J. Stewart Black

It Starts with One

Third Edition

Changing Individuals Changes Organizations

Praise for the Previous Edition of *It Starts with One*

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

—Bill Marriott, Chairman and CEO, Marriott International Inc.

"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."

—Gary L. Crittenden, CFO Citigroup

"All successful businesses accept the need for change. *It Starts with One* steers the reader through the complexities of modern leadership and delivers a powerful framework for transforming old patterns of action into new strategic direction, emphasizing what matters most—the people."

—Edward Dolman, CEO, Christie's International plc

"This book broke my own brain barrier, asking me to think differently about ideas and processes that I'd become too comfortable with. It's a significant contribution to the field of organizational change and will undoubtedly help us be more successful with change. And I love the maps—they provoke my intellect and imagination."

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"What a pleasure to find a book on change focused on 'leading' rather than 'managing' change. Leaders create change; they don't react to it. This book addresses the crux of that leadership issue by focusing on people, where the real change must occur."

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"Finally a book that gets it right. Organizations don't change. People change. *It Starts with One* gives extremely practical tools to make real change happen."

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"PROVOCATIVE, PRACTICAL, POWERFUL!"

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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."

—Dave Ulrich, Author of *Leadership Brand*, Professor of Business, University of Michigan, and Partner, The RBL Group (www.rbl.net)

"A significant barrier to any major change or innovation management process is in transparently defining the past and desired future state, then connecting the move from the former to latter in an inspirational way. *It Starts with One* offers novel framing and straightforward stepback, targeted thinking that can streamline and turbocharge the challenging change process."

—David N. DiGiulio, Consultant and former Vice President, Research & Development, Procter & Gamble

"Leading successful strategic change is one of the biggest and most important challenges executives face today. Black and Gregersen offer a practical set of concepts and tools to meet that challenge."

—Sue Lee, Senior Vice President, Human Resources and Communications, Suncor Energy, Inc.

"I found this book special in several ways. It is not the usual description of the stages of change. Instead, it describes the process of change in human terms—the way people really experience it. They go beneath and look at assumptions (mind maps) that hold people back from being able to change."

—Jean Broom, Consultant and former Senior Vice President, Human Resources, Itochu International, Inc.

"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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Changing Individuals Changes Organizations

Third Edition

J. Stewart Black, IMD

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Dedicated to my parents:

Bruce and Kay Black

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Acknowledgments

The premise of this book is that large-scale change rests on the ability to change individuals by changing their mental maps. The fundamental metaphor of mental maps used in this book traces back to a conversation with long-time colleague and close friend, Hal Gregersen, several years ago. Hal was the catalyst for this book and co-author for the first two editions. He is also a living example of change and growth. He has always had an exceptionally creative mind and artistic eye and recently decided to devote time in class and in the field to perfecting these gifts and talents. As a consequence, I give the lion's share of the credit for any of the good ideas in this edition to Hal but personally take responsibility for any mistakes or shortcomings.

In addition, I express great appreciation for all his inspiration and modeling of change to one of my earliest professors—J. Bonner Ritchie. Along with Bonner, many other colleagues have contributed to the shaping of my thinking about change in general and the ideas in this book specifically. Thanks to Jean Broom, Francoise Caraguel, Gordon Finch, Mark Hamberlin, Paul McKinnon, Mark Mendenhall, Allen Morrison, Sue Lee, Gary Oddou, Lee Perry, Lyman Porter, Kurt Sanholtz, Marion Sumway, Greg Stewart, Pat Stocker, Christine Tricoli, Dave Ulrich, and Dave Whetten. In addition, I appreciate the thousands of executives at Dartmouth College, University of Michigan, INSEAD, and IMD who have engaged in learning with me and helped me sharpen my thoughts and insights.

On the home front, my parents played pivotal roles not only in forming my map of the world, but also in teaching me how to create new maps. I like to remind them that I moved 21 times before I was 19. They like to remind me that thanks to them, I learned about change early in life. No argument there. I am grateful for the gifts of inquiry that my parents passed on. I also thank each of my children—Jared, Nathaniel, Kendra, Ian, and Devyn Black—for enduring time when I was away putting these principles into practice working with companies and executives around the world. Finally, a thank-you to my wife, Tanya Maria Black. I am ever grateful to her for helping me make a variety of needed changes in navigating this adventurous map of life.

J. Stewart Black

About the Author

J. Stewart Black is a professor of Global Leadership and Strategy at IMD. An internationally recognized scholar on change and transformation, he is a frequent keynote speaker at conferences around the world and at 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, University of Michigan, and INSEAD. He is the author of 15 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 and worked nearly half his professional career outside the United States, including in Switzerland, Singapore, Japan, and Hong Kong.

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 the first edition of this book was sent to the publisher in 2002—Wikipedia—emerged to create five times the content of Encyclopedia Britannica, the originator of the industry and benchmark company for more than 250 years. In just the six short intervening years between the first and second editions, a company was born that at warp speed garnered more customers faster than any other company in history. That company was Facebook. Remarkably, by the time this third edition was sent to the publisher, if Facebook were a country, it would be the third largest country on the planet, with a user population of 1.15 billion, putting it close on the heels of the second-most populous country, India, at 1.27 billion people.

Thus, it is not into calm waters that we sail, but into a tumultuous ocean 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, governments, 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 and unsuccessful companies and executives will largely come from the ability to implement change effectively—or not.

