former CEO of ACEA, Rome Italy

“The Survive/Thrive model is an extremely interesting construct, nicely illustrated throughout the entire book. Between the research and the case studies, the key implications are well covered and the points are clearly made. This makes this book a very practical point of application of brain and behavioral science.

“The first two chapters make an excellent short book just by themselves. Then Chapters 9 and 10 also are extraordinary. The reflection about what social movements can learn from businesses and vice versa is intriguing and thought-provoking. And the proclamation of more leadership from more people makes the reader crave to go look for more ways to democratize leadership.”

Antonio Boadas, Chief Communication Officer, Haier/GE Appliances

“Powerful and timely thought leadership that fills a much-needed gap.”

Charles Fleet, Chief Transformation Officer, Omnitracs

“This is a great book with a ton of insight, hugely relevant everywhere today. It’s even more important in technology, where if you do not change fast enough, you get run over. Think Intel. Self-cannibalization is often key to winning. You cannot ‘strategically plan’ your way to success in technology.

“Despite the massive pace of events, competition, speed, increased risk, after reading this book you will be left inspired—inspired to press your own change button.”

Taner Ozcelik, SVP and Group General Manager, ON Semiconductor

“Change is a science and John Kotter is a master at it. As leaders, we too often act in ways that may have worked in the past but not in our current world of fast-paced change. In *Change*, Kotter, Akhtar, and Gupta explain some of the new science in an easy to understand way, and share their vast experience in what works and what does not when it comes to leading change and getting great business results. If you are already familiar with John Kotter’s work, this will be a natural and important continuation of what you’ve learned. If this is the first time you are reading John Kotter, this can be the book that really makes you thrive at what you do.”

Anders Vinther, author and former Chief Quality Officer, Sanofi Pasteur

“In this increasingly complex world, every leader needs this guidebook to enact meaningful change and achieve results. It is another Kotter masterpiece on leadership.”

Reihaneh Irani-Famili, Vice President of Business Readiness, National Grid

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Preface

By John Kotter

This introductory section is for readers who would like to know more about the evolution of the ideas in this book and the evidence supporting them. If you are not one of those readers, I suggest you consider skipping this section and go directly to Chapter 1.

The roots of the work that led to *Change* began decades ago. At first, I was not focused on change. My interest then, and still today, was on performance, broadly defined. Why do some organizations outperform others? Why do some individual managers and executives produce so much more in terms of valued results? What allows individuals and enterprises to sustain high levels of performance over time? The research itself pulled my attention to the subjects of change and leadership. It provided compelling evidence again and again that the world was moving faster. Coping with the reality of that acceleration was one crucial factor at the core of performance.

Over nearly 50 years, my colleagues at Harvard Business School, and more recently my associates at Kotter International, the consulting firm I helped co-found, have in total launched 16 multiyear research projects. I estimate that we have studied in some depth well over 600 organizations. Most were businesses, but far from all. Research sites also included entities from

the health, education, government, religious, and other nonprofit sectors. We have studied countless individual professionals, managers, and executives up close, again mostly but far from entirely in business. Indeed, the very first study in this program was of 20 big-city mayors who were in office during the tumultuous 1960s.

Although the details of how we gathered information varied from project to project, one commonality was an emphasis on getting case-study-like detail using observation and interviews. No project relied entirely on surveys or data sets created by others. The method for making sense of this information might formally be called qualitative pattern analysis. There has been a relentless focus on identifying the sequence of actions that drive successes and failures.

I believe this research program, studying organizational successes and struggles up close in a more rapidly changing world, is the largest of its kind ever undertaken.

In addition, during the last decade, through the Kotter International consulting organization, we have been able to turn research results into accessible playbooks. While working beside people executing those playbooks, we have seen, in detail, how well our expanded understanding of change can make a difference in practical terms. The results: in project after project, we have found executives say something along the lines of the subtitle of this book. In the words of one: “What we have accomplished would have been very hard for most of the staff to ever believe possible two or three years ago.”

