

John P. Kotter

*A FORCE FOR
CHANGE*

*How Leadership
Differs From
Management*

Thick Informal Networks

Leadership from multiple sources in a single situation does not have to converge; to the contrary, it can easily conflict. In extreme cases, the conflict can be disastrous; strong-willed individuals with competing visions can create a war-like atmosphere which squanders resources, accomplishes little, and exhausts everyone.

For multiple leadership roles to work together, something must coordinate the actions of people in those roles. In particular, a mechanism is needed to help link emerging visions together so they harmonize instead of compete. This can be most difficult to accomplish, but it is possible; consider the cases at ARCO and Digital. The key, however, is not the sort of thing that coordinates management roles. It is something quite different, something more suited to the character and function of leadership.

We take it for granted, more or less, that it is possible to have multiple people helping with a managerial process as long as their roles are a part of an intelligent formal structure which explicitly defines managerial roles and links them in a chain of command. Such a structure helps coordinate people both by reducing conflict and by resolving conflict in sensible ways. Job descriptions that are relatively unambiguous and do not overlap much help achieve the former; they reduce conflict, for example, by minimizing the chances of a territorial dispute. The chain of command helps achieve the latter by providing a mechanism that can resolve disputes; no matter which roles are in

conflict, in a chain of command there is always someone hierarchically linked to those roles who can provide the needed coordination. Just as importantly, both job descriptions and the chain of command can, through the planning process, help produce a totally integrated set of plans which, in a sense, resolves conflict even before it occurs and becomes disruptive.¹

It is tempting to assume that these same mechanisms, or some slight variation, can coordinate leadership roles. But they cannot, and for reasons that follow directly from the inherent differences between management and leadership.

Once again, much of this has to do with routine activities versus non-routine ones, or in a broader sense, with stability versus change. Formal structure handles routine extremely well. It does not deal with the novel and unexpected events associated with change nearly as well, and for a very simple reason. When things change a lot, it is not possible to define jobs in unambiguous and non-overlapping ways. Sometimes it is not even possible to know what jobs will be needed in the future. As a result, a great deal more conflict is generated and a lot more has to be actively resolved. Beyond a certain point, this overwhelms the hierarchy's capacity to deal with this sort of situation. People at the highest levels in the structure end up spending more and more time trying to cope with increasingly rancorous disputes. Decision making becomes slower and slower. Tension grows. Eventually the system collapses.²

When leadership roles are coordinated well, it is with something that is more flexible and adaptive than formal structure, and is therefore more able to deal with non-routine and with change. That something is more informal than formal, and is more spider web-like than hierarchical.³

At both ARCO and Digital, there were a multitude of good working relationships among people in the various specialized leadership roles. These individuals often knew and respected each other. In some cases they had worked together for decades and were very close personally. They shared common values which helped bind them together. In some cases, they even shared similar world views.

These thick networks of informal relationships help coordinate leadership activities in much the same way as formal structure coordinates managerial activities. The key difference is that thick informal networks can deal with the greater coordinating demands associated with non-routine activities and change. The multitude of communication channels and the trust among the individuals con-

nected by those channels allow for an ongoing process of accommodation and adaptation regarding who will play what role. When conflicts arise between roles, those same relationships among parties with shared values help resolve the conflicts. Perhaps most important, this process of dialogue and accommodation can produce visions which are linked and compatible instead of remote and competitive. All of this requires a great deal more communication than is needed to coordinate managerial roles, but unlike formal structure, thick informal networks can handle that communication (see Exhibit 7.1).

The importance of linked visions cannot be overstated. Without them, the dialogue and accommodation needed to coordinate everyday actions would eventually overwhelm the capabilities of even the strongest informal network. With interlocked visions, people in specialized leadership roles can act quite independently, yet without constant conflict with others. In the Kentucky Fried Chicken story, for example, at least a dozen people had to develop visions for their particular pieces of the project. Yet because these visions were consistent with Dick Mayer's overall concept, and because inconsistencies among them were worked out, these individuals were able to proceed with some autonomy, and the whole project was able to move with unusual speed.

