Foreword by STEPHEN R. COVEY

IT STARTS *with* ONE

CHANGING INDIVIDUALS CHANGES ORGANIZATIONS

J. STEWART BLACK | HAL B GREGERSEN

Praise for It Starts with One

"For any executive this is an excellent roadmap for leading strategic change!"

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"Black and Gregersen debunk the myth that organizations change by changing the organization. They understand the real dynamics a leader must manage to convert the hearts and minds of people in a complex organization to a new direction. If you are trying to shake things up and make lasting change, this is a must-read book."

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"Few things add greater value than effectively leading strategic change. Few books show you how to do it better than this one."

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"Talk about change has far outstripped leaders' ability to successfully lead it. Black and Gregersen push the change leaders to explore how they think about or 'map' the world in which we live. These maps become either a critical barrier or an asset to their ability to lead change. The authors also provide a challenging self-examination for the serious leader to assess his or her ability to create long-lasting and effective change. Thoughtful leaders will give this a very thoughtful read."

—Ralph Christensen, Author of *Roadmap to Strategic HR*

"Strategic change happens one person at a time. Black and Gregersen bring this statement to life by supplying critical insight combined with essential tools for helping individuals negotiate their way through organizational change."

—Tyler Bolli, Director, Human Resources, Kohler Company

"This book presents a refreshing new way to think about leading change in organizations. Black and Gregersen redraw our maps of the change process in a compelling and practical way that gets right to the heart of making real change possible."

—Marion Shumway, Organization Development
Program Manager, Intel

"Insightful handbook packed full of valuable wisdom for unlocking the power of mental maps in any organization's change efforts."

—Dave Kinard, Executive Director for Leadership and Organizational Development, Eli Lilly and Company

"Too often in the trenches of organizational life, we deceive ourselves by believing that if we get the boxes in an organization chart or the big systems behind the boxes just right, then organizations change. Black and Gregersen artfully uncover this deception by revealing a new, eye-opening approach to change that can help any leader of change become much stronger and better at it."

—Mark Hamberlin, Director, Human Resources European Markets Cisco Systems Inc.

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with ONE

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IT STARTS *with* ONE

Changing Individuals Changes Organizations

Second Edition

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Dedicated to our mothers

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Acknowledgments

The premise of this book is that large-scale change rests on the ability to change individuals. In our experience, few people have done that better than our professor, mentor, and friend, J. Bonner Ritchie. When we were students at Brigham Young University more than 20 years ago, we had the privilege of learning from one of the great master teachers, who, through his questions and examples, inspired change in ourselves and other individual students over the years beyond what we had seen before or have seen since.

Bonner was a champion of change, whether as a student at the University of California, Berkeley, an officer in the U.S. Army, a faculty member and civil rights activist at The University of Michigan, a business consultant to African-American catfish farmers, a chairperson of the Utah State Liquor Commission, a professor at Brigham Young University, or as a tireless advocate of peace and prosperity for children around the world. Among other things, when we were students Bonner showed us the power of maps and metaphors and their ability to help us see things both differently and more clearly. As you read this book, on this issue you will see his hand in every chapter.

Along with Bonner, many other colleagues have contributed to the shaping of our thinking about change in general and the ideas in this book specifically. Thanks to Jean Broom, Mark Hamberlin, Spencer Harrison, Paul McKinnon, Mark Mendenhall, Allen Morrison, Gary Oddou, Lee Perry, Lyman Porter, Kurt Sandholtz, Marion Shumway, Greg Stewart, Pat Stocker, Michael Thompson, Dave Ulrich, and Dave Whetten. In addition, we are appreciative of the thousands of executives and hundreds of students at Brigham Young University, Dartmouth College, The University of Michigan, Helsinki School of Economics, Pennsylvania State University, and INSEAD who have engaged in learning with us and helped us sharpen our thoughts and insights.

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J. Stewart Black
Hal B Gregersen

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J. Stewart Black is a professor at INSEAD, the oldest and largest MBA program in Europe. An internationally recognized scholar on change and transformation, he is a frequent keynote speaker at conferences around the world and company functions. He is regularly sought out to work with leading companies on issues of strategy and strategic change, especially with regard to developing leaders and high-potential managers to initiate and execute change in themselves and others. Dr. Black has been a faculty member previously at the Amos Tuck School of Business Administration at Dartmouth College and The University of Michigan. He is the author of 10 other books and more than 100 articles and case studies that have been used in both university classrooms and corporate boardrooms. Dr. Black has lived, worked, and spent significant time in many countries including, Japan, Singapore, Hong Kong, and France.

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Foreword

by Stephen R. Covey

Oliver Wendell Holmes emphasized, “I wouldn’t give a fig for the simplicity on this side of complexity, but I would give my right arm for the simplicity on the far side of complexity.” This book is “simplicity on the far side of complexity.” Using the Pareto Principle, where 80 percent of the desired results flow from 20 percent of activities, Stewart Black and Hal Gregersen have put a laser beam focus on that 20 percent. They effectively get at the subtle the important dynamics and practical solutions involved in bringing about change in our highly accelerated, complex, globalized world.

I have many friends and associates in the strategy and consulting world, and it has almost become a joke that in spite of brilliant analytical studies of the opportunities and threats inside an industry or a profession, in spite of extensive research into alternative strategies, in spite of brilliant feasibility studies and recommended strategic paths, seldom are these strategies effectively *implemented*. This is particularly true in today’s digital, globalized world, simply because the hearts and minds of the people—the culture, if you will—are too mired in the past and people fail “to see” the need for change. They thereby fail to cultivate the new skill set and to organize the resources “to move” forward and “to finish” the job.

The logic of this book is compellingly built around a paradigm or mental map of inside-out (individual out) rather than outside-in (organization in). Unless the needed change is embedded in individuals, it cannot show up in the larger organization in a way that consistently affects behavior and results. It reminds me of a statement that the great sociologist Emile Durkheim said: “When mores are sufficient, laws are unnecessary. When mores are insufficient, laws are unenforceable.” In other words, when looking at the issue of organizational change, until the needed changes get deeply embedded in the values, mindset, and skill set of individuals, organization change simply will not happen—no matter how brilliant the new organizational strategy, structure, or systems. As the subtitle of the book says, “changing individuals changes organizations,” not the other way around.