Reports of our work have been shared through a variety of outlets, including educational programs, *Harvard*

Business Review articles, speeches, blogs, and the mainstream press, but most robustly through books; 21 have been published, and 12 of these have been bestsellers. *Our Iceberg Is Melting* and *A Sense of Urgency* made the *New York Times* list. *Iceberg* was the number-one business book in Germany for a year and in Holland for more than a year.

Lists of the best business or management books of the year have honored 13 of these research reports. *Inc.* magazine, the St. Petersburg Economic Forum, strategy+business, and the Chartered Management Institute, for example, all selected *Accelerate* (2014) as a best-of-year book. *Leading Change* (1996), perhaps the most well known of these reports, has been translated into 26 languages and was chosen by *Time* magazine as one of the 25 most influential management books ever written.

The latest project, which led to this manuscript, formally began four years ago with the formation of a study group at Kotter International that focused on the newest insights from brain science. We quickly concluded that this line of research had developed a great deal in the prior two decades. We decided that there was much convergence in this work with our own observations about “human nature” and its role in resisting or facilitating change and innovation.

Further, it appeared that the combination of insights from brain science, our multidecade research program, a growing list of major consulting experiences, and some pioneering work in business history, organizational studies, leadership, and social anthropology had many important implications for why people struggle with change and

what leaders can do to mobilize more successful responses to threats and opportunities. This perspective also gave us new insights into the underlying causal dynamics behind observations we have recorded again and again about why some enterprises outperform others.

And more than ever, this latest round of research has not only strengthened the evidence behind certain propositions but extended previous work in very new and highly actionable ways.

Some of the key themes explored in the pages that follow include:

- A more rapid and complex changing environment, including what is now called disruptive change, may be not just one factor but *the* central force shaping the challenges that organizations and people face nowadays.
- Neither human nature, nor the most common form of the modern organization, are designed to handle anything close to this degree of change. Instead, the strongest built-in emphasis is on stability, efficiency, reliability, quick threat elimination, and most of all short-term survival.
- As a result, there is a growing gap between the rate, amount, and complexity of change outside organizations and the ability of the hardwired enterprise and our human capacity to keep up. This gap presents both a danger and an opportunity as organizations work to agilely adjust, adapt, and get ahead of these contextual realities.

-
- Nevertheless, at least some enterprises (perhaps many) can be guided to close or reduce this gap. These companies can handle rapid change significantly better than the norm and astonishingly better than those struggling the most. They can be equipped to see relevant external change quickly, invent or adapt responses with speed, and get results that are hard for even their own people to imagine.
 - Intentionally and thoughtfully improving individual, team, and organizational ability to respond and accelerate, even just a bit, could have a momentous effect on the lives of many, many millions of people worldwide.
 - Over the past few decades, especially in the last four years, we have learned a great deal that has yet to be widely used. Our latest research and advisory-based experiences confirm for the first time that there is a growing science to change, especially large-scale change, which we clearly need to understand and implement as quickly as possible.

Our goal in *Change* is to show, in a concrete and actionable way, how this emerging science—with roots in neuroscience, organizational studies, business history, leadership, and more—can be understood and used to make a much-needed difference.

The list of people who have helped with this work is a long one. It starts with my colleagues at Harvard and

extends to my associates and clients at Kotter International. I have been able to include some of these acknowledgments at the end of this book. For now, let me extend to all my deepest thanks.

John Kotter, March 2021

Part I

INTRODUCTION

Chapter 1

Threats and Opportunities in a Rapidly Changing World

As we write this, we are going through a rather extraordinary spike in uncertainty, change, and volatility caused by the COVID-19 pandemic. There is a lot of discussion about what the “new normal” will be in 6 to 18 months. While this conversation is interesting and can be provocative, it is all too often misleading. A focus on this pandemic as a once-in-a-lifetime phenomenon can lead us to be passive and to miss the most important lesson: that this crisis is not an aberration but a spike in a trend that has long and deep roots.

Specifically, the amount, complexity, and volatility of change going on around us has been in general *expanding* in waves since even before the start of the industrial revolution. And virtually all the data says that this trend will continue in any number of ways after the current COVID-19 crisis abates. The potential forces of change are not limited to another pandemic. There are plenty of additional possibilities: artificial intelligence, other disruptive technologies, global integration, as well as

social and political movements that now have worldwide impact.