Thick networks can even help coordinate leadership and manage-

Exhibit 7.1 *Coordinating Management Roles vs. Leadership Roles*

	<i>Multiple Management Roles</i>	<i>Multiple Leadership Roles</i>
<i>Primary coordinating mechanisms</i>	Formal structure (job descriptions and chain of command) and integrated plans.	Thick informal networks (good working relationships among many people who share certain values) and overlapping visions.
<i>Process by which mechanisms work</i>	Job descriptions specify responsibilities and authority and reduce conflict by minimizing overlap between jobs. Chains of command link all jobs, and thus provide a vehicle for resolving conflict. These same mechanisms, when applied to the planning process, create an integrated set of plans, which eliminate future conflict.	The multitude of good communication channels and trust among people in thick informal networks allow for an ongoing process of accommodation and adaptation regarding who plays what role, and regarding conflict among roles. Those channels also help produce visions that are linked and compatible instead of remote and competitive.

ment roles when they are performed by different people, as in the case of Dallas Kirk and Carmen Coletta at Digital.

Of course, informal relations of some sort exist in all corporations. But all too often these networks are either very thin—some people are well connected but most are not—or they are highly fragmented—a tight network exists inside the marketing group and inside R&D but not across the two departments. Such networks do not support multiple leadership initiatives well.

Because of all this, thick informal networks are vitally important to leadership, and one finds them wherever multiple leadership initiatives work in harmony. They were present at Dundee. They were very much a part of the American Express story. The successes at Kodak and Kentucky Fried Chicken depended upon them. The same can be said of all the best Japanese corporations. So important is the network, that if it does not exist or is inadequate, its creation has to be the focus of activity early in a major leadership initiative.

The story of Procter & Gamble's paper products division in the mid-1980s is a good example of a business turnaround produced by multiple leadership initiatives in a setting that did not, at first, include an adequate informal network.⁴

Paper products at Procter & Gamble is made up of well-known brands like Bounty (paper towels), Pampers (disposable diapers), and Charmin (bathroom tissue). The division is a key revenue producer among P&G's food, soap, health, and beauty care businesses.

Although P&G is over 150 years old, the paper products division was only started in 1956 with the acquisition of the Charmin Paper Company. Charmin had one product, bathroom tissue, which was sold regionally in the United States. P&G moved very aggressively to grow this business, and was enormously successful over a period of twenty years. The firm used a three-pronged approach. Product development expertise was utilized to extend the range of the product line; disposable diapers, for example, were introduced in 1961. New manufacturing technologies were developed to produce high-quality paper goods at a low cost. Then, marketing and sales expertise was used to expand geographically the distribution of products—to national markets and then international.

At first, P&G had little competition for these innovative, high-quality, reasonably priced, and well-marketed consumer goods. By the late 1970s, that had changed. Huggies by Kimberly Clark made important inroads into Pampers' market share. Northern bathroom tissue and Brawny paper towels, both produced by James River, be-

came more and more successful. The Scott Paper Company developed a more aggressive and effective stand. Inexpensive private labels produced by firms like Georgia-Pacific, Weyerhaeuser, and Fort Howard, began to consume additional market share. In combination, these new competitive thrusts hurt P&G, and hurt them badly; industry analysts estimate that P&G's market share for disposable diapers fell from 75 percent in the mid-1970s to 52 percent in 1984.⁵

When senior management realized the magnitude of the problem, they began assigning people to the paper products division who they felt could help produce a turnaround. Chief among these new people was Richard Nicolosi.

In April 1984, Nicolosi came to paper products as the associate general manager. After three years in P&G's smaller and faster-moving soft drink business, he found an organization that seemed very functionally oriented and centralized. The focus was internal, on functional goals and projects. Almost all information about customers came through highly quantitative market research. The technical people were rewarded for cost savings, the commercial people focused on volume and share, and the two were nearly at war with each other.