This book is about that process. I start by outlining why most change initiatives fail, and then describe what you can do to avoid common pitfalls and ultimately succeed at leading strategic change. Research and experience show that the key to successful change is not changing systems, such as information, pay, and communication systems, but rather changing 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, pay, and communication systems, as well as new organizational structures, will be wasted.

This is why I 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 the 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 business model 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 50 years, when we look back at the successes and failures, I believe that much of the success and failure will have been determined by those who were—or were not—capable of leading strategic change today. I 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.

J. Stewart Black

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The Challenge of Leading Strategic Change

I was recently talking with a CEO (I will call her Maria) about a major transformation that she was leading in her company. After several minutes of explaining her change plan, she asked me if I could recommend a good book or article for her to read on leading strategic change. I mentioned that, in fact, I had a book coming out on the topic. Graciously Maria congratulated me and then asked, “So what’s new and different in your book?”

“That’s simple,” I said. “Most other books on change have it backwards. They take an ‘organization-in’ approach wherein they outline all the organizational levers, such as reward systems, organization structures, performance management processes, and so on, that you should pull to lead change based on the premise that if you change the organization, individual change will follow.”

Because the change plan Maria had outlined earlier to me was an “organization-in” approach, she seemed a bit taken aback by my implying that her change plan was wrongheaded. Gathering a bit of courage, I continued, “My research and experience demonstrate that an ‘individual-out’ approach is what works. Lasting success comes from changing individuals first and then using organizational levers to sustain the change. This is because organizations change only as far or as fast as their collective individuals change.” I concluded, “Without individual change, there can be no meaningful organizational change." Despite having impugned her strategic change plan, my last sentence about organizational change not being possible without individual change seemed to ring true to Maria.

Seeing that she was a bit intrigued, I decided to reinforce my point with an example. I described a large industrial firm that had recently implemented, at no small expense, a new CRM (Customer Relationship Management) system. The system was implemented because much of the knowledge regarding key customers resided in the heads of sales people who had been with the company for a long time and were due to retire in the near future. As a consequence, capturing and systematizing this knowledge made absolute sense. The new CRM system was introduced at a big company conference and sales people were subsequently trained in the new system. However, three months after the celebrated launch, virtually none of the sales people were using the system. Simply changing the system did not change their behavior.

At this point, Maria was nodding her head in agreement, so I pushed ahead with the second example. The second case I described to her was that of a large specialty chemical company in Europe. At the hands of a new CEO and with great fanfare, the company introduced a new organizational structure. One of the key features of the new structure was the consolidation of support services, such as technology, legal, HR, and supply chain, from the business units into global shared service centers. This move was designed both to raise the professionalism of the services and to save money. However, a year after the structure's celebrated introduction, behavior had not really changed. In fact, most of the business leaders still had their "own people" in their units doing the functional activities (technology, legal, HR, and so on) that were supposed to have been consolidated into the global shared service centers. However, the business leaders were clever enough to hide their noncompliance by giving people new titles. For example, one business leader had changed the title of his HR director to "Head of Intangible Assets."

Maria laughed at this example, saying that she had seen such incidences more than once in her career. Consequently, I reiterated my key point by stating, "Instead of an 'organization-in' approach, effective change needs to take an 'individual-out' approach. That is, in order to change your organization, you must first change individuals." Because

Maria seemed basically onboard with all of this, I closed with what some would call a brave statement and others might label as a foolish comment. I closed by saying, “And sometimes, changing individuals means changing yourself as the starting point.”

Maria mused on this final statement for a second or two but then commented, “It’s funny you should say that. As I’ve been thinking about the changes required of my team and other key leaders in order to transform this company, I’ve started to realize that I would need to make some changes in myself and how I lead as well.” At that point our conversation took a bit more personal turn relative to the changes she thought she might have to make.

But let me shift gears and bring this back to you, the reader. Let’s assume for a moment that, like Maria, you agree with my first premise that simply changing some organizational features, such as organizational structures or information systems, will not necessarily cause people to change their behaviors. Let’s further assume that you believe that in order to change your organization, you have to first change the mindset and behaviors of individuals. Even accepting these two key points, you might still ask yourself, “Okay, but do I really need to read a book on this? After all, how tough can leading change really be?”

Failure Rate

Unfortunately the answer is that leading successful change is very tough. In my research and experience with more than 10,000 executives, approximately 80 percent of organizational change initiatives fail to meet their objectives. When I present this figure, people often react somewhat along the lines of the following: “Eighty percent? That seems high.” However, if you put this in an everyday context, it is not so surprising. For example, every year millions of people make New Year’s resolutions. Most of those resolutions focus on eating better or exercising more or both. The key question is, “What percentage of people who make these resolutions and say they really want to change their lives are still following through just three weeks after making them?” Sadly 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 rate when trying to change ***others’*** behaviors, who may not even want to change?

But let's not quibble about numbers. Other studies suggest that the percentage of organizational change failure is only 50 percent. But whether it is 50 or 80 percent, it is not 30 percent. This is important, 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 there are many motivated, skilled, and otherwise successful leaders who are nonetheless falling short of their organizational change objectives.

Inconvenient Truths

Part of the reason why the failure rate is so high is because there are three inconvenient truths about change:

- Change is hard.
- Change is expensive.
- Change takes time.