I remember a visit I had with the president of Toyota in Japan. He was talking about the cultivation of the spirit of “kaisen,” meaning “continuous improvement.” He emphasized how absolutely necessary it was for the hearts and minds of the people “on the line,” to emotionally connect with kaisen, to deeply “see” or buy into it as informed, economically literate and involved people. In fact, he even suggested that the level of this understanding and involvement should reach the point that every *one* desires and takes responsibility to make things better and any one individual can stop the line and initiate a discussion on how to make things better, improve quality, and lower costs. I remember him saying, “Detroit simply doesn’t get it. They think the answer is in marketing and design and technique and technology. They don’t understand that the answer lies in the hearts and minds of every individual worker.” In other words, using the language of Stewart and Hal’s mentor and my dear friend, J. Bonner Ritchie, the Toyota workers had their own “map,” consequently their own “metaphor,” to guide their behavior

Of course, deep change does not happen instantly. To some, this approach may seem less efficient, but after more than 40 years of experience, I can say with confidence that the approach is infinitely more effective. Why is this more important today than ever before? Simply because we are moving out of the Industrial Age into the Knowledge Worker Age. Today 70–80 percent of the value added to goods and services comes from knowledge work, where even 20-30 years ago it was only 20–30 percent. The job of leadership in the Industrial Age was one of control, rather than one of unleashing human talent. People became cost centers and were managed like things; just like machinery, to be controlled.

But because unlike machinery people had feelings, and getting different behavior out of them required more than simply adjusting a knob or dial. As a consequence, the carrot-and-stick—the Great Jackass Theory of Human Motivation—became the dominant change tool during this era.

Thankfully the world has changed. Today managers recognize that people have minds and hearts and spirits, not just bodies to be controlled and manipulated. People today want a sense of meaning, a sense of voice, a sense of belonging to an innovative community that adds true value. It is a different world, and the need for changing to that different world, as well as transforming how we bring about change in others, has become compellingly clear and obvious. Paraphrasing the great historian Arnold Toynbee, "You can summarize the history of organizations, institutions and societies in four simple worlds: 'Nothing fails like success.'" In other words, if you have a new challenge, the old successful response routinely fails. Thus it is with organizations: The old successful carrot-and-stick way of bringing about change fails in our new environment. To become competitive at a world-class level today and into the future, change must be anticipatory change, not reactive change, or change because of crisis, as this book so compellingly illustrates. However, despite the ever-larger size of organizations, with ones like Wal-Mart likely to have 2 million employees around the world within a decade, the reality is that leaders must keep individuals at the center of the change process. Mother Theresa once said, "If I look at the mass, I will never act. If I look at the one, I will."

From my own work with organizations, I have learned that the key to the 99 is the one, and also that every one of the 99 *is* one. I have also learned the central lesson taught in this book is that until individuals deeply see and feel the need for change, make the necessary moves, and fight to the finish in making good things happen, the change will not work its way into the culture (the shared value systems of individuals), and until that happens you simply don't see sustained change with powerful positive impacts.

I have seldom seen a work so replete with such powerful, real-life business examples that readers can relate to. These are not abstract examples, but compelling real-life examples of businesses that most of us have done business with, either through our businesses or as consumers. As the book clearly illustrates, we need a new mental model or map, regarding the very processes of change itself, so we don't fall back into the Industrial Age model of control and manipulation. We have to get past the notion that changing organization strategies, structures, or systems will magically change individuals. This last mindset change is the toughest of all. In science this is called a *paradigm shift*. From a historical review of these shifts, we know they are not easy because every significant scientific breakthrough has required a "break with" an old way of thinking, an old paradigm, an old model, an old map. Ptolemy, the Egyptian astrologist, developed the map that the Earth is the center of the universe. It was not only Earth-centric, it was egocentric. Copernicus showed that the Earth revolves around the sun and that the sun is the center of our universe, and that there are many universes. He was castigated as a heretic. Such a flawed map persisted for centuries. Even Galileo, many centuries later, proved through the telescope the Copernican model correct, and he himself was castigated as a heretic, put out in front of a church and every parishioner stepped on his body. At the end, he lifts his bloody body and head and they asked him, "What do you have to say now?" and he says, "The earth still revolves."

Bloodletting was the common medical practice for much of the Middle Ages, even after the Germ Theory had been discovered by Semmelweis out of Hungary and Pasteur out of France. The Divine Right of Kings paradigm persisted for millennia. Then the concept of "government of the people, by the people, for the people," surfaced to unleash the greatest prosperity known to man, a profound breakthrough.

In 2006, Mohammed Yunus received the Nobel Peace Prze for his leadership of the worldwide micro-credit movement, wherein less than a generation of more than 500 million people have come out of poverty. What was the key? A new map that viewed people as able and responsible and saw that in aggregate many seemingly small changes could result in a great movement. One of the keys in creating a culture where people who received credit paid it back was that the women who received credit sat on the credit committee to evaluate the next applicant. A deep change in individuals became embedded into the culture of many. The fundamental value was that if you receive credit, you pay back. The result was an astounding 98.9 percent payback. Armed with new paradigms, you can see why Leonard E. Read's statement, "Every significant movement in history has been led by one or just a few individuals with a small minority of energetic supporters" is so true.

Robert Peel, the founder of modern policing, put it this way: "The basic mission of police is to PREVENT crime and disorder. The public are the police and the police are the public, and both share the same responsibility for community safety." This is a new map. This is a map of prevention rather than just catching bad guys. Today community policing has become the most powerful force in preventing crime. Because it involves tapping into individuals, parents, children, and teenagers, in many places in the world today, crime has been reduced up to 80 percent, and recidivism has gone down to 5 percent. So many other illustrations from different fields of human endeavor could be shown to demonstrate that "every significant breakthrough for the future is a break with the past."

Bottom line, this book is a breakthrough book because it is a break with the outside-in approach to change and gives innumerable practical frameworks of thinking and illustrations. The authors demonstrate the need for a new change process, inside-out, based on the idea that until the heart and mind of an individual change, not much else will happen. Simply announcing a new strategy or structure will not do much, even if the announcement is communicated by videocast, podcast, webcast, satellite, cable, microwave, or any other broadcast. Why? Execution will not happen. On average, only about one-third of people say they clearly understand what their organizations are trying to achieve, and only 10 percent feel very highly energized by and committed to their organization's goals. Why? Because trying to impose change from the organization onto the individual doesn't work in a more global and sophisticated world. You have to work from the inside out.

