



THE ACCELERATING ORGANIZATION

In a Faster Moving World, We Need Speed and Agility to Keep Up | John P. Kotter

Organizations everywhere are struggling to keep up with the accelerating pace of change—let alone get ahead of it.

Most people don't feel the full rush going on around them, which is a part of the problem. But on almost every important business index, the world is racing ahead. The stakes—the financial, social, environmental, and political consequences—are rising in a similar, exponential way.

In this new world, the big question facing business leaders everywhere is how to stay competitive and grow profitably amid this increasing turbulence and disruption. The most fundamental problem is that any company that has made it past the start-up stage is optimized much more for efficiency than for strategic agility—the ability to capitalize on opportunities and dodge threats with speed and assurance.

I could give you a hundred examples of companies that, like Borders and Research in Motion (RIM), recognized the need for a big strategic move but couldn't pull themselves together fast enough to make it and ended up sitting on the sidelines as nimbler competitors beat them, badly.

The examples always play out the same way: an organization that's suddenly facing a real threat or eyeing a big opportunity tries—and fails—to cram through significant changes using structures, processes, and methods that worked well in the past. But the old ways of setting and executing new strategies are failing us.

Companies used to reconsider their basic strategies only rarely, when they were forced to do so by big shifts in their environments. Today any company that isn't rethinking its direction at least every few years (as well as constantly adjusting to changing contexts) and then quickly making necessary operational changes is putting itself at risk. That's what faster change is doing to us. But as any business leader can attest, the tension between what it takes to stay ahead of increasingly fierce competition, on the one hand, and needing to deliver this year's results, on the other, can be overwhelming.

We cannot discount the daily demands of running a company, which traditional hierarchies and managerial processes can still do very well. What they do not do well is identify the most important hazards or opportunities early enough, formulate creative strategic initiatives nimbly enough, and (especially) execute those initiatives fast enough.

Management-Driven Hierarchies

Virtually all successful organizations on earth go through a very similar life cycle. They begin with a network-like structure, sort of like a solar system with a sun, planets, moons, and even satellites. Founders are at the center. Others are at various nodes working on different initiatives. Action is opportunity seeking and risk taking, all guided by a vision that people buy into. Energized individuals move quickly and with agility.

Over time, a successful organization evolves through a series of stages into an enterprise that is structured as a hierarchy and is driven by well-known managerial processes: planning, budgeting, job defining, staffing, measuring, problem solving. With a well-structured hierarchy and with managerial processes that are driven with skill, this more mature organization can produce incredibly reliable and efficient results on a weekly, quarterly, and annual basis.

A well-designed hierarchy allows us to sort work into departments, product divisions, and regions, where strong expertise is developed and nurtured, time-tested procedures are invented and used, and there are clear reporting relationships and accountability. Coupled with managerial processes that can guide and coordinate the actions of employees—even thousands of employees located around the globe—and you have an operating system that lets people do what they know how to do exceptionally well.

There are those who deride all of this as a bureaucratic leftover from the past, not fit to handle twenty first century needs. Get rid of it. Smash it. Start over. Organize as a spider web. Eliminate middle management and let the staff manage themselves. But the truth is that the management-driven hierarchies which good organizations use and we take for granted are one of the most amazing innovations of the twentieth century. And they are still absolutely necessary to make organizations work.

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One part of what makes them amazing is that they can be enhanced to deal with change, going beyond mere repetition—at least up to a point. We have learned how to launch initiatives within a hierarchical system to take on new tasks and improve performance on old ones. We know how to identify new problems, find and analyze data in a dynamic marketplace, and build business cases for changing what we make, how we make it, how we sell it, and where we sell it. We've learned

how to execute these changes by adding task forces, tiger teams, project management departments, and executive sponsors for new initiatives. We can do this while still taking care of the day-to-day work of the organization because this strategic change methodology is easily accommodated by a hierarchical structure and basic managerial processes. And that is precisely what leaders everywhere have been doing, and to a greater degree, each year.

Every relevant survey of executives I have seen for a decade now reports that they are launching more strategic initiatives than ever. Skilled leaders have always tried to improve productivity, but now they are trying to innovate more and faster. When historical organizational cultures—formed over many years or decades— have slowed action, impatient leaders have tried to change those cultures. The goal of all this, of course, is to accelerate profitable growth to keep up or get ahead of the competition.

But those same surveys show that success across these initiatives is often illusive. A recent reboot at JCPenney, for example, looked exceptionally promising—for a few months. And then all the various strategic projects began to fall apart. Even well-run organizations, unless they are very small and new, are having great difficulty moving with the speed and agility required in a faster moving world. Japanese firms that once were the envy of everyone are now being left in the dust by rivals in Korea and California.

Across industries and sectors, and around the world, everywhere you look it seems clear that the current way in which we run our organizations—even when we enhance them with more and more sophisticated strategic planning departments or interdepartmental task forces—may not be able to do the job.