Change Is Hard

First, although we would like change to be easy, the inconvenient truth is that it is hard. Changing behaviors, especially patterned behaviors, is hard precisely because of how behavior patterns come into being. The process is as simple as it is powerful. To illustrate the process, let's take a simple behavior—getting out of bed at 5:30 a.m. and exercising. The first time you do this, you do it in anticipation of the positive consequences outweighing the negative ones. If you get out of bed and exercise and the anticipated positive consequences turn out as expected, you are likely to repeat the behavior. If, as you repeat the behavior, you get a pattern of reinforcing consequences, the behavior pattern deepens. If you don't get reinforcing consequences, you won't develop the pattern of getting out of bed at 5:30 to exercise. It is that simple.

However, at a deeper level, it is not quite this simple. The complexity comes from the fact that positive and negative consequences are not so cut and dry. Whether a consequence is positive or negative and how strongly it is one or the other can be influenced or even determined by perception. For example, it might be an objective fact that as a consequence of exercising, a person's cholesterol declined by 21.3 percent. However, how important or positive that outcome is, is not absolute; it is a function of a subjective valuation imposed by the individual. One person might view this as a great benefit and another might view it as a relatively minor benefit.

In other cases, whether a consequence is positive or negative might be entirely dependent on perception. For example, getting up at 5:30 a.m. might objectively mean that you have to go to bed at 10:30 p.m. instead of 11:30 p.m. in order to get seven hours of sleep. One person might view going to bed earlier as positive, another as neutral, and a third as negative. Again, even if two people viewed going to be earlier as negative, one might view it as highly negative and another as only moderately so.

Despite all of this, you can be sure that if one person is getting out of bed at 5:30 to exercise, it is because the net consequences (objective and subjective) reinforce this behavior, and if another person is staying in bed at 5:30 and not exercising, it is because the net consequences (objective and subjective) reinforce this behavior.

However, even when past reinforcements stop working, we don't immediately change our behavior. This is in part because humans are biologically hardwired to resist change. Yes, that's right. We are programmed not to change. Whereas plants may evolve and survive through random variation and natural selection, humans prefer not to. We are naturally averse to random variation (that is, random behavior) and therefore random deselection and elimination. 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.

Our tendency to hang on to old mental maps, especially if they have worked, is easy to illustrate with an experience I had with two colleagues a few years ago in Japan. We were there attending an international conference, and for my two colleagues it was their first time in Japan. Because I had previously lived in Japan, they asked me to take them to a very traditional Japanese restaurant. I agreed. After selecting the restaurant, I gave them some cultural tips. I told them that the restaurant would be down a back alley and not on a main street. I informed them that when we arrived, we would need to slide open a door on wood runners, and the runners were not recessed. Therefore, they would have to carefully step over the runners so as not to trip. Once past the door, we would enter a receiving area where we would take off our shoes and then step up into the restaurant proper and put on some slippers before being escorted to our table.

That evening we arrived at the restaurant and I slid open the door and stepped in. My other colleague, Allen Morrison, then stepped over the wood runners and entered the receiving area. The next thing I knew, there was a thunderous crash behind me. I turned back to see my colleague, Hal Gregersen, staggering in the doorway with blood dripping down his forehead. To understand what happened, I should tell you that I am 5'10" and Allen Morrison is 5'9". Hal is 6'6". While he was looking down to step over the wood runners, he smacked his head on the top of the door jamb. As funny as this story is, two nights later, we went to the restaurant again and I stepped in, Allen stepped in, and—crash!—Hal had a matching cut on the other side of his forehead. A few days later on the last evening of the conference, we went to a different but similar restaurant. I stepped through, Allen stepped through, and Hal…ducked. Some might say the story illustrates that Hal was a slow learner, but it is more than that. Hal's mental map for entering restaurants up to that point in his life did not require him to duck when entering. Not ducking had worked for him for more than 38 years. As a consequence, it took a smack in the head—actually two smacks—before he changed his mental map.

So change is hard, and the more successful what we need to change has been in the past, the more difficult changing it is. We might not wish it to be so, but inconveniently it is.

Change Is Expensive

The second inconvenient truth is that change is expensive. Although we might wish it were cheap, it typically requires significant time, money, effort, blood, sweat, or tears.

Often this is because in order to get new outcomes, you have to first invest time, money, and so on into generating new inputs. For example, in the early 1990s, IBM needed to change from selling products to selling solutions. Selling solutions had the potential of generating both significantly more revenue in general and much more profitable revenue in particular. As a consequence, selling solutions had great appeal. However, producing new sales and profits from solutions required a number of new inputs and capabilities for sales people.

Let me offer just one example to illustrate this. Previously, selling products such as desktop computers and servers required IBM sales people to contact IT purchasing directors. These folks, like the IBM sales people, were highly knowledgeable in the technical specifications and performance of the specific products. In comparing IBM products with those of competitors, both these IT purchasing directors and the IBM sales people spoke the common language of "geekenese," or its derivative, "techenese."

Unfortunately, unlike products, solutions were not sold to IT purchasing directors but to CIOs and CEOs. Even more unfortunately still, these business folks did not speak "geekenese"; they spoke business. As a consequence, quite literally, the IBM sales people had to learn a whole new language, and to some extent forget a well learned and loved language. Without learning this new language, they had no hope of selling solutions. As anyone who has learned and become fluent in a new language knows, it takes significant time, money, blood, sweat, and sometimes tears to get to the point of proficiency, let alone mastery. In that light, one should not be surprised that it took literally millions of dollars to train IBM sales people to speak the new language of CEOs in order to sell solutions to them.