During the late summer of 1984, top management announced that Nicolosi would become the head of paper products in October. By August, he was effectively running the division. His first major move was made in September, when for three days, he and his eleven direct reports met off-site. "I had to make it very clear," Nicolosi later reported, "that the rules of the game had changed."

It was a difficult meeting; the twelve individuals were not used to working as a group. Nevertheless, with the help of a person skilled in team building, they initiated a dialogue, started to improve their working relationships, and began the formulation of a new direction for the division.

The new direction was one that included a much greater stress on teamwork; the strategy of using groups of people to manage the organization and specific products was pushed by Nicolosi and accepted by most of the others. So was the idea that the division needed to become much more creative and market driven, instead of just trying to be a low-cost producer. They also discussed the need to move more quickly with innovations, the notion of focusing more on customers and total quality, and the concept that business performance should be their objective, not endless analyses and functional projects.

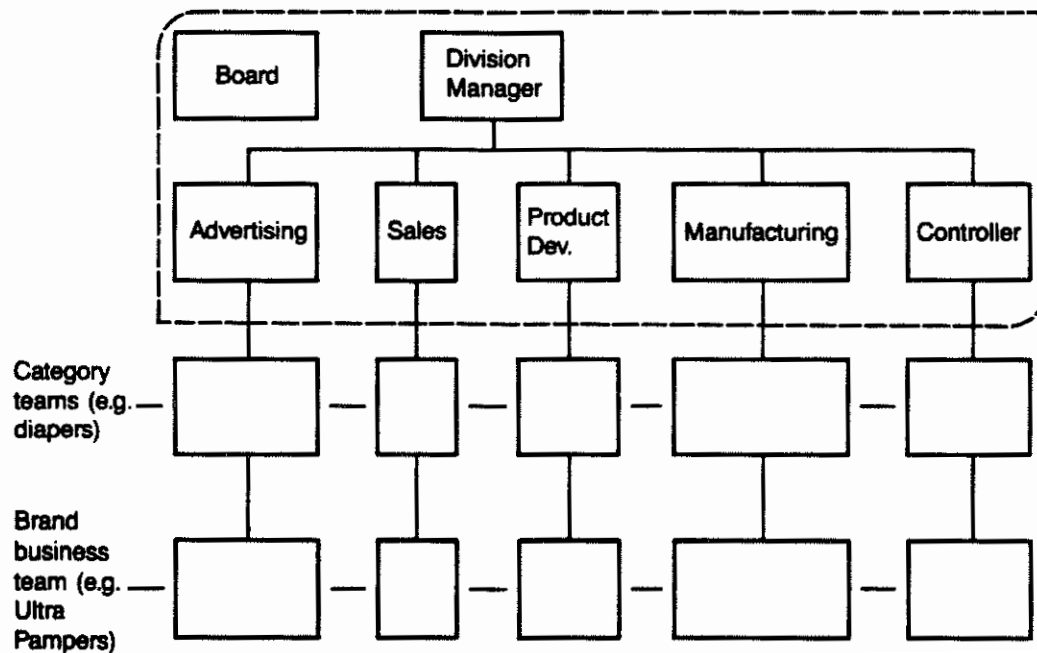
In October, these same twelve people designated themselves as the paper division "Board" and began meeting monthly. Six months later,

these meetings increased in frequency to weekly. During this period, Board members who were obviously having difficulty fitting in with the group and adjusting to the new direction found assignments in other parts of P&G.

In November, the Board established “category teams” to manage their major groups of brands (e.g., diapers, tissues, towels). Nicolosi and a few others spent many hours explaining to the departments and the new teams their emerging vision of how the division would now operate, and the role of these teams. Wendy Williams⁶ developed a workshop to help category-team members think about their new jobs in terms of leadership. At the same time, Nicolosi and his Board started pushing responsibility down to these category teams and urging them to be bold. “Shun the incremental,” he would say, “and go for the leap.” To encourage creative thinking, Nicolosi also started sending countless notes to people. “Have you considered this?” “What about this idea?”

