ORGANIZATION PRACTICE

Developing better change leaders

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Putting leadership development at the heart of a major operations-improvement effort paid big dividends for a global industrial company.

Few companies can avoid big, periodic changes in the guts of their business. Whatever the cause—market maturation, a tough macroeconomic environment, creeping costs, competitive struggles, or just a desire to improve—the potential responses are familiar: restructure supply chains; rethink relationships among sales, marketing, and other functions; boost the efficiency of manufacturing or service operations (or sometimes close them). Such changes start at the top and demand a relentless focus on nitty-gritty business details from leaders up and down the line.

Too often, however, senior executives overlook the "softer" skills their leaders will need to disseminate changes throughout the organization and make them stick. These skills include the ability to keep managers and workers inspired when they feel overwhelmed, to promote collaboration across organizational boundaries, or to help managers embrace change programs through dialogue, not dictation.

One global industrial company tackled these challenges by placing leadership development at the center of a major operational-improvement program that involved deploying a new production system across 200 plants around the world. While the need for operational change was clear—the performance of the company's factories was inconsistent and in many cases far below that of competitors in terms of efficiency, productivity, and cost—so too were the organizational obstacles. Drives for improvement, for example, carried a stigma of incompetence; current performance was considered "good enough"; conflict tended to be passive-aggressive or was avoided entirely; and shop floor employees felt that they were treated as cogs and that their supervisors were enforcers. The effect of all this on employees was disengagement, a lack of trust

in senior management, and a pervasive fear of making mistakes—a worry reinforced by the company's strong culture of safety and of risk aversion.

These challenges were impossible to ignore, and that was probably a blessing in disguise: the senior team had to look beyond technical improvements and focus on helping the company's leaders to master the personal behavioral changes needed to support the operational ones. To that end, the company mounted an intense, immersive, and individualized leadership program.[1]

The results are still unfolding, but after three years the company estimates that the improvement program has already boosted annual pretax operating income by about $1.5 billion a year. Furthermore, executives see the new leadership behavior as crucial to that ongoing success. Indeed, the senior executive who launched the program believes that without the inclusion of leadership development, it would have made only half the impact it actually did. She adds that the company has seen a tenfold return on its investment in each of the dozens of leaders trained thus far.

Scenes from the front lines of change

In this article, we'll share the stories of three such leaders and examine how the changes they made in their leadership styles contributed to improved business results. Then we'll step back and offer a few general leadership-development principles that we hope will be useful to other organizations contemplating large-scale, transformational changes.

1. Making sourcing more efficient

An executive we'll call Annie is the company's director of sourcing and logistics. Her charge: to help the sourcing operation improve its performance, from the mid- to the first quartile, without additional resources. Annie and her supervisor (the group's vice president) concluded that the way to achieve this goal was to create a single global sourcing system instead of relying on the existing patchwork of regional and divisional ones. This approach would improve efficiency, take advantage of cheaper sources, and cut interaction costs.

But that meant engaging a global group of stakeholders, many of whom preferred acting independently. Some even mistrusted one another. The vice president knew that this problem would be very difficult for Annie; as he put it, "she used to move too fast, and people would miss her train." Somehow, Annie had to build the skills—and quickly—to engage her colleagues on a journey where turning back was not an option.

Annie realized she needed to engage them not just intellectually but also emotionally, so they would become committed to the new approach and understand why it was better, even though many saw it as threatening to their autonomy and their ability to tailor services to local needs. Annie also recognized that she had a strong tendency to do all the work herself to ensure that it was done quickly and correctly.

Learning to overcome that inclination would help her to articulate a more inspiring vision and bring more people on board. Along with a colleague who was going through leadership training at the same time, Annie worked on a number of skills, such as how to keep discussions focused on solutions and how to build on existing strengths to overcome resistance. She also developed 20 coaching vignettes, which helped her bring to life the mind-sets and behavior that had to change. These moves helped Annie establish the new vocabulary she needed to encourage colleagues to identify and eliminate issues that were getting in the way of the new sourcing approach.

As more than 1,000 employees across four regions adopted the new system, operational efficiencies quickly started to appear. What's more, the effort encouraged interpersonal interactions that helped some employees overcome long-standing barriers to collaboration. The vice president highlighted the way the effort had encouraged North American employees to begin openly addressing issues they had with colleagues at a logistics service center in India, for example, and to move beyond mistrusting the Indians and resenting them for holding "exported jobs." Such engagement skills spread across the network and began to take hold.

As collaboration improved, the cost savings grew: within 18 months, the sourcing group had eliminated the need for 50 positions (and helped the workers who held them to get new jobs elsewhere in the company). In the same time period, benchmarking suggested that the group as a whole had achieved first-quartile performance levels. What's more, the experience strengthened Annie as a manager. "My answer might have been right before," she says, "but it got richer. . . . I feel more confident. It is not about needing to prove myself anymore. I have much greater range and depth of influence."

2. Boosting yields at a factory

Conor, as we'll call one European plant manager, needed to boost yields using the company's new production system. In the past, the industrial giant would have assigned engineers steeped in lean production or Six Sigma to observe the shop floor, gather data, and present a series of improvements. Conor would then have told plant employees to implement the changes, while he gauged the results—a method consistent with his own instinctive command-and-control approach to leadership. But

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Conor and his superiors quickly realized that the old way wouldn't succeed: only employees who actually did the work could identify the full range of efficiency improvements necessary to meet the operational targets, and no attempt to get them to do so would be taken seriously unless Conor and his line leaders were more collaborative.