The second reason that change is expensive is that even when you provide people with new inputs, you often have to spend money and effort to change their perceptions of outcomes. For example, in the case of IBM, I spoke to many sales people who even after having learned the language of business were afraid to speak to CEOs and other senior nontechnical leaders. Why? They were afraid that these executives would ask them questions about business that they could not answer. Even though these IBMers were now fluent in the language *of* business, they knew that they were not experts *at* business. As a consequence, it was easy for them to imagine that CEOs and other executives could ask them questions about business that they simply could not answer. Thus, even though they now had command of the language of business, they were not yet inclined to use it.

In pushing this analysis further, I asked the sales people why they thought business executives might ask them business questions to which they might not have answers. Their answer to my query proved very instructive. Put simply, the answers came out along the following lines: "Well, when we used to sell products to IT purchasing directors, they would ask us all sorts of questions about what we were selling, and we needed to be able to answer any and all of their questions. Not being able to do so was a sign of incompetence." They took this past frame and superimposed it on the new conversations. They assumed that as they had been expected to answer any and all questions about products they were selling, they should also be able to answer any and all questions about solutions to business problems.

Clearly, as long as they viewed the conversations with CEOs about solutions within the same framework as their past conversations with IT purchasing directors about products, the encounters were indeed fraught with risk and were best avoided—no matter how fluent one was at speaking the language of business. However, the key to selling solutions was not in answering any and all possible questions about a solution, but in asking the right questions to discover what sort of solution was needed. As you might imagine, changing this perception was not free. I literally had to role-play and visually demonstrate how the encounter with CEOs should go. It was only after the sales people I was working with changed their perception of the conversation that they changed their view of the likely consequences. And only after changing their perceptions of the likely consequences were they willing to put their new "language" capability to use.

For leaders of change, this gets to the heart of what makes change expensive—because people act on their perceptions and because you cannot control how people perceive things, changing perceptions is never cheap. Machiavelli captured this notion quite well more than 500 years ago:

> 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.

So change is expensive because changing outcomes, changing drivers of outcomes, and changing perceptions of outcomes all come at a price.

Change Takes Time

The third inconvenient truth is that although we might wish for change to be over in a flash, it often takes a significant amount of time for a change to take hold. There is a very simple reason for this. By definition, change requires doing something new. Common sense tells us that you don't go from not having done something at all to doing it well in an instant. This is why we talk about "proficiency curves," as illustrated in Figure 1.1.

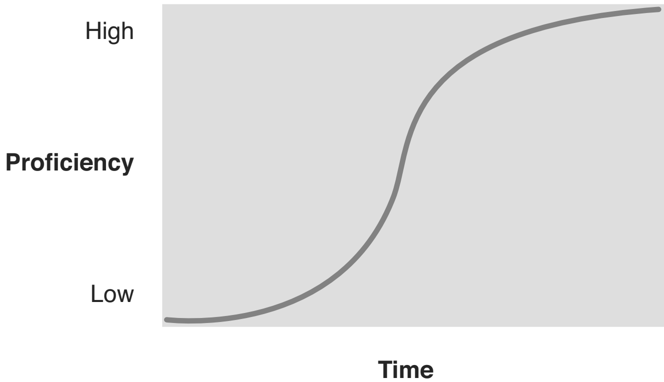

Figure 1.1 Proficiency curve.

Whether the change is from selling products to selling solutions, or from not playing the violin to playing it, proficiency comes over time and typically follows an "S-curve" of improvement. The more complex and difficult the new behavior, the longer it takes to become proficient at the new thing.

As I said, intuitively we understand this. To illustrate it, let me return to the IBM example. Would you be surprised to learn that gaining the requisite proficiency in selling solutions takes an individual 2–3 years? Hopefully, based on just the things I've covered so far in this chapter, you can imagine why this is the case. For example, as I already mentioned, IBMers had to learn the language of business and to some extent had to unlearn "geekenese." IBMers had to switch from *answering* narrow, technical questions to *asking* broad, probing questions. They had to switch from working solo as a technical expert to leading a diverse, cross-functional team. Getting up the proficiency curve on all these and other dimensions cost time, money, blood, sweat, and tears.

Dynamics of Change

If overcoming these three inconvenient truths were not enough, there are three modern dynamics of change that add to the challenge—the rate of change, the magnitude of change, and the unpredictability of change (see Figure 1.2).

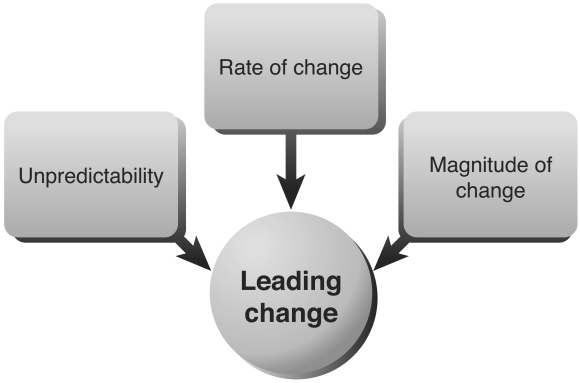

Figure 1.2 The dynamics of change.