At first this may seem like a significant and perhaps overwhelming demand, especially if you are a senior executive with ultimate responsibility over hundreds, or thousands—or hundreds of thousands—of employees. Along with the authors, I look at it differently. It is not only possible but vastly more rewarding to help individuals see the need for a change, empower them to make the necessary moves, and encourage and support them through the finish. In turn, they can then repeat the same rewarding personal change process throughout their lives. We are capable of it. We have the power of choice. We are the creative force of our own lives. We can lift ourselves out of the quicksand of past habits, past practices, however successful they may have been, and can rise to this new world challenge and the magnificent new opportunities that it provides. But it all starts with one. It starts with each one of us and our relationships with one another.

Perhaps Margaret Mead put it best: "Never doubt that a small group of committed people can change the world; indeed, it is the only thing that ever has."

Preface

Few will dispute that we currently face one of the greatest challenges and opportunities in modern history. As we navigate the waters of modern business, we do so at a time when even the most seasoned and experienced executives and companies are reeling from the powerful and somewhat unpredictable winds, tides, and waves of globalization. This churning environment can provide the chance for some to rise to new heights while sending others to the bottom of the sea. For example, we live in a world where a company that didn't even exist when we sent the first edition of this book to the publisher in 2002—Wikipedia—emerged to create three times the content of *Encyclopedia Britannica*, the original industry creator and benchmark company for more than 250 years.

Thus, it is not into calm waters that we sail, but into a tumultuous sea of opportunity and risk. As we enter this future, government and business executives will face nearly a constant sea of change—changes in technology, society, demographics, competitors, suppliers, and so on. Change of any significance has never been easy, and in the turbulent world of the future we can expect it to be even more challenging. Perhaps this is why between 50–70 percent of all strategic change initiatives fail. With such a high average failure rate, the difference between successful companies and executives will largely rest on those who can effectively implement change and those who cannot.

This book is about that process. We start by outlining why most change initiatives fail, and then describe what we can do to avoid common pitfalls and ultimately succeed at leading strategic change. Based on our research and experience, it turns out that the key to successful change is not systems such as information, pay, or communication, but at the core it's people. If you cannot get the people to see the need for change, to make the needed changes, and to follow through, all the time and money spent on information systems, pay systems, communication systems, or new organizational structures is wasted.

This is why we believe this book delivers unique value to executives and managers. Today more than ever before, people are a company's greatest resource, and they are key to sustainable competitive advantage. However, the constantly changing nature of the world means that executives cannot simply set their people off in one direction doing things a certain way and then put their organization on auto-pilot. A new technology, competitor, government regulation, or other innovation can easily make what was right for today incredibly wrong for tomorrow. If executives and managers can more effectively help people see the need for changes, provide the resources to make the changes, and follow up and reinforce the changes, then the people will propel the company forward. If not, the reality of the future will fall far short of the promised vision.

The world stands at one of the greatest moments in history, at the beginning of an upcoming century of breathtaking change. In 100 years, when we look back at the successes and failures, we believe that much of the success and failure will have been determined by those who were—or were not—capable of leading strategic change. We hope in some small way that this book will have been an influence for good in helping executives and managers become better leaders of change at work and in the world.

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The Challenge of Leading Strategic Change

With more than a hundred books on leading strategic change to choose from, why read this one? The answer is simple. Most other books on change have it backwards. They take an “organization in” approach; in other words, they outline all the organizational levers you should pull to change the company based on the premise that if you change the organization, individual change will follow. Our experience and research commands the opposite conclusion. Lasting success lies in changing individuals first; then the organization follows. This is because an organization changes only as far or as fast as its collective individuals change. Without individual change, there is no organizational change. Consequently, instead of an “organization in” approach, we take an “individual out” approach. To repeat—to change your organization, you must *first* change individuals, and sometimes (maybe even often) this means changing yourself as well.

Let’s assume for a moment that you agree with this first premise and believe that simply changing some organizational features such as structure will ***not*** necessarily cause people to change their behaviors. Let’s assume that you believe that in order to change an organization, you have to first change the mindset and behaviors of individuals. Even then you still might be wondering, “How difficult can changing individuals be?" Based on our research and experience throughout the last 20 years with nearly 10,000 managers, the failure rate for change initiatives is high—close to 80 percent! When we cite this figure, many managers' reaction is to say, "That sounds a bit high." However, if you put this in an everyday context, the failure rate is not that surprising. For example, of the people who determine to change their diet or level of exercise, how many are still sticking with the change just three weeks later? It is only about 10–15 percent. If people cannot easily and successfully change their own behavior when they say they want to, why would we be surprised that people have about the same level of difficulty and failure changing the behavior of others when the other person may not want to change?

But let's not quibble about numbers. Other studies suggest that the percentage of change failure is only 50 percent. But whether it is 50 or 80 percent, it is not 30 percent. This is significant, because if the failure rate were 30 percent, we might attribute it to the failings of less motivated and skilled managers. But at 50–80 percent, this means that we have many motivated, skilled, and otherwise successful leaders who are nonetheless falling short of their organizational, unit, team, or individual change objectives.

This brings us to some inconvenient truths about change. First, while we would like change to be easy, the inconvenient truth is that it is hard. Second, while we might wish for change to be inexpensive and not require much time, money, effort, blood, sweat, or tears, the inconvenient truth is that change is very expensive. Third, while we might pray for change to be over in a flash, the inconvenient truth is that it often takes a significant amount of time for a change to take hold.

This is why elevating and enhancing the capability of leading change is one of the most profitable things you can do for your career and for your company. In our research, a little more than 80 percent of companies listed leading change as one of the top five core leadership competencies for the future. Perhaps more importantly, 85 percent felt that this competency was not as strong as was needed within their high potential leaders. In a nutshell, when it comes to leading change, demand is high (and growing), and supply is short.

To understand why there is a shortage of capable leaders of change, we only need to consider a few factors. First, change has ***never*** been easy. For example, consider this quote written 500 years ago by Niccolo Machiavelli:

> There is nothing more difficult to carry out, nor more doubtful of success, nor more dangerous to handle than to initiate a new order of things. For the reformer has enemies in all those who profit by the old order, and only lukewarm defenders by all those who could profit by the new order. This lukewarmness arises from the incredulity of mankind who *do not truly believe in anything new until they have had actual experience with it*.

Clearly, resistance to change is not a modern phenomenon. In fact, resistance to change seems to have endured through the ages in part because humans are biologically hardwired to resist change. Yes, that's right. We are programmed *not* to change. While plants may evolve and survive through random variation and natural selection, man does not. We do not generate random variations in behavior and let nature take its course—selecting and de-selecting those that fit and do not fit the environment. Humans are wired to resist random change and thereby avoid random de-selection. We are wired to survive, so we hang on to what has worked in the past. We hang on to successful past "mental maps" and use them to guide current and future behavior.