In December, Nicolosi selectively involved himself in more detail in certain activities. He personally met with the advertising agency and got to know key creative people. He asked the marketing manager of diapers, Peter Hemme, to report directly to him, eliminating a layer in the hierarchy. He talked more to the people who were working on two new development projects for products that would eventually be known as Always Plus and Ultra Pampers.

In January 1985, the Board announced the following new organizational structure that included not only category teams, but also new brand business teams:



At first there was considerable confusion about how this structure would work. But there also was a good deal of excitement. To help people think about their roles in the new structure, a couple of individuals on the Board began to talk much less about managing and much more about leading.

By April, with strong encouragement from Board members, manufacturing and engineering started focusing on "Total Quality." People like Steve Brunner and Paul Kissling looked for systemic ways to make the operation more productive and profitable.

In May, with a clearer sense of the direction needed for the division, the Board planned in great detail a major event for June 4 to communicate that vision to as many people as possible. On that day, all the Cincinnati-based personnel in paper plus sales district managers and paper plant managers, several thousand people in total, met in the local Masonic Temple. Nicolosi talked passionately about the changing competitive environment and the need for all of them to change. Board members described their vision of a division that achieves consistent volume and profit growth by being the world's number one marketer of superior value paper and disposable products to the consumer, an organization that achieves that end by providing the best possible environment for human growth, contribution, and productivity, that runs the business with a total quality approach, that fosters creativity and innovation, that has a superior understanding of the consumer and the competition, that works in collaborative teams with short and open lines of communication, and in which "each of us is a leader." This was followed by a brief communique from each category-team leader who reinforced the message. Next came a broadcast-quality video that starred some of these same people singing and dancing.

After the video, everyone was ushered onto a riverboat which proceeded to cruise up the Ohio River to Coney Island Amusement Park. At the park, there were more speeches, a sit-down dinner, another video on "the new direction," and a brass band for everyone's amusement. The evening ended with fireworks. More than one long-tenured P&G employee was heard saying, "I've worked for this company for a lot of years, and I've never seen anything quite like this before."

The entire June 4 affair was videotaped. An edited version was sent to all sales offices and plants, and virtually all of the division's employees who were not at the event saw the videotape.

After this extravaganza, the departments and category teams began to develop their own vision and strategy statements. One de-

partment took seventy people off-site for two days, and another involved everyone "down through the secretaries." These meetings were sometimes difficult, but not nearly as contentious as the first off-site meeting of the Board held the previous September. By now a combination of the new structure and divisional vision, both of which encouraged teamwork, together with selective personnel changes, training in teamwork, and lots of team-building meetings all conspired to create many more healthy working relationships within and across departments.

To reinforce these direction-setting actions and encourage them, members of the Board spent endless hours talking about the overall direction and the progress they were making, all with great enthusiasm. Nicolosi traveled two days a week to plants and sales offices. He wanted everyone to see his personal conviction and commitment to the changes that were being made. Many people found his enthusiasm to be infectious.

In August, the Board began looking for some "early wins" that could give the new visions credibility and help motivate everyone. They chose to focus first on the pricing and promotion structure for tissues and towels. The approach was simple: Forget maximizing profit margins for now, go for share; when the business starts growing, the focus can shift to getting margins up. They also began focusing more time on two new products: Always Plus and Ultra Pampers. Each of these investments paid off handsomely.

Late that same year, the management of the paper division began planning a process by which people new to the organization could be quickly introduced to their changed orientation. Starting in January 1986, all new managers were brought to Cincinnati for three-and-a-half days during which they met other divisional employees, and heard about the business direction.

To keep old employees on track, Nicolosi began rewarding each and every achievement with personal notes, flowers, and plaques, in addition to the usual promotions and raises. Other senior executives did the same, and by midyear almost everyone was talking about the "cultural change" at paper. A report written during the summer of 1986 reported "better communication, collaboration, and trust, and more teamwork" (i.e., a much thicker informal network of relationships). It also reported "more focus and direction, more and better strategies, better alignment, improved morale and better, faster, and more initiatives" (i.e., more leadership from multiple sources).