Workers were skeptical: a survey taken at about this time (in 2009) showed that plant workers saw Conor and his team as distant and untrustworthy. Moreover, the company couldn't use salary increases or overtime to boost morale, because of the ongoing global economic crisis.

Conor's leadership training gave him an opportunity to reflect on the situation and provided simple steps he could take to improve it. He began by getting out of his office, visiting the shop floor, and really listening to the workers talk about their day-to-day experiences, their workflows, how their machines functioned, and where things went wrong. They'd kept all this information from him before. He made a point of starting meetings by inviting those present to speak, in part to encourage the group to find collective solutions to its problems.

Conor explained: "As I shared what I thought and felt more openly, I started to notice things I had not been aware of, as other people became more open. We'd had the lean tools and good technology for a long time. Transparency and openness were the real breakthrough." As the new atmosphere took hold, workers began pointing out minor problems and additional areas for improvement specific to their corners of the plant; within just a few months its yields increased to 91 percent, from 87 percent. Today, yields run at 93 percent.

3. Closing a plant

Pierre, as we'll call him, was managing a plant in France during the darkest days of the global financial crisis. His plant was soon to close as demand from several of its core customers went into a massive and seemingly irreversible tailspin. The company was in a tricky spot: it needed the know-how of its French workers to help transfer operations to a new production location in another country, and despite its customers' problems it still had €20 million worth of orders to fulfill before the plant closed. Meanwhile, tensions were running high in France: other companies' plant closures had sparked protests that in some cases led to violent reactions from employees. Given the charged situation, most companies were not telling workers about plant closures until the last minute.

Pierre was understandably nervous as he went through leadership training, where he focused intently on topics such as finding the courage to use honesty when having difficult conversations, as well as the value of empathic engagement. After a lengthy debate among company executives, Pierre decided to approach the situation with those values in mind. He announced the plant closing nine months before it would take place and was open with employees about his own fears. Pierre's authenticity struck a chord by giving voice to everyone's

thoughts and feelings. Moreover, throughout the process of closing the plant, Pierre recounts, he spent some 60 percent of his time on personal issues, most notably working with his subordinates to assist the displaced workers in finding new jobs and providing them with individual support and mentoring (something other companies weren't doing). He spent only about 40 percent on business issues related to the closure.

This honest engagement worked: over the next nine months, the plant stayed open and fulfilled its orders, even as its workers ensured that their replacements in the new plant had the information they needed to carry on. It was the only plant in the industry to avoid violence and lockouts.

Lessons observed

While every change program is unique, the experiences of the industrial company's managers offer insights into many of the factors that, we find, make it possible to sustain a profound transformation. Far too often, leaders ask everyone *else* to change, but in reality this usually isn't possible until they first change themselves.

Tie training to business goals. Leadership training can seem vaporous when not applied to actual problems in the workplace. The industrial company's focus on

teaching Pierre to have courageous conversations just as the ability to do so would be useful, for instance, was crucial as Pierre made arrangements to close his plant. In the words of another senior executive we spoke with: "If this were just a social experiment, it would be a waste of time. People need a 'big, hairy goal' and a context to apply these ideas."

Build on strengths. The company chose to train managers who were influential in areas crucial to the overall transformation and already had some of the desired behavior— in essence, "positive deviants." The training itself focused on personal mastery, such as learning to recognize and shift limiting mind-sets, turning difficult conversations into learning opportunities, and building on existing interpersonal strengths and managerial optimism to help broadly engage the organization.

Ensure sponsorship. Giving training participants access to formal senior-executive sponsors who can tell them hard truths is vital in helping participants to change how they lead. Moreover, the relationship often benefits the sponsor too. The operations vice president who encouraged Annie, for example, later asked her to teach him and his executive team some of the skills she had learned during her training.

Create networks of change leaders. Change programs falter when early successes remain isolated in organizational silos. To combat this problem, the industrial company deployed its leadership-development program globally to create a critical mass of leaders who

shared the same vocabulary and could collaborate across geographic and organizational boundaries more effectively.

When Annie ran into trouble implementing the changes in some of the company's locations in Asia, the personal network she'd created came to her rescue. A plant manager from Brazil, who had gone through the training with Annie, didn't hesitate to get on a plane and spend a week helping the Asian supply chain leaders work through their problems. The company allowed him to do so even though this visit had nothing to do with his formal job responsibilities, thus sending an important signal that these changes were important.

Another tactic the company employed was the creation of formal "mini-advisory boards": groups of six executives, with diverse cultural and business perspectives, who went through leadership training together. The mutual trust these teammates developed made them good coaches for one another. Pierre, for

example, reported getting useful advice from his board as he finalized his plans to talk with his plant employees. The boards also provide much-needed emotional support: "The hardest part of being at the forefront of change is just putting your shoes on every day," noted one manager we talked to. "Getting together helps me do that." o

[1] For each participant, the program took four months, including two week-long off-site training programs, along with ongoing coaching on the application of what they had learned to the workplace.

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