These three dynamics of change are why in my 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, of those that listed it as a core leadership competency, 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.

Rate of Change

There is no question that change has been a part of the human experience for millennia. In that sense, there is nothing new about change. However, the rate of change is new. The reason that a change in the rate of change matters is fairly simple if you mentally contrast a slow rate of change with a fast one. Imagine that the rates of change in technology, regulations, customer preferences, competitors, and so on were slow enough that you could easily digest them one large bit at a time, like eating an elephant over the course of a year. In contrast, image a rate of change so fast that it is analogous to having to eat an entire elephant in one day entirely on your own! Maybe the rate of change is not quite at that level, but when you have 941 business books on Amazon.com that have either "agile" or "agility" in their titles, you know that something different is going on.

To give you a sense of the rate of change, consider the following:[1]

- One week's worth of *The New York Times* contains more information than someone would have encountered in a lifetime in the eighteenth century.
- There are 540,000 words in the English language, which is five times as many as in Shakespeare's time.
- There were 1,000 Internet devices in 1984; 1,000,000 in 1994; 1,000,000,000 in 2008.
- From 2005 to 2020, the digital universe will grow by a factor of 300, from 130 exabytes to 40,000 exabytes (or 40 trillion gigabytes), which, put another way, means that more information was generated in 2010 than was generated in the previous 5,000 years combined.
- Every day more new information is added to Wikipedia than you could keep up with, even if you read just the new information 24 hours a day, 7 days a week.

Facts like these can give us a sense of the rate of change, but two simple concrete examples add some color and nuance.

Today, Skype is well known and loved by millions of users. However, to put in perspective how quickly Skype went from not being known by anyone to being known and loved by nearly 300 million people, consider that the technology upon which Skype was built (VoIP, or Voice over Internet Protocol) was first mentioned in the popular business press only in 2000 in *Fortune* magazine.[2] Just three years later in 2003, Skype was founded. One year later, in 2004, *Fortune* 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 2–7 cents a minute. Later that same year, eBay bought Skype in a deal valued at around $4 billion. Skype was subsequently taken private by investors for $2 billion in 2009 and resold to Microsoft for $8.5 billion in 2011. In 2013, Skype announced that it had 280 million active monthly users who spent a total of more than 2 billion minutes

[1] http://www.huffingtonpost.com/2009/11/22/did-you-know-tracks-progr_n_366803.html.

[2] Diba, A. "Tip of the Iceberg," *Fortune*, October 9, 2000, http://money.cnn.com/magazines/fortune/fortune_archive/2000/10/09/289325/index.htm

per day on Skype, and more than 50 million of its users were online at the same time.

To understand a portion of the shock this change caused the traditional telecommunication companies, we only need to recall that in 2005, AT&T (the "Mother of all Bells") was bought out for $16.9 billion by SBC, one of the "Baby Bells" it gave birth to in 1984. In other words, 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.)

As impressive as the speed of change was in VoIP, the rate of change in social media has been even more astounding. To get a sense of this, we only need to take a look at one company—Facebook. Facebook was founded in 2004, and by the end of that year it had nearly a million active users. Zero to a million customers in less than a year. Impressive. However, just four years later (August 2008), Facebook had 100 million users. Four years after that (October 2012), Facebook had more than 1 billion users. By March 2013, Facebook had 1.11 billion active users. That means that Facebook added approximate 209 new customers every second of every hour, of every day, of every year since its founding. Put differently, if Facebook were a country, it would be the third-largest country by population in the world, just after India, with its population of 1.2 billion people, and far out in front of the fourth-most populous country, the United States, with its 375 million citizens.

Magnitude of Change

If the rate of change were fast and the magnitude small, maybe we could more easily cope. However, the problem is that not only is the rate of change high but the magnitude is large as well.

For example, in 2004, IBM was not a small company, at $76 billion in annual sales, and its PC business was one of the largest and best known in the world. Thus, when Lenovo bought the division for $1.25 billion and the assumption of $500 million in debt, making Lenovo the third-largest PC company on the planet, it represented a major change for the industry.

In late 2006, the largest IPO ever to that point occurred when Industrial and Commercial Bank of China (ICBC) simultaneously listed its shares on the Shanghai and Hong Kong stock exchanges and pulled in $21.9 billion! Not to be outdone, the Agricultural Bank of China (ABC) raised $22.1 billion in mid-2010 to become the largest IPO in history.

In 2012, AMC was a major player in its industry. It was the second-largest movie theater chain with nearly 6,000 screens and $2.6 billion in revenue in the largest movie market in the world—the United States. As a consequence, it was no small change when Dalian Wanda from China, with businesses in real estate, hotels, tourism, and entertainment, bought AMC for $2.6 billion to become the largest movie theater operator in the world.

The examples of Lenovo, ICBC, ABC, and Dalian Wanda all come from China in part to illustrate that this big country has generated and will likely continue to generate big changes. Some might argue that with all the investment going into China, others are funding their own future change and disruptions. Whether or not this is true, it is interesting to note that from 2000 to 2013, not only did foreign direct investment (FDI) into China more than double to more than $150 billion, but China sucked in nearly nine out of every ten foreign dollars, euro, and yen that were invested in all of Asia.

As investment goes into China, it continues to send what it makes out. For example, the large shipment of goods from China to the U.S. coupled with 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 the state (more than 800,000 according some estimates) 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.