This map-clinging dynamic happened to Hal a few years ago when he was teaching in the Amos Tuck School of Business at Dartmouth College. Even though Hal only lived about a mile from work and had several possible ways to get there, he had quickly settled in on a habitual driving route that took him to work the fastest. One cold winter morning, though, Hal had driven about halfway to work when he confronted a detour barricade and sign. Construction workers were laying new pipe under the road, and it was clear this was a major project and was going to take a few days, so Hal had to turn around, backtrack halfway home, and then follow a detour route to work. At the end of the workday, Hal began his short drive home. But again, he took his "usual" route and ended up stuck at the detour sign once more. He backed up (just like he did in the morning) and ultimately rerouted himself home. The next day Hal woke up and hurried off to work, and you guessed it. He took his "usual" route again and ended up staring once more at the detour sign. Like the day before, he turned around, backtracked, followed the detour route, and made it to work. Finally, on the afternoon of the second day, Hal altered his mental map of how to drive home and actually rerouted himself *before* running into the detour sign.

Unfortunately, modern times have conspired to work against this ancient biological coding of hanging on to what works until undeniable evidence mounts to prove that the old map no longer fits the new environment. Today, the rate and magnitude of required change has grown exponentially. We now talk about 90-day years (or Internet years, which are almost as short as dog years.) Pundits pull out charts and statistics about the half-life of products dropping in half. Many of us face change of such size, scope, and complexity that is nearly overwhelming. Sadly, all indications are that things are only going to get worse. Specifically, the magnitude of change, rate of change, and unpredictability of change all seem to be headed in the direction of making leading change an ever more challenging leadership capability.

Magnitude of Change

The magnitude and size of the changes we face and will face are Everest in nature. For example, who could have imagined in early 2004 that later that year a company virtually unknown outside of China (Lenovo) would buy the PC business of IBM? In capital terms (at $1.25 billion), it may not have been the biggest acquisition for the year, but in terms of the news splash it was enormous in size. In the same vein, but on an even bigger scale, who in early 2005 would have predicted that CNOOC (Chinese National Offshore Oil Company) would have launched but then lost an $18.5 billion bid for Unocal?

We draw the Lenovo and CNOOC examples from China not because China is the only big change in recent times, but because it is a great example of the size of changes we are experiencing. For example, from 2000 to 2006, not only did foreign direct investment in China more than double to more than $65 billion, but China sucked in nearly 9 out of every 10 foreign dollars, euro, or yen that were invested in all of Asia. In late 2006, the largest IPO ever occurred when Industrial and Commercial Bank of China (ICBC) simultaneously listed its shares on the Shanghai and Hong Kong stock exchanges and pulled in $20 billion! In fact, in 2006, China was the largest IPO market in the world.

As we said, while China is not the only big change out there, it does illustrate the size of changes that have happened recently and will likely happen in the future. China's rise has rippled through all sorts of sectors, including ones that may not get the press that ICBC's IPO did. For example, the large shipment of goods from China to the U.S. but the relatively smaller amounts shipped from the U.S. to China has spawned a new business in California—container storage. There are so many empty containers piling up in California that real estate agents and landowners are making good money simply storing the empty containers on vacant land. In fact, in some cases, the containers are stacked so high that they block the views of homeowners living next to these "temporary" storage facilities.

India may be next in line to send change tectonic tremors throughout the world. While FDI in India in 2006 was only a bit larger than $4 billion compared to more than $65 billion for China, one need look no further than companies such as Infosys, Wipro, Tata, or Reliance for future (some would say current) global competitors. In terms of opportunities, India's middle class, estimated at 250 million people, may offer the foundation upon which to build homegrown multinationals as well as a significant opportunity for growth for foreign multinationals. What will happen in India or how India might affect the global business landscape is nearly impossible to predict, but the magnitude of the potential impact should not be underestimated. Summarized simply, Nandan Nilekani, the CEO of Infosys, recently stated, "We changed the rules of the game…(and) you cannot wish away this new era of globalization."[1] Wen Jiabo, the Chinese prime minister, framed the point even more powerfully: "India and China can together reshape the world order."[2]

Rate of Change

If these and other changes would just come at us at a slow enough rate, like eating an elephant over a long enough period of time, we could digest them one large bit at a time. Unfortunately, the gods of the change universe are not so kind or considerate. Instead, both the rate of change within sectors, as well as across sectors, seems to be accelerating.

Consider that the first significant mention of VOIP (Voice Over Internet Protocol) in Fortune magazine was in 2000. Just three years later in 2003, a small company called Skype was started. One year later in 2004, Fortune magazine told us not to believe all the hype about VOIP. One year after that in 2005 (just two years after its founding), Skype had 53 million customers, and at any given moment Skype had more than 2 million customers using the service and calling friends, family, and loved ones all across the globe at 2 to 7 cents a minute. Later that year in September 2005, eBay bought Skype in a deal that could bring $4 billion to Skype. From zero to 53 million customers, from zero value to $4 billion in two years! From just about any perspective, that is fast. Arguably, it is this fast pace of change that was just too much for AT&T, the "mother of all bells," and contributed to its being bought out in 2005 for $16.9 billion by SBC, one of the "baby bells" it gave birth to in 1984. Imagine, the 25-year-old child bought out the 135-year-old parent! (However, to keep it all in the family, SBC adopted and now goes by the AT&T name.)

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[1] Friedman, T. L. "Small and Smaller," New York Times, April 3, 2004.

[2] Kabir, M. A. "Present caretaker government and relevant issues," March 23, 2007, http://www.weeklyholiday.net/2007/230307/com.html.

Unpredictability of Change

As should be evident from the previous examples on the magnitude and rate of change, many of the biggest and quickest changes have also been hard to predict. Would fortune tellers have done any worse job predicting the rise of VOIP than *Fortune* (or any other magazine) did? We doubt it. To be clear, we are not picking on *Fortune*; it's a great organization and produces a quality product; this is why it is one of the most widely read and quoted magazines. But that is exactly our point. If the best business journalists talking with the best business minds can't get the future right, then it just reinforces how unpredictable the future is.

As a last example of the unpredictability of change, consider the rise and fall of *Encyclopedia Britannica*. Arguably, *Encyclopedia Britannica* invented the category in which it competes. The first edition was published progressively from 1768 to 1771 as *Encyclopædia Britannica*. When it was completed, it contained 2,391 pages and 160 engraved illustrations in 3 volumes. For more than 200 years, it dominated the category it created. It was considered the most authoritative encyclopedia in the market. By the third edition, published 1788–97, it contained 18 volumes plus a 2-volume supplement of more than 16,000 pages.