The Organization of the Future

What we need today is a powerful new element to address the challenges posed by mounting complexity and rapid change. The solution, which I have seen work astonishingly well, is a second system that is organized as a network—more like a start-up’s solar system than a mature organization’s Giza pyramid—that can create agility and speed. It powerfully complements rather than overburdens a more mature organization’s hierarchy, freeing the latter to do what it’s optimized to do. It makes an enterprise easier to run while accelerating strategic change. This is not a question of “either/or.” It’s “both/and,” two systems that operate in concert. A dual operating system.

It seems like new management tools are proposed every week for finding a competitive advantage or dealing with twenty-first-century demands. How is a dual operating system any different? The answer is twofold. First, a dual system is more about leading strategic initiatives to capitalize on Big Opportunities or dodge big threats than it is about management.

Second, although the dual system is a new idea, it is a manner of operating that has been hiding in plain sight for years. All successful organizations operate more or less as I describe during the most dynamic growth period in their life cycle. They just don't understand this while it is happening or sustain it as they mature.

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The basic structure is self-explanatory: hierarchy on one side and network on the other. The network side mimics successful enterprises in their entrepreneurial phase, before there were organization charts showing reporting relationships, before there were formal job descriptions and status levels. That structure looks roughly like a constantly evolving solar system, with a guiding mechanism as the sun, strategic initiatives as planets, and sub-initiatives as moons or satellites.

Let me be clear. I am not talking about ever more grand interdepartmental task forces, new strategy teams following new models, innovation councils, self-directed work teams, policies that give people time to work on their own creative projects, or all of the above together.

These may help movement in the right direction, but they are still just enhancements to a single

system. I am talking about a bigger idea, yet one with roots in familiar structures, practices, and thinking.

Most start-ups really are organized as networks because they need to be nimble, swift, and creative in order to grab opportunities. Even in mature organizations, informal networks of change agents frequently operate under the hierarchical radar to make something new happen faster. This idea also echoes much of the most interesting management thinking of the past few decades—from Michael Porter’s wakeup call telling us that organizations need to pay attention to strategy much more explicitly and frequently, to Clayton Christensen’s insights about how poorly companies handle the technological discontinuities inherent in a faster-moving world, to recent work by the Nobel Laureate Daniel Kahneman describing the brain as two coordinated systems, one more emotional and one more rational.

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The processes that run within the new network structure look less like systematic management (which creates reliability and efficiency) and more like mobilizing leadership (which creates speed and agility). These processes expand on the eight-step method I first documented fifteen years ago, in my book *Leading Change*, while studying successful large-scale change: creating a sense of urgency, building a coalition to guide the change, forming a vision and strategy, communicating for buy-in, empowering action, assuring short-term wins, never letting up, and incorporating changes into the culture. The new network part of a dual operating system takes those steps and turbocharges them. It does so by allowing many more people to become active agents of change, who can get more done faster. It does so by building even more powerful strategic urgency—and not just in a general sense but centered around a Big Opportunity. And after starting to deal with a specific strategic challenge, these processes never stop. They become permanent accelerators, creating and maintaining a culture of agility and speed within an organization.

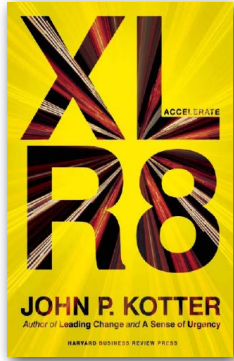
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Be a Pioneer

The inevitable failures of single operating systems hurt us now. I believe they are going to kill us in the future. The twenty-first century will force us all to evolve toward a fundamentally new form of organization. The good news is that this can allow us to do much more than simply hang onto what we have achieved in the twentieth century. If we successfully implement a new way of running organizations we can take advantage of the strategic challenges in a rapidly changing world. We can actually make better products and services, enlarge wealth, and create more and better jobs, all more quickly than we have done in the past. That is, while the consequences of an increasingly changing world do have a downside, they also have a potentially huge upside.

We still have much to learn. Nevertheless, the companies that get there first, because they are willing to pioneer action now, will see immediate and long-term success—for shareholders, customers, employees, and themselves. **I am convinced that those who lag will suffer greatly—if they survive at all.** 📌

Info



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ABOUT THE AUTHOR | John P. Kotter is internationally known and widely regarded as the foremost speaker on the topics of Leadership and Change. His is the premier voice on how the best organizations actually achieve successful transformations. The Konosuke Matsushita Professor of Leadership, Emeritus at the Harvard Business School and a graduate of MIT and Harvard, Kotter's vast experience and knowledge on successful change and leadership have been proven time and again. Most recently Kotter was involved in the creation and co-founding of Kotter International, a leadership organization that helps Global 5000 company leaders develop the practical skills and implementation methodologies required to lead change in a complex, large-scale business environment.

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