However, big change has not been and will not be confined to China. Consider, for example, the major and recent change in the global mobile phone industry. In 1979, Motorola invented the fundamental technology upon which early mobile phone communication was built. Motorola rode that technological prowess to its number-one position in mobile phones up through 2001, when it was surpassed by Nokia. As a testament to how much things can change, it is worth noting that Nokia only really entered the mobile phone industry about a decade prior to overtaking Motorola as the number-one player in the industry. However, Motorola continued to fight on, but after struggling for a decade, in 2011 it split itself into two separate companies—Motorola Solutions and Motorola Mobility. This was no small change. However, it was arguably an even bigger change when in 2012 Google, which wasn't even in the telecommunication hardware business, bought Motorola Mobility (the mobile phone side of the split) for $12.5 billion.

Unpredictability of Change

If change were fast, large, but predictable, we might be able to cope better, but the fact is that much of the change is also hard if not impossible to predict. 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? I doubt it. To be clear, I am 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 my 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 an example of the unpredictability of change, consider the rise and fall of *Encyclopedia Britannica*. *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 three 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 two-volume supplement of more than 16,000 total 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 and $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 & Wagnall's Standard Encyclopedia* to create *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. Although *Encarta*'s content was not nearly as good as Britannica's, it was essentially free. Britannica's sales dropped like a rock. Determined to survive, Britannica came out with a CD-ROM version of its full set, but all the information could not fit on one disk. It came on three disks, making it inconvenient for customers—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 80 percent) and speed of the change (it happened in just two 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 was Wikipedia. In fact, the ironic point of this tale is that virtually all the information I 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. No one predicted that by 2013, Wikipedia would have 4.2 million articles in English totaling more than 500 million words. To put this in perspective, this made it nine times larger than the largest *Encyclopedia Britannica* set. Who could have foreseen a pace of change so fast that, in just a few short years, Wikipedia would have 29 million articles consisting of 1.4 billion words across 200 languages? The changes were so fast, so large, and so unpredictable that in 2012 Britannica finally fell to the competition and decided to stop publishing its print edition after nearly a quarter of a millennium (250 years).

Implications of Change

So what do the three inconvenient truths and the three dynamics of change discussed so far mean for you? Based on my experience with a large number and wide variety of executives, from Asia to Europe to the Americas, I think there are least six key implications:

1. Start with yourself.
2. Don't be late.
3. Expect resistance.
4. Have an informed point of view (POV).
5. Master through deliberate practice.
6. Remember, good may not be good enough.

1. Start with Yourself

Take a look at the following list of potential changes. Which ones apply to you?

- Transforming a business unit that succeeded for years by focusing on technological prowess into a unit that must now focus on customer insight and 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
- Changing the unit's leadership style from a command-and-control focus to one that is more network-centric and inclusive
- Something else equally daunting

If you have been asked to lead any one of these major changes (hopefully not all of them at once), then I have little doubt that you are the right person for the job. At the same time, in my experience I have not met many leaders in these sorts of situations who didn't need to change something about themselves in order to better bring about the change in the organization. Conversely, when I talk with people below the person who is tasked with leading the change, I consistently get a two-part message that I think is food for thought for any leader of change. The first message I consistently get is, "I get the needed change, and I see that it requires some changes in me, but I can also see some changes I think it requires in our leader." The second message I quite frequently hear is, "Even though I can see the need for some changes in our leader, I don't see those changes happening and I don't see evidence that the leader even sees the need for personal change." In effect, to them the leader is saying, "Do as I say, not as I do." It may be worth reminding ourselves that this approach never worked for our parents when we were children, nor does it work for us as parents with our children. The principle of "leading by example" is relevant in most situations but it seems to be particularly important when it comes to leading change. As a consequence, my experience is that successful change not only requires first changing individuals, but it also requires the leaders of change to set the example by changing themselves.

2. Don't Be Late

The old saying, "Better late than never, but better never late," is generally good advice but of particular value in terms of change. Given the speed, magnitude, and unpredictability of change these days, if you are a bit slow as an individual or organization, there is an increasing chance that you simply will not have the opportunity to recover. For example, in a study I did with a colleague of the largest and fastest growing companies, I found that if a firm fell off the growth train, the odds that it could recover, run and catch up, and jump back on were about 24 percent in the 1980s, about 16 percent in the 1990s, and about 8 percent from 2000 to 2010.

We don't have to look far to see the consequences of failing to respond to changes. Firms that used to dominate their industry and some that created their industry have fallen precipitously. Dell, Blockbuster, Kmart, Kodak, and Motorola, in the U.S.; ABB, Nokia, and De Beers in Europe; and Sanyo 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 and Nissan did (at least for a decade). However, the cost of recovering in terms of lost shareholder value, reputation, and jobs for employees is inevitably higher than if the companies and their leaders had met the challenge of change earlier.

3. Expect Resistance

Try this simple experiment: Stand face-to-face with someone and then have both of you raise your arms to shoulder height, palms forward. Now touch your palms to those of the other person and have them do the same to you. Not long after the palms touch, what happens? Invariably, as soon as you feel pressure in your palms coming from the other person, you press back—you resist. The other person does the same. It is almost a reflex reaction.

So it is with change. As soon as we (again, including myself) 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 we are all unconscious disciples of Newtonian physics and automatically feel obliged that for every action to change, we must exhibit an equal and opposite reaction to resist.