After the 11th edition (often called the 1911 edition), the trademark and publication rights were sold to Sears Roebuck of Chicago, Illinois. Thirty years later, Sears Roebuck offered the rights to the University of Chicago. From then until his death in 1973, William Benton served as the publisher.

For the next decade, Britannica continued to dominate the market. A full set was priced at between $1,500 to $2,000. Then in the mid-1980s a little known company called Microsoft (only 10 years of age) approached Britannica Inc. to discuss a potential collaboration.

Britannica turned them down flat. Why would a company with such a stellar brand and reputation that had been successful for more than 200 years team up with a new and unknown company in general, and one that had no place or standing in the publishing world specifically? Rebuffed, Microsoft used content from *Funk & Wagnalls Standard Encyclopedia* to create what is now known as Encarta. Executives at Britannica could only smile as desperation drove one of its more lowly esteemed competitors into the arms of such a strange and immature bedfellow as Microsoft. This view was only reinforced by the growing sales at Britannica during the next five years, hitting $650 million in 1990.

Just three years later in 1993, Microsoft began bundling *Encarta* with its MS Office suite of products. While Encarta's content was not nearly as good as Britannica's, it was essentially free. Britannica's sale dropped like a rock. Determined to survive, Britannica came out with a CD-ROM version, but all the information could not fit on one disk. It came on three disks, making it inconvenient for customers because depending on what information you wanted you had to make sure you put in the correct disk. On top of that, Britannica priced its CD offering at $995. The hope was that such a high price for three CDs would encourage customers to stay with the nicely bound volumes. The plan did not work, and in 1994, Britannica launched an online version of its famed encyclopedia. However, the cost of a subscription was $2,000. Again, the hope was that such a high-priced online subscription would encourage customers to stay with the nicely bound, traditional book sets.

Sales plummeted yet further. In 1996, only 20,000 hard copy versions were sold compared with 117,000 in 1990. Owing to its financial difficulties, in 1996, financier Jacob Safra bought Britannica Inc. for $135 million, a fraction of its book value.

Up to this point, the tale of Britannica is a sad one. The size of the change (Britannica shrank by more than an 80 percent) and speed of the change (it happened in just 2 percent of the company's life span), were both dramatic. However, in the end Britannica's fate was sealed not by Microsoft, but by a company that didn't exist nor was its existence even possible in 1996 when Jacob Safra swooped in to try and save Britannica. That company is Wikipedia. In fact, the ironic point of this tale is that virtually all the information we have conveyed about Encyclopedia Britannica can be found at www.wikipedia.com—a free, online, and "open source" encyclopedia that relies on literally tens of thousands of contributors. Neither Britannica nor Microsoft envisioned this form of encyclopedia in 2001, the year Wikipedia got going. Even as recently as 2003, no one predicted that by 2007, Wikipedia would have 1.5 million articles in English totaling more than 500 million words. To put this in perspective, this makes it three times larger than the largest *Encyclopedia Britannica* set. Who could have seen a pace of change so fast that, in just a few short years, Wikipedia would have 4.6 million articles consisting of 1.4 billion words across 200 languages? In fact, the speed at which Wikipedia is being updated is so fast that even if you read all the new and edited material seven days a week, 24 hours a day, you could not keep up.

Implications of Change

The bottom line is that the size, speed, and unpredictability of change are greater than ever before. Whether there are ten forces flattening the world, or seven drivers of a borderless business environment, or five mega-trends, the fact remains that the challenge of change is here to stay and is only going to get more daunting. Consequently, the costs of being late with change can be not just inconvenient but devastating.

We don't have to look far to see the consequences of not meeting this challenge. AT&T, GM, Kmart, Kodak, and Xerox, in the U.S.; ABB, Airbus, and De Beers in Europe; and Mitsubishi and Sony in Japan, are just a few examples of companies that faltered, brought in new leaders to champion change, and still failed to recover. Any of these companies may yet recover and revitalize just as IBM or Nissan did (at least for a decade). However, the cost of recovering from crisis in terms of lost shareholder value, reputation, or jobs for employees are inevitably higher than if the companies and their leaders had met the challenge of change earlier.

However, the challenge of change is not confined to the boardroom. In fact, in our experience the real battles happen below the radar screen of newspaper and magazine headlines. The reality is that for every failed change featured in some headline, there are literally hundreds of failures far below the CEO suite. These seemingly invisible individual examples consist of innumerable upper- and middle-level leaders whose seemingly fast-track careers were derailed when a change initiative they were leading crashed and burned.

For those whose careers or reputations have not been tarnished by a failed change initiative, the frustrating but inescapable fact of the matter seems to be that no matter how good we have been at leading change in the past, the future will demand even more of us. Therefore, our view is that past success, even for a given individual manager, is not a good predictor of future performance when it comes to leading change. The specific changes any one of us might be called upon to lead are as varied as the industries, countries, and companies we work in. The change might involve:

- Transforming a business unit that succeeded for years by focusing on technological prowess into a unit that must now focus on customer service.
- Leading an organization from domestic competition onto the global battlefield.
- Accelerating growth by focusing not just on building things, but on all the services that go with after-sales support.
- Changing the culture from one of considered deliberations to fast, first-moving decision-makers.
- Redesigning jobs to incorporate new technology that we hardly understand.
- Changing our personal leadership style from a command and control focus to one that is more network-centric and inclusive.
- Something else equally daunting.

In looking at these and myriad other changes, we have observed an important but often overlooked fact for leaders. It is this: Rarely, if ever, are changes required of an organization, a business, a unit, or a team that require no change from the one leading that organization, business, unit, or team. In fact, quite often when we survey or interview those whom the leaders view as needing to change, their comment is, “I hear what my leader is saying, but I’m watching what he or she is doing.” In other words, in many cases, those whom the leader is trying to influence and change are looking up but often see no change in the leader. In effect, to them the leader is saying, “Do as I say, not as I do.” Sometimes it seems that we have forgotten that this approach never worked for our parents when we were children, nor does it work for us as parents. The principle of “leading by example” is true enough that the approach of “do as I say, not as I do” does not work for anyone—neither as parents nor as leaders.

As a consequence, our experience is that the most successful leaders of change not only recognize that organizational change requires first changing individuals, but that changing other individuals first requires leading by example and changing oneself.