Furthermore, a gap is clearly growing between the amount of change happening around us and the change we are successfully, smartly implementing in most of our organizations and lives. As we will show you in the following chapters, this disconnect is increasingly dangerous, especially when people have been convinced that their continuous incremental improvements are all that is needed.

The risks we are taking are also increasingly unnecessary, because the emerging science of change, outlined in the next chapter, offers steps to mitigate bad outcomes. This information is accessible and actionable. It draws on brain research, business history, organizational studies, leadership, and more. We have found it possible to turn the science into replicable, teachable methodologies and then, in any specific situation, into executable playbooks.

Some enterprises have already tapped into this knowledge base. These companies are mobilizing their people to produce hard-to-imagine results by taking advantage of the opportunities presented by more change. These opportunities also have the potential to add great value to society at large.

“The Storm Is Just Beginning”

On January 16, 2020, Volkswagen Group CEO Herbert Diess told VW’s senior managers, “If we continue at our current speed, it is going to be tough. . . . The storm is just beginning. The era of classic car making is over.”

We would only add that both our formal research and our advisory work suggest that the long-term change trend has reached a point where the era of classical business and government may be over or may soon be over.

Whether dealing with threats from low-cost competitors or opportunities for growth from innovative products or acquisitions, organizations today need greater speed and flexibility, sometimes much greater, not just to deal with extraordinary events like COVID-19, but to deal with the shifting reality of our present and future. More broadly, the need to adapt rapidly is equally important for society to resolve threats like climate change or food security, as well as to continue capitalizing on opportunities for progress toward a more equitable and prosperous world.

A few enterprises have become adept at facing these challenges by identifying trends early, changing quickly, and successfully maneuvering at speeds that feel like 100 miles per hour. We will share some of these stories in the pages that follow. We're confident in their integrity because, in most of these cases, we watched these events unfold up close in our advisory work. These leading enterprises are outliers from which you can learn much. And learn we must, because the vast majority of organizations are struggling to adapt at a remotely adequate pace.

The need to adapt is nothing new; after all, Benjamin Franklin said, "When you are finished changing, you are finished." What is new is how often we need to change, the pace at which we need to move, and the complexity and volatility of the context in which we are operating.

The Challenge: A More Volatile, Uncertain, and Rapidly Changing World

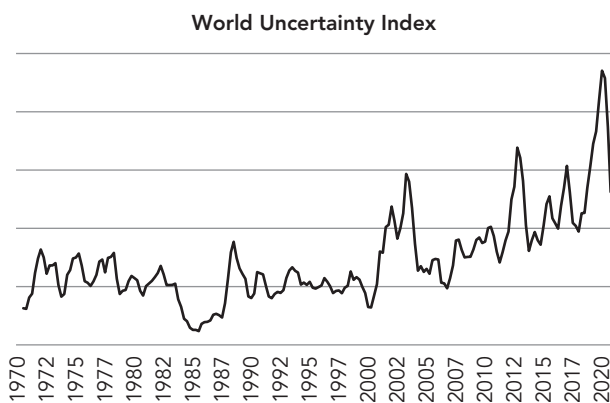
For centuries, the world has been speeding up, changing more and more often and in increasingly complicated ways. This trend has accelerated as we've moved from an Industrial Age to an Information Age.

Examples of this increased pace and complexity are easily found. The total number of patents granted by the United States Patent and Trademark Office doubled from 1960 to 1990. Then the number of patents quadrupled in the last three decades. While it took the telephone 75 years to reach 50 million users, cell phones took only 12 years, and the iPhone took just three to hit that milestone. A 2018 IBM study estimated that 90% of all data on the internet was produced in the immediately preceding two years.

The average tenure of companies on the S&P 500 in 1965 was 33 years. Today, it is half that. Reputational risks, though hard to quantify, have certainly increased with the growing use of social media, constant news alerts, and venues for publicly accessible employee feedback. Glassdoor has 32 million unique visitors each month. These examples are representative of changes that can be found in many different contexts.