Although I will put forth in this book things we can do to avoid building up unnecessary resistance in others and what we can do to overcome resistance, some level of resistance is to be expected.

4. Have an Informed Point of View (POV)

In my research and consulting, I certainly have come across individuals who seem to have some natural aptitude for leading change, and conversely I have come across those who seem to have little if any natural aptitude. However, I have not come across any leaders who are consistently good at leading change who have no tool(s) or framework for guiding their actions. Change is too hard, too expensive, and takes too long, and the rate of change, its magnitude, and its unpredictability are too great to make leading change by intuition, gut feel, or hairs on the back of the neck a consistent and effective approach.

What I try to provide in this book is a simple but powerful framework and set of tools. However, if you don't like them, you won't hurt my feelings (plus you already bought the book so the royalty payment has been made). Still, my experience and research suggest that you should develop a point of view, a model, a theory, and some practical tools based on someone else's work or on your own research and experience, and that without such you are unlikely to consistently lead successful change.

5. Master Through Deliberate Practice

Scholars who have studied high performers in sports, music, medicine, and other professions have discovered that becoming highly proficient requires deliberate practice. Deliberate practice has four main ingredients:

- **Repetition—**To become good at anything, including leading change, repetition is required. No one reaches expert proficiency the first time they try something. Even when someone does relatively well at first, there is a reason we call it "beginner's luck."
- **Concentration—**You do not improve by mindlessly repeating certain behaviors. You have to concentrate on what you are doing, how it feels, what happens as a consequence of your efforts, and so on. You have to think about what you are doing.
- **Stretching—**In addition to thinking about what you are doing, you have to try to stretch your performance, increase your effectiveness, and elevate your efficiency as you practice.
- **Feedback—**Despite all the good that repetition, concentration, and stretching provide, in order to make the necessary adjustments for enhanced future performance, we need feedback.

So how do these four principles relate to leading change? Relative to repetition, the nice thing about implementing change is that it our times are dynamic enough that there are literally scores of small opportunities to practice specific behaviors in leading change. Take advantage of them. However, you have to think about each of these and pay attention to what is happening with you and others as you execute these behaviors. With each small opportunity to understand and overcome someone's resistance to change, reward someone's early change efforts, and so on, you should try to stretch, improve, and have more consistency in your efforts. And, finally, as you repeat, concentrate, and stretch, you have to make sure you look out for, invite, seek, and otherwise get feedback along the way. The consequences of not leading change effectively today and in the future are too grave to wait until the end and rely on the ultimate feedback of overall success or failure to guide your future efforts.

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 not becoming a change master and the benefits of being among the best are just too great to ignore.

6. Remember, Good May Not Be Good Enough

Given the speed, magnitude, and unpredictability of change today and in the future, we may soon have to have “safe harbor” declarations that past leading change performance is no guarantee of future performance. 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. Good today may not be good enough for tomorrow. Therefore, past success, even for a given individual manager, may not a good predictor of future performance when it comes to leading change. However, excellent deliberate practice today may be a good predictor that the person’s level of proficiency will improve enough to meet the rising demands and deliver change success tomorrow.

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 of leading successful change.

As I 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 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.

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 later 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. Given these dynamics, breaking through the sound barrier required three specific adjustments.

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 (called the elevator) 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 effect. 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 these modifications and an enhanced understanding, 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 toward 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 an aluminum can. On that eventful day in October 1947, Yeager reported that his plane was shaking violently as he approached Mach 1 (the speed of sound). However, once he "punched through it," the flight was as smooth as glass.

Take a moment to look at Figure 1.3. This incredible photo captures an F-18 fighter jet hitting Mach 1, 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.

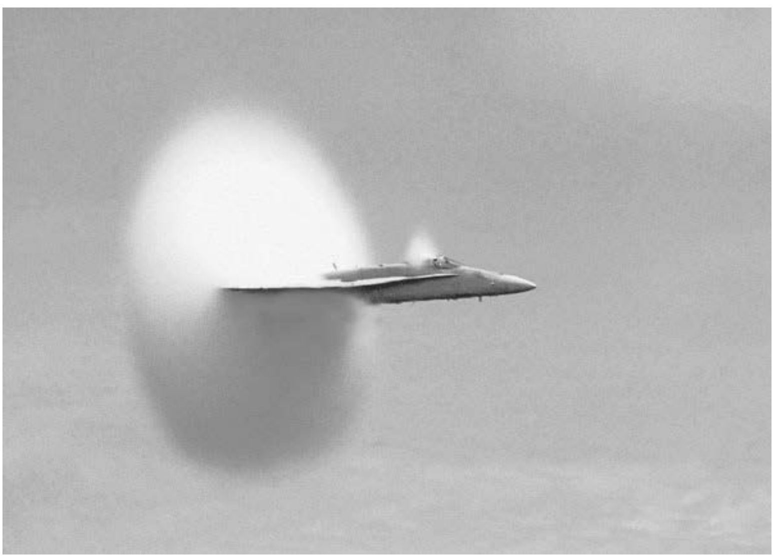

Figure 1.3 F-18 breaking through the sound barrier.

"Interesting, but what does this have to do with leading change?" you might ask. As I interviewed and observed managers, I 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.