Unfortunately, most people (ourselves included) are programmed to resist change. For example, try this simple experiment. Ask two people to stand face to face and then raise their arms to shoulder height, palms forward. Then request each person to press their palm against that of the other person standing opposite them. What happens? As soon as you feel pressure coming from the other person into your hands, you resist. It is almost a reflex reaction. So it is with change. As soon as people (again including ourselves) feel some pressure, almost instinctively we push back; we resist. Not only that, but the harder people are pushed to change, it seems the more forcefully they resist. It is almost as if they are unconscious disciples of Newtonian physics and automatically feel obliged that for every action to change them they must exhibit an equal and opposite reaction to resist.

As we briefly mentioned earlier, we all have mental maps, and the more these maps have worked in the past, the more deeply entrenched they are in our brains. By the way, this is nearly a literal expression. That is, as impulses travel over the same neural pathways, they etch the path ever deeper in our brains. Efforts to redraw and change mental maps and walk in new paths are almost always met with resistance—often instinctual or reflex resistance. In the end, the human brain poses a significant set of barriers that we must break through if we are to meet the increasing demands of leading change in ourselves and in others.

This is why we argue that unlocking individual change starts and ends with the mental maps people carry in their heads—how they see the organization and their world at work. Just as actual maps guide the steps people take on a hike through the Himalayas, mental maps direct people's behavior through the daily ups and downs of organizational life. And if leaders cannot change their own and others' mental maps, they will not change the destinations people pursue or the paths they take to get there. If what is in people's heads is not remapped, then their hearts and hands have nothing new to follow.

The Crux of the Challenge

This brings us to the crux of the challenge. Clearly change has always been and still remains difficult. Unless we can dig beneath the surface and get to the fundamentals of why this is so, we have no hope or prayer of meeting the ever-escalating demands for leading change.

To better understand these fundamentals of breaking through the brain barrier, we might take a page from those who broke through the sound barrier. The sound barrier was first broken in level flight on October 14, 1947, by then Captain (and today General) Chuck Yeager. Before this, several pilots died because scientists and pilots simply did not fully understand the nature of the sound barrier or, more precisely, they did not fully understand the changes in aerodynamics that occurred at transonic and supersonic speeds. Simplified, what happens is that as the plane moves faster through the air, the increased speed causes a shockwave to form on the wing and tail and change the aerodynamics of the plane. As the speed of the plane increases to nearly the speed of sound, this shockwave moves back along the wing and tail and changes the pressure distribution, and thus the plane's aerodynamic properties.

Breaking through the sound barrier required three specific adjustments to these transonic aerodynamics. First, enough thrust had to be generated to move a plane at level flight faster than the speed of sound (about 761 miles per hour at sea level). This required a change from propeller to jet propulsion. Second, to adjust for the change in aerodynamics on the wings at supersonic speed, the wings had to be swept back and made thinner. Third, to create the additional air pressure needed to cause appropriate pitch (movement of the plane's nose up or down), the horizontal stabilizers needed significant modification. The horizontal stabilizers are simply the small wings on either side of the plane's tail. Along the back edge of each is a section that swivels up or down. At subsonic flight, the movement of this small section is sufficient to cause the plane to climb or dive. This same small surface was not sufficient at transonic and supersonic speeds to generate the same affect. Today, on most supersonic planes, rather than just a small section of the trailing edge moving, the entire horizontal stabilizer pivots to create the needed air pressure change to alter the pitch during supersonic flight.

However, even with this enhanced understanding and modifications, as flights would approach the speed of sound, the plane would shake as the shock waves buffeted it. It seemed that the harder technicians and pilots pushed the planes to the sound barrier, the more resistance they encountered. Some even thought that in pushing through the sound barrier, the shock waves would crush the plane like a aluminum can.

On that eventful day in October 1947, Yeager reported that his plane was shaking violently as he approached Mach 1. However, once he "punched through it," the flight was as smooth as glass.

Take a moment to look at Figure 1.1. This incredible photo captures an F-18 fighter jet hitting Mach I, the speed of sound. Obviously, sound waves are invisible to the unaided human eye, and the only reason that we can see the plane breaking through the sound barrier is because the shock waves compress the moisture in the air to form this temporary cloud.

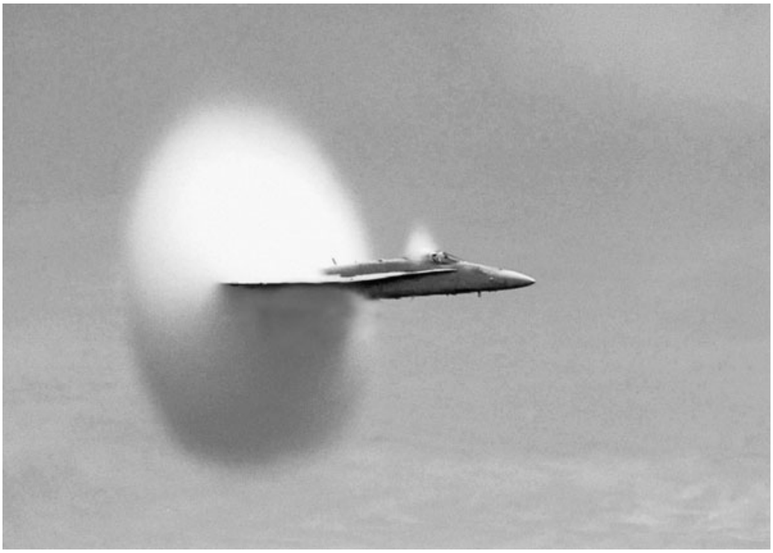

Figure 1.1 F18 breaking through the sound barrier.

"Interesting, but what does this have to do with leading change?" you might ask. As we interviewed and observed managers, we consistently found that there seemed to be a natural barrier to change—a brain barrier. Like the sound barrier, the faster a leader tried to push change, the more shock waves of resistance compacted together, forming a massive barrier to change. Instead of a sound barrier, though, leaders confront a "brain barrier" composed of preexisting and successful mental maps. These incredibly powerful maps determine how people see the world of work, guiding their daily steps and behaviors. Indeed, our heads are chock full of such maps, and just as the court jester shown in Figure 1.2, the maps in our head, far more than the eyes on our face, frame our personal views of the world.

