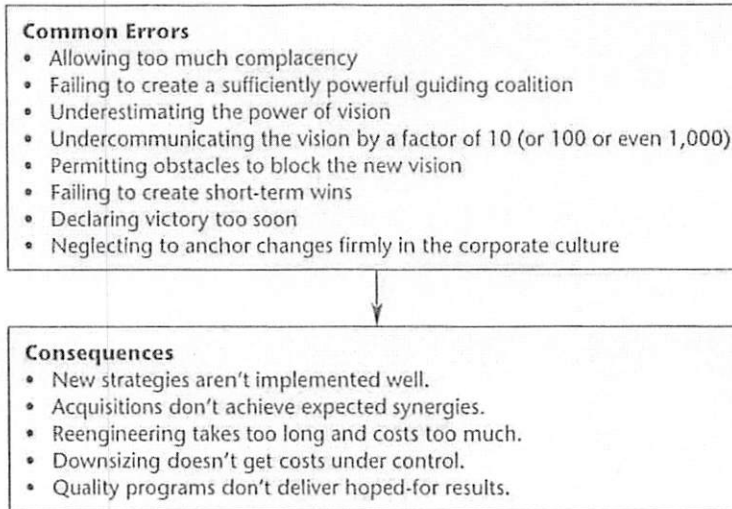


**Figure 17-3**  
**Eight Errors Common to**  
**Organizational Change**  
**Efforts and Their**  
**Consequences**



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Below the waterline, and far more powerful, are deeply rooted assumptions, values, and beliefs. These strong forces must be appreciated when leading organizational change. Business history is replete with examples of merger failures traced to incompatible organizational cultures.<sup>77</sup>

Culture reflects the behavior and assumptions that are shared by members of a group. These give the group a unique character that can enrich its members and all who are affected by the group. Advancing the positive elements of culture (such as a tradition of service excellence) and eliminating the negative (such as an authoritarian management style) are the tasks of leadership, and it is this responsibility that is often the basis of change initiatives. To be successful, the leader must maintain a strong vision that serves as a source of purpose, exhibit strong values that serve as a guidance system, and display patience, understanding, and resolve when implementing needed change.<sup>78</sup>

The empowerment of people is a key element for successful organizational change. Table 17-1 presents five principles leaders should follow for tapping the constructive power of all employees.

**Table 17-1**  
**Empowering People**  
**to Effect Change<sup>79</sup>**

- **Communicate a clear, compelling vision to employees.** If employees have a shared sense of purpose, it will be easier to initiate actions to achieve that purpose.
- **Make structures compatible with the vision.** Unaligned structures block needed action.
- **Provide the training employees need.** Without the right skills and attitudes, people feel unempowered.
- **Align information and personnel systems to the vision.** Unaligned systems block needed action.
- **Confront supervisors who undercut needed change.** Nothing disempowers people the way a bad boss can. If managers fail to display commitment to a change, it is difficult for employees below them to be supportive.

## Case Studies

### Case Study:

#### Challenge to Change At Starbucks

From 2008 to 2010, Starbucks was faced with a challenge: Reduce spending by 500 million. This required closing 600 stores and canceling the planned opening of 348 others. Those stores represented 8 percent of U.S. company-owned operations and 12,000 partners (employee) positions. It was a bitter medicine traced to company misreads and missteps. CEO Howard Schultz told Starbucks employees,

"I am sorry, and I apologize if anyone feels that we have fractured the culture and values of the company."<sup>80</sup>

A challenge to change faced Starbucks. Operationally, changes to jobs and roles shifted rapidly. On one afternoon in 2008, Starbucks closed the doors to every store in the company to retrain 135,000 baristas on how to correctly pour a shot of espresso. These closures cost an estimated \$6 million.<sup>81</sup>

Other changes followed, including a standard six-step process to brew coffee, setting up a pastry case in 25 minutes rather than 45 (saving \$60 million in less than three months), and having employees slow down to focus on quality—making no more than two drinks at the same time, and ending the practice of reheating milk.<sup>82</sup>

For Starbucks, the challenge of change continues, especially in a global economy. Coffee drinking tends to reflect economic growth, so as the middle class of other countries such as China grows, so will coffee consumption—something Starbucks is betting on.<sup>83</sup>

**Questions:** What would you do if you were leading Starbucks today? What policies and practices would you change; what policies and practices would you keep?

## Case Study:

### *Leading Change at Ford Motor Company*

Ford Motor Company was barely breathing when Alan Mulally became CEO a few years ago. The company recorded massive losses as its sales and reputation plummeted. Today, having weathered the worst economic downturn in 50 years, Ford's production efficiency, customer satisfaction ratings, and market share are rising. Five out of six Ford employees say their company is heading in the right direction. Mulally has been hailed as a turnaround champion by transforming Ford into the most successful and competitive automaker in America.

How did this remarkable transformation occur? Most observers point to Mulally's vision for change ("One Ford—One Team, One Plan, One Goal"), which focused everyone on one brand (Ford) with a few models that have global platforms. This change was difficult because executives jealously guarded their vehicle badges and built their products mainly for the North American market. Ford's transformation was not without pain. It closed 16 manufacturing facilities, laid off many staff, sold off peripheral brands (e.g., Land Rover, Jaguar), and negotiated lower labor costs.

Mulally took a hands-on role to change Ford's defensive and territorial culture. He joined staff in visiting customers and industry groups. He held numerous town hall meetings, repeating the same message: Everyone needs to cooperate more across divisions and focus more on customers than on careers. He also emphasized the urgency for change: "We have been going out of business for 40 years," Mulally stated at several sessions.

Mulally shook up Ford's bureaucratic defenses by persistently challenging engineers and executives to answer tough questions about quality and profitability. To reinforce change, Mulally created a pilot project—a special global task force that designed and engineered a new Focus with the same chassis, features, and name around the world. Today, the Ford Focus is Mulally's "proof point"—a beacon of his "One Ford" vision.

Mulally's toughest challenge was to develop an executive team that focused on "One Ford" rather than departmental fiefdoms. He helped accomplish this goal through weekly business meetings, where his 16 direct reports were required to pay close attention to each other's presentations. Private chats and other distractions were prohibited. "If you aren't comfortable with that, you might be more comfortable leaving the company," said Mulally with a friendly, yet meaningful, tone. Alan Mulally's successful turnaround of Ford Motor Company required creating a vision for change, communicating a sense of urgency, and the development of teamwork—no easy leadership tasks.<sup>84</sup> Mulally continues to lead Ford, guided by Henry Ford's original ideal of universal human mobility.

**Questions:** What would you do to sustain Ford Motor Company's turnaround momentum? What actions would you take in the three key areas of people, production, and profits?