The increased change around us drives an increased effort to change within the organizations that employ us, supply us with needed goods and services, and govern us. There are many variations of what this looks like by industry, sector, or region. But in general, the sheer number of organizational initiatives to produce change is now much larger than 30 years ago. Fifty years ago,

virtually no organizations talked about changing their cultures, while today this is commonplace. The growing number of initiatives has led to more and more companies adopting formal project management offices (PMOs).



Source: Adapted from Ahir H, N Bloom, and H Furceri (2018) “World Uncertainty Index”, Stanford mimeo. The WUI is computed by counting the percent of the word “uncertain” (or its variants) in the Economist Intelligence Unit country reports.

Along with, and directly related to, the increase in the pace and complexity of change, the last two decades have seen a steep increase in the level of uncertainty. Complex change does that. The high level of economic and political uncertainty can make it difficult to know what initiatives will be necessary to stay competitive and to take advantage of new opportunities.

Unfortunately, as we will see in the examples laid out in this book, the internal change in organizations is not keeping pace with external change and volatility. This challenge affects *everything*: the quality and availability of health care; the stock market; the environment; the affordability of products that make life easier, more interesting, or more fun; the economy; the responsiveness of

government; poverty; our ability to deal with medical emergencies, including pandemics; how many of us will lead comfortable and satisfying lives; even how many of us will die needlessly. The list is endless.

The Change Problem and Solution

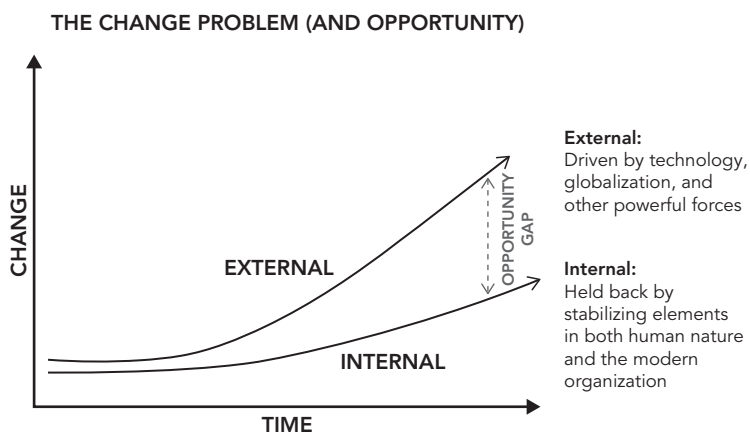
In this book, we will dig into this increasing uncertainty, volatility, and change. We discuss the implications, as we now understand them, for people who are trying to make things better for their enterprises (and society). We argue that if we continue to improve our capacity to adapt and change only incrementally, we are taking a huge and unnecessary risk.

The good news is that we have learned much over the past few decades about why so many people and organizations struggle with change, why a minority thrive, and why more than a few literally do not survive. As you will see, for perfectly understandable but correctable reasons, much of this knowledge is not yet used in most organizations.

Our collective struggle with change often seems to be the result of ill-equipped, seemingly incompetent, or stubbornly myopic people. The stories of companies like Kodak, Blockbuster, or Borders are often told as cases of arrogant, stubborn leaders who refuse to see what should have been obvious. In hindsight, we question whether they even tried to change. To some degree these critiques are true. But they are not the whole story and hence are misleading.

The bigger story is that neither the core of human nature, hardwired into us many thousands of years ago,

nor the central design of modern organizations, very much a late nineteenth- and early twentieth-century invention, were built to change quickly, easily, and smartly. People and organizations were designed mostly to be efficient and reliable enough to ensure survival. We do have the capacity to innovate and create new habits or products. But that capacity is not the most powerful force except in young people and organizations. With maturity comes all sorts of mechanisms that lean toward stability and short-term safety. So even when companies recognize new threats, they are often unable to change enough or fast enough to overcome these challenges.



Today, in a more complex and rapidly evolving twenty-first century, when we put a person designed for a world long gone into an organization that was not designed for this century, we regularly see too slow a pace of change in the face of uncertainty. We see too painful a process as individuals and organizations try to deal with inevitable transformation challenges. We get too little