By then, leadership was bubbling up all over the division.

P&G development engineers had known about AGM (absorbent gelling material) for years. When three Japanese companies found a way to make this substance for a third of what it had previously cost, P&G engineers decided to try to use it to make a diaper. Its capacity to absorb twenty-eight times its weight in water would, at least in theory, help make a much thinner, better fitting, and better performing product.

The project was launched in 1983; the development organization created a successful diaper, and in October 1984 manufacturing produced a first batch. A number of people on the paper products Board liked the product concept because it was a leap forward. When Jay Curry was appointed brand manager, he was given no other responsibilities to divert his attention from this important innovation.

The new product offered two obvious marketing challenges. First, consumers had been taught to believe that thicker was better for diapers. Second, chemicals of any kind next to the human body, much less a baby's body, were thought to be off limits. Some people felt these two red flags dictated a slow approach and much caution. But all the people working on the AGM project were urged to move ahead and move ahead quickly. When they did, the Board supported their initiatives.

To overcome the concern about chemicals, the AGM team sponsored clinical studies of the product in use, and collected endorsement after endorsement from doctors—something that had never been done before in disposable diaper marketing. To deal with the thicker-is-better problem, they worked on advertising and decided to send samples directly to consumers' homes at the time of national expansion—again, something that had never been done before in the diaper business.

In September 1985, the brand team chose a name for the product, despite conventional wisdom that held you never use a word like "ultra" on a brand because it somehow denigrates the regular product. The team ignored traditional thinking and called the AGM product "Ultra Pampers."

A test market was run in October 1985, and national expansion began the following February. Instead of a traditional slow and methodical roll-out, the product was offered nearly everywhere from the very beginning. The idea, again untraditional, was to surprise the competition.

The results were impressive; with the aid of this new product, the Pampers line went from a 40 percent share to 58 percent, and its

profitability went from break-even to substantially positive. The once sleepy paper products division scored a major victory.

At the same time that P&G was making a comeback in a category in which it had been traditionally very strong, the firm also was making major inroads in a new sector: catamenial pads.

Seventy-five percent of women experience some form of failure, during their period, from the pads or tampons they use for protection. With this in mind, Joe Makey in product development, Tony Jones in manufacturing, and a few others at P&G decided to try to create a new product that was not just an incremental protection improvement—but something that was more revolutionary.

P&G development engineers ran studies to find what caused sanitary products to fail. They discovered that most of the problem was due to area coverage; pads are two inches wide, but panty crotches are three inches wide. After much experimentation and effort, they found a way to add extra area coverage and reduce the failure rate from 75 percent to 25 percent. The product, eventually called Always Plus, was odd looking; but in terms of performance, it was a leap forward.

Early in 1984, a brand group was assigned to manage the product. Betsy Frye was made brand manager. A passionate and visionary individual, she believed strongly in the concept and its potential. But she quickly identified a problem with selling it—communicating what this odd-looking product was, what it did, and how to use it.

The Board liked Always Plus from the beginning; it clearly fit their emerging vision of the kind of product they wanted to market. They made this clear to Frye, and energetically supported her efforts.

The initial test market for Always Plus was Columbus, Ohio, in February 1985. The results were disappointing. Historically, a disappointing test market would slow or even kill a new product. The Board urged the brand team not to let this happen, but to use the experience as something to learn from. Frye accepted the challenge and did just that.

Over a two- to three-month period, Betsy Frye convinced the advertising agency that the ads needed to be changed, and had to be more explicit if consumers were to understand the product. This would mean actually showing underwear and using the word “panties” in television spots—something that had never been done before. After much discussion, the agency followed Frye’s lead. The new advertising was tried in a second test market, this time in Phoenix in July 1985. The results were much better.