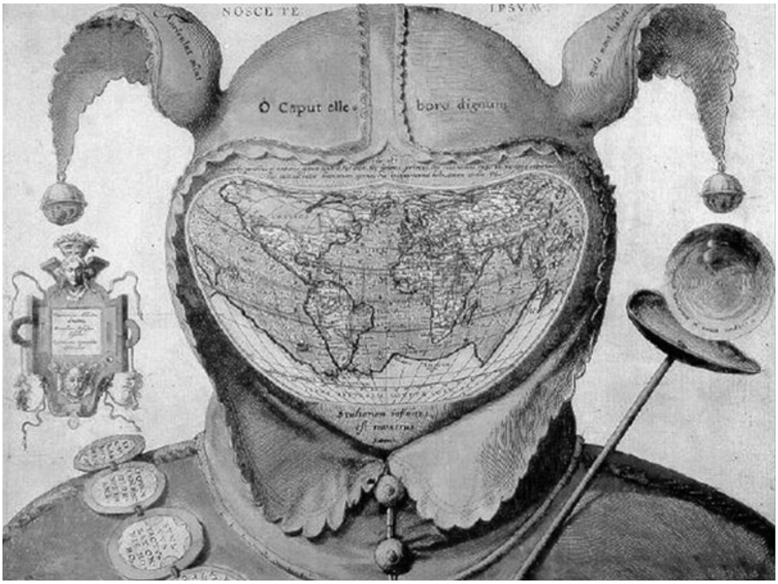

Figure 1.2 An alternative view of the world.

The power of these mental maps surprised one of our colleagues several years ago. He was hired as a consultant to help transform a meatpacking factory from an authoritarian top-down management system to a high-involvement participative one. After three days of intensive training focused on the opportunities, challenges, and everyday logistics associated with greater empowerment and self-managed work teams, a burly 300-pound butcher stood up in the back of the room, slammed a meat cleaver into the table, and demanded in no uncertain terms that he still had “a right to have a manager tell me what to do and when to do it.” Clearly, this butcher’s maps of his world at work had not budged an inch. And for significant organizational change to take hold of peoples’ hearts and hands in this meat-packing plant—or anywhere else for that matter—leaders of change must comprehend, break through, and ultimately redraw individual mental maps, one-by-one, person-by-person, again and again.

This brings us to the critical barriers that can block sustainable strategic change. In our work, we have identified not one but three successive barriers to change. The low success rate and conversely high failure rate of change is due in part to the fact that we must break through three strong barriers for ultimate success. We refer to these three barriers as the *see*, *move*, and *finish* barriers:

- **See**. Even when opportunities or threats stare people in the face, they *fail to see* the need to change.
- **Move**. Even when they see the need, they often still *fail to move.*
- **Finish**. Even when they see the need and start to move, they often *fail to finish*—not going far or fast enough for the change to ultimately succeed.

Like the sound barrier, if we can understand the nature of each of these three barriers, we can make the needed adjustments to achieve breakthrough change. As a consequence, we build on past research as well as our interviews and work with managers to grasp why people fail to see, move, and finish. In addition, we reveal the keys to success—the modifications needed to break through each barrier. While we don't claim to have all the insights or answers, our journey has illuminated enough executives that we felt compelled to put into writing what was working in practice. Quite simply, this book reveals the forces behind each barrier to change and describes specific tools and techniques for breaking through.

Simplify and Apply

In describing these barriers and providing the tools to break through them, we try to stick to an important principle. This principle is best illustrated by Albert Einstein who said that we should make things as simple as possible, but no simpler. In our view, the eight mistakes, twelve steps, and so on about change are often right in direction, but overly complicated for reality. But wait—we just got through arguing that today's changes are bigger and more complicated than the past and that changes in the future are likely only to get more daunting. Why would simplifying change help us lead ever more complex changes? There are two convincing reasons.

First, something is practical if we can remember and recall it, especially under pressure. No matter how comprehensive a model, framework, theory, or idea, if we cannot remember and recall it under pressure in real time when application is needed, it ends up making very little practical difference. So if change is more prevalent, faster, and more unpredictable than ever before, then it is equally critical for us to take action when needed. Whatever tools we hope to use in making change succeed, we must remember, recall, and apply them in real situations, in real time, and under real pressure.

In sticking with this simplicity principle, it is important to keep in mind that long history and scientific evidence have taught us that as humans we have limitations when it comes to remembering and recalling models, frameworks, or even strings of numbers that are too long or complicated. For example, have you ever wondered why most phone numbers around the world contain only seven digits or less? It is because 80 percent of the population can remember seven digits, but that percentage drops dramatically as you add digits. In fact, while 80 percent of the world population can remember seven random digits, that quickly drops to about 2 percent by only adding three additional digits (meaning, going from to seven to ten). If a change strategy sounds great on paper but can't be remembered by people in the field, then it really isn't worth anything. For this reason, we take a very pragmatic approach in proposing a framework for leading change. We offer up a framework that can be remembered, recalled, and—most importantly—applied. Fundamentally, it has only three components.

Second, we argue for simplification because achieving 80 percent of desired results rapidly is much better than never attaining 100 percent. If 80 percent quickly is your target, then 20 percent of the factors are usually the key. For example, we commonly see cases in which 20 percent of a firm's customers account for 80 percent of its sales. In sports, we see many situations where 80 percent of the team's points come from 20 percent of its players. And while a firm cannot ignore its other customers or a team its full roster of players, both organizations get the best bang for their buck by focusing on the critical core—the fundamentals. For this reason, we focus on the most critical elements of change.

This is one of the important differentiators of this book. We keep it simple, and we focus on the fundamentals. We have found through experience in working with a variety of firms around the world that if you get the fundamentals right—the critical 20 percent—and hit 80 percent of the desired result quickly, the rest will come. Conversely, you can spend truckloads of time on all the fancy frills of change, and the ignored fundamentals will steal success away.

In the end, a complete mastery of the fundamentals is key to breakthrough change. Just as mastering the fundamentals of gravity and friction allowed designers to make the wings thinner and sweep them back on planes so pilots could break the sound barrier, mastering change fundamentals is key to breaking through the powerful and persistent mental barriers of resistance.

The Fundamentals of Change

What are the fundamental dynamics of leading strategic change? The following diagram (Figure 1.3) attempts to capture this process, and subsequent short sections describe these dynamics relative to each of the main cells in the matrix. And as we mentioned, real mastery of these concepts will come through subsequent chapters that walk you through these dynamics and explain them in much greater detail.