The power of these mental maps surprised one of my 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 meatpacking 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 my work, I 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. I refer to these three barriers as the See, Move, and Finish barriers:

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

Like with 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, in this book I build on past research, as well as interviews and work I have done with literally thousands of managers around the world, to grasp why people fail to see, move, and finish. In addition, I describe the keys to success—the modifications needed to break through each barrier. Although I don't claim to have all the insights or answers, my journey over the past 25 years has illuminated what I believe you will find to be simple yet powerful and practical concepts and tools. 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, I 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 my view, the eight mistakes, twelve steps, and so on about change are often right in direction, but overly complicated for reality. Why do I say this? I have two key 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, they must be simple enough that 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 3 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 the paper it is printed on. For this reason, I take a very pragmatic approach in proposing a framework for leading change. I offer up a framework that can be remembered, recalled, and—most importantly—applied. Fundamentally, it has only three components.

Second, I 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, I focus on the most critical elements of change.

This is one of the important differentiators of this book. I keep it simple and focused on the fundamentals. I 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, if you spend truckloads of time on all the fancy frills of change, 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 diagram shown in Figure 1.4 attempts to capture this process, and subsequent short sections describe these dynamics relative to each of the main cells in the matrix. However, I provide the in-depth explanation of the concepts and dynamics in subsequent chapters. It is also in the subsequent chapters that I provide the tools that help you put the principles into practice.

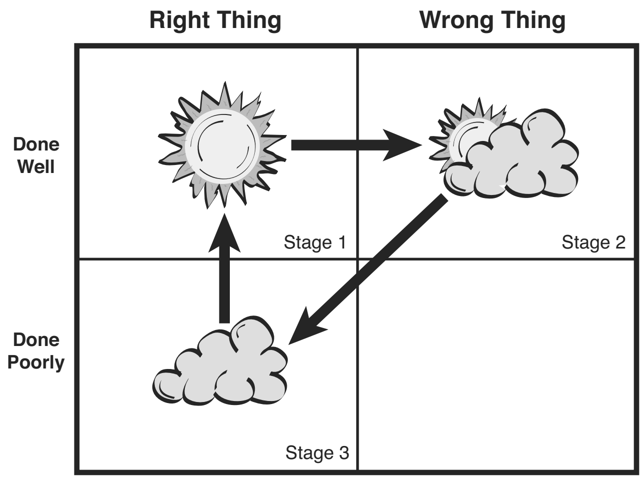

Figure 1.4 Matrix of the fundamental dynamics of change.

Stage 1: Origin 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 and doing it well. For example, IBM did the right thing (making mainframe computers) and did it well—in fact, 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").

If a company, a unit, or even an individual is doing the right thing and doing it well, then where does the need for change come from? More often than not something changes in the environment. A new technology comes along; a new regulation is introduced; a new competitor emerges; a new customer need develops. With this shift, the right thing becomes the wrong thing.

Stage 2: The Dilemma of Change

So now because of the shift(s), the old right thing is now the wrong thing, but you are still very good at it. In fact, you may now be world-class at the wrong thing. This is the fundamental dilemma of Stage 2. It is a dilemma for two reasons. First, people love being and feeling competent. Second, it is likely that they have invested significant time, energy, money, and so on to become competent. As a consequence, even if there is mounting evidence that the right thing is now wrong, in their hearts people say, “Maybe so, but I’m so good at it. How can I let it go?”

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 was so good at doing it. 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).

Then after enough pain is felt or blood spilt on the floor (or at least red ink on the accounting ledger), we start to accept that the old right thing is now the wrong thing. We then begin to envision what the new right thing might be. Over time, the new right thing becomes clear.

Stage 3: The Pain of Change

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. 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 mid-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.

Stage 4: The Prize of Change

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, which we’ll now call Stage 4). At this point, the sun shines again, and we bask in the warmth of its rays. Life is good. (Well, that is, until the environment changes and the new right thing 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 and led to a ten-fold increase in the market value of the company in less than 10 years.

Overview of the Book

Although a "ten-step change process" might sound and even be more comprehensive, my research and experience says it is less useful. This simple model captures the core 20 percent of the factors that paint 80 percent of the picture:

- **Stage 1:** Do the right thing and do it well.
- **Stage 2:** Discover that the old right thing is now the wrong thing but that you still do it well.
- **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. If the fundamental framework is so simple, then why do so many change initiatives fail? Why do they get stuck in this simple cycle? The answer lies in the three barriers I mentioned earlier. 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 until we can do it well. Why we fail to see, move, and finish is the subject of Chapters 2, 4, and 6. How to overcome each of these barriers is the subject of Chapters 3, 5, and 7.

Specifically, in Chapter 2, "Barrier #1: Failure to See," I explain why 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," I detail how you can break through this barrier and help yourself and others actually see the need to change.

In Chapter 4, "Barrier #2: Failure to Move," I examine why even when we see the need to change, we often fail to move. Although 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.

In Chapter 6, "Barrier #3: Failure to Finish," I describe why, even when people move, they often fail to finish—not moving far or fast enough. Although 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, and the change comes crashing back to earth. I 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 offers specific tools that can help you break through this barrier and sustain the change to the point that the real payoffs can be captured.

In Chapter 8, "Pulling It All Together," I combine and integrate all the specific components discussed 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 the examples in Chapter 8, I 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.

I hope that you find the concepts and tools both powerful and practical. I think you will.

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