During the fall of that year, the team geared up for national expansion. Convention dictated that they use the same ads and other marketing devices in national expansion as were used in the successful test market. But between the summer of 1985 and the spring of 1986, the agency developed yet another ad. Many who saw it thought the new ad was better. Nicolosi was asked for his opinion. "Forget the rules," he said, "and do what is right."

In a roll-out that began in May 1986, the new ads were used. The results started strong and then grew even stronger. The Always product line went from a negative to break-even profit position up to a substantial profit, and at a speed much faster than expected. Always Plus took the brand from second or third place to nearly a tie for first in its category. Overall, it was another major victory.

Most innovative initiatives during this period came from people dealing with new products like Ultra Pampers and Always Plus. But not all. Some thrusts were more oriented toward a functional area, and some literally came from the bottom of the hierarchy. In the spring of 1986, a few of the division's secretaries, feeling empowered by the new culture, developed a Secretaries Network. This association established three subcommittees: one on the secretary of the future, one on training, and one on rewards and recognition. The training committee, for example, worked with the personnel function to create a development seminar for secretaries; the first was held in the fall of 1986. The network sponsored a meeting in April 1987 to "foster better communication and trust among support staff" which was attended by 187 secretaries. Network subcommittees also helped write a training and reference manual for secretaries, and launched a regular newsletter called "The Secretarial Agenda." Echoing the sentiments of many of her peers, one paper products secretary said: "I didn't see why we can't also contribute to the division's new direction."

The year 1987 saw more new product successes; Luvs Delux was introduced in May and within only a few months the market share for the overall brand grew to 150 percent of its previous level. Accomplishments like this were trumpeted in a twelve-page pamphlet sent to all divisional employees in the summer of that year. Called "A Celebration of Progress," this booklet started with a letter from Nicolosi: "On June 4, 1985, we began a journey to excellence" It then included dozens of comments by people, along with their pictures, regarding what they have done to help make the vision a reality; described the new "paper division operational approach"; and talked

about the 1987 version of their vision, mission, and strategies. Finally, the booklet showed pictures of people on the Board, and concluded with a personal message from Nicolosi about his beliefs and values.

The bottom line, according to interviews conducted in late 1987, was: "We have successfully made some necessary alterations in a deeply embedded culture—no small accomplishment even by itself—and these changes are having a big impact. Versus a few years ago, what has happened in all our categories is that we are generally here in the marketplace ahead of the competition with new ideas." Economic results, as of the end of 1988, looked like this: Revenues were up 40 percent over a four-year period. Profits were up 66 percent. And this happened despite the fact that the competition continued to get tougher.

Really strong competition almost always creates continuous change in an industry, as firms struggle again and again to gain some advantage. If an individual business is at all complex—à la the paper division at P&G—it will have to change in thousands of ways to adapt to those conditions, and that magnitude of change demands leadership efforts initiated by a multitude of people. Nothing less will work.

That does not mean that single individuals are not important. Nicolosi was obviously central to this story. But it took more than one person to set the division on a new course, align people to it, and inspire them to action. It required more than one strong executive to create the thick informal networks needed to support multiple leadership initiatives: by creating the Board and getting it to become a model of teamwork, by getting groups of people throughout the division to develop visions and strategies, by creating a new organizational structure that forced more teamwork, by communicating endlessly the new division-level vision, by replacing key people who were having trouble fitting in, and by creating the type of group celebration held in June 1985. It took more than one person to encourage people to lead, and to support their efforts, especially when those individuals came under attack from entrenched bureaucratic factions.

In the final analysis, it was leadership from all those on the Board, and then from dozens of other people, that produced the turnaround. Nothing less would have worked.



JOHN P. KOTTER is Professor of Organizational Behavior at the Harvard Business School. He has won McKinsey awards for two *Harvard Business Review* articles and has received the 1985 Johnson, Smith and Knisely Award for new perspectives on executive leadership. Professor Kotter has achieved international recognition as an expert on leadership in business with his works *The General Managers*, *Power and Influence*, and *The Leadership Factor*, which have been translated into six languages.