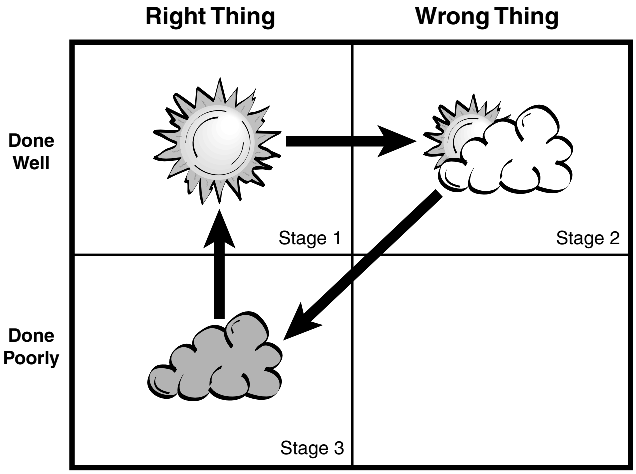

Figure 1.3 Matrix of the fundamental dynamics of change.

Virtually every major change has its roots in success (Stage 1). In almost every case, the need for change is born of past success—of doing the right thing well. The more right it is and the better it has been done, the more likely that it has a long rather than short history. For example, IBM did the right thing (making main frame computers) and did it well. It did it better than anyone else for nearly 50 years. Xerox was so closely tied to the invention and commercialization of copying that the company name became a verb ("Please xerox this document for me.").

In almost every organizational or individual case, change starts with a history of doing the right thing and doing it well. Then, often unexpectedly, something happens: the environment shifts, and the right thing becomes the wrong thing. A new competitor comes on the scene with equal quality but significantly lower price, or a new technology renders past standards of product reliability obsolete, or government regulations disallow previous business practices, or customers change their preferences, or a million and one other shifts.

As a consequence of the shift, what was once right is now wrong (an initial shift from Stage 1 to Stage 2). More importantly, and the really frustrating thing, is that while what we did right is now wrong, we are still very good at it. In IBM's case, computing power soared while cost remained constant (or dropped in real terms); and servers, minicomputers, and even desktop computers began to replace the role of some mainframes. Just making big boxes was no longer the right thing, but IBM continued doing it so well. People's hearts and souls, self-worth, and image were tied up in years and years of making "big iron" (IBM's vernacular for mainframes). This persistence to keep moving along the old successful pathways of the past constitutes the first part of change.

Then after enough pain, blood, or at least red ink on the floor, we start the second stage of change by finally recognizing that the old right thing is now the wrong thing—we finally see the light. We then begin to envision what the new right thing might be. Over time, the new right thing becomes clear. But, in almost every case, because the *new* right thing is *new*, we are usually not very good at it at first. Initially we end up doing the new right thing quite poorly. This is the third and frustrating part of change.

For example, not long after Lou Gerstner took over as CEO at IBM, people inside the company finally saw that just "selling boxes" would not work and that providing integrated solutions was critical to their future success. However, neither IBM nor its employees were good at making money from providing integrated solutions at first. While analysts today tout the importance of "solutions" in IBM's revenue and profit growth, we quickly forget that back in the early 1990s, as IBM initiated this strategic change, the *integrated solution units* (ISUs as they were called) were most closely associated with losing money, not making it.

Hopefully, after a time, we master the new right thing and start to do it well (a move from Stage 3 back to Stage 1). At this point, the sun shines again, and we bask in the warmth of its rays. Life is good. (Well, that is until life changes and the new right thing once again becomes the wrong thing.) IBM eventually did become proficient at providing integrated solutions. In fact, the service business was the largest revenue and profit growth engine for IBM during the late 1990s.

The fundamental process or cycle of change is just that simple. This is the core 20 percent that captures 80 percent of the picture:

- Stage 1: Do the right thing and do it well.
- Stage 2: Discover that the right thing is now the wrong thing.
- Stage 3: Do the new right thing, but do it poorly at first.
- Stage 4: Eventually do the new right thing well.

Anyone can understand, remember, and recall this framework. The three barriers we mentioned earlier cause the process to break down. The failure to see keeps the change process from even getting started. Even when started, the failure to move keeps us from entering the path of the new right thing. Even if we start and move, the failure to finish keeps us from doing the new right thing and doing it well.

With this overall map, the following chapters help you master the challenge of remapping change. We dive into the dynamics that drive behavior in each step of our change framework and explore the power of mental maps that can often divert us from successful change and how we can break through these brain barriers.

Specifically, in Chapter 2, “Barrier #1: Failure to See,” we examine the first remapping challenge. We explore why—even when a threat or opportunity is visible—we fail to see it. Clearly, if we fail to see threats or opportunities, we will not make needed changes. In response to this challenge, in Chapter 3, “Solutions and Tools for Breaking through Barrier #1: Helping People See the Need,” we detail how you can break through this barrier and help yourself and others actually see the need to change.

We explore the second remapping challenge in Chapter 4, “Barrier #2: Failure to Move.” We examine why even when we see, we often fail to move. While it sounds illogical (why would someone fail to move if they saw the need?), there is ample evidence that failure to move is quite common. As a consequence, effective change must overcome this powerful mental barrier. Chapter 5, “Solutions and Tools for Breaking through Barrier #2: Helping People Make the Move,” delivers the keys to overcoming this barrier and helping people actually move once they see the need to change.

The third and final remapping challenge fills Chapter 6, “Barrier #3: Failure to Finish.” We explore why, even when people move, they often fail to finish—not moving far or fast enough. While recognizing the need for change is the thrust that gets us going, and moving down the new path lifts us off the ground, if the momentum cannot be maintained, the initial upward lift needed to fly is overpowered by the constant downward pull of gravity and natural resistance to change. We have seen and studied many cases in which change projects attained initial liftoff, only to falter and crash shortly after clearing the runway. Chapter 7, “Solutions and Tools for Breaking through Barrier #3: Helping People Fight through the Finish,” provides a simple but effective framework for overcoming this challenge and provides specific tools that can help you break through this barrier and help people finish a major change initiative.

In Chapter 8, “Pulling It All Together,” we combine and integrate all the specific components that we discuss separately up to that point to ensure that you can apply these fundamental principles of change in real situations, which don’t come so neatly divided as chapters in a book. In most of these examples in Chapter 8, we examine how using the principles can help you remap your organization for greater revenue and profit growth.

Chapter 9, “Getting Ahead of the Change Curve,” provides the glue to ensure that all this sticks—sticks together and sticks to you, the reader. This glue is essentially a tool that you can use to gauge where you and others are in the change process and what might need to be done to ensure the targeted change succeeds. The tool is not only something you can use to lead change, but is also something you can use to train, educate, and empower others to meet this challenge as well.

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