

Leadership for the recovery

Preparing your organization to excel in the recovery

- Using leadership skills to leverage and align your talent
- Case study of one company's award winning efforts
- Dramatically improve your organization's performance by improving your leaders

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Executive Summary

→ Overview

There is a growing consensus that our economy is beginning to emerge from the recession. There is much debate about the shape and speed of the recovery, but most experts agree that this rebound will not see robust growth in employment and we will not return to the same economic conditions we experienced before the downturn. The business press is full of buzz about “the new normal.” There is a great deal of ambiguity surrounding what this new normal will be, but there is agreement that we are in a time of uncertain change.

As our clients faced the difficulties of protecting margins and market share during the slowdown of the economy, they relied heavily on financial management skills and keeping a keen eye fixed to controlling costs. Many expressed a concern that the decisions they were making ran the risk of compromising future opportunities, but the feeling was overwhelming that it had to be done. The good news is that the companies have emerged from these times much more fit and with more sensitivity to cost issues.

While the attention to careful use of resources should provide a lasting benefit to organizations, we would argue a reliance on disciplined management alone could compromise the companies ability to take advantage of the opportunities the rebound will offer. Indeed, unless the lens is adjusted, these opportunities might not even be recognized. Our experience has shown that leadership skills are necessary throughout the organization to seize the opportunities that the recovery will offer. Our rationale:

→ It is difficult to find any executive who would disagree that talent is the primary factor in determining how much success the enterprise has. The current research that shows the resource constraints, organizational wide directives from executive ranks, lack of upward mobility, and a constant flow of tough economic news has left the talent pool tired, disengaged, and going through the motions “until things get better.”

Some of the recent gains in activity probably reflected government policy support, and participants expressed considerable uncertainty about the likely strength of the upturn once those supports were withdrawn or their effects waned. Overall, the economy was projected to expand over the remainder of 2009 and during 2010, but at a pace that was unlikely to reduce the unemployment rate appreciably.

- minutes from the Federal Reserve September 2009 conference

More than 70 percent of the senior executives in a survey we recently conducted say that innovation will be at least one of the top three drivers of growth for their companies in the next three to five years....Our research also shows that most executives are generally disappointed in their ability to stimulate innovation: some 65 percent of the senior executives we surveyed were only “somewhat,” “a little,” or “not at all” confident about the decisions they make in this area.

https://www.mckinseyquarterly.com:443/ghost.aspx?ID=/Leadership_and_innovation_2089

- Managers waste 37 percent or more of their day dealing with dysfunctional and unproductive behavior.
- More than two-thirds of the workplace is considered to be “disengaged” according to polls by Gallup.
- One dollar out of every three payroll dollars is lost due to disengaged employees.

Roxanne Emmerich, *Thank God its Monday*

We must get to a time when people recognize the dialectic between control and credibility. I’m not saying to move to an entirely open communication, [where] everything in a corporation is open. No. But, you need at least to explain why you’re going where you’re going and what the long-term vision is. And then let people contribute in their own ways to the ultimate decision that you take.

Richard Edelman, https://www.mckinseyquarterly.com:443/Marketing/Strategy/Building_private-sector_diplomacy_2450?gp=1

- Most companies are counting on “innovation” as the solution for their business growth. Once again, the constraints in place actually make innovation more difficult. Our talks with people at the working level of our client’s organizations show they are fearful of taking a risk in an environment that rewards a conservative approach and punishes failures. Risk is necessary part of the innovation cycle. You manage risk, you must lead change.
- McKinsey’s study on the war for talent concludes the two top reasons great talent leaves organizations are their immediate boss and not feeling their skills and talents are being utilized. Both are clearly leadership issues. While talent loss may have slowed during the downturn, when the economy recovers retaining talent will once again be an issue. Top talent wants to be led, not managed.
- The level of employee disengagement in the workforce is concerning. Over half of the workforce is going through the motions, hoping to hold on until retirement. They are doing the work they do because they have to, not because they want to. Leadership is about building a culture of commitment, not the prevailing culture of compliance. With commitment comes the desire to perform at a much higher level.
- Companies have done a good job improving *what* they do. Low cost, high quality, and on time delivery of products and services have become the entry points for the market. There is a need to manage those criteria. Companies that will excel are also answering the question of “why?” we do what we do...That is a primary leadership question, and the answer has an impact on how much your employees commit, how your suppliers partner with you, how shareholders view their stock, and what buying choices the customer makes.

→ Conclusions

We believe the increased financial scrutiny put in place by most

companies during the economic downturn were necessary and beneficial. It was an appropriate response to difficult economic conditions. The discipline instilled during these times will serve the organizations well moving forward. The increased focus on short term results was important but may jeopardize future returns.

We believe the looming recovery will require a different orientation with different management practices. The very practices that allowed a company to survive difficult times may hinder its progress moving forward. It could be possible that the actions taken to survive the downturn could cause you to fail during the recovery with the constraints many put in place.

We believe that fundamentally it is an issue of talent utilization. How are people aligned? How is their value measured? Does your talent reach deep inside to pull out their best efforts? Do they see themselves as an investment or a cost? Do you?

Our conclusions include:

- The urgent measures to control spending and protect margins have inadvertently created levels of increased disengagement in the workforce. When time and resources are strained, team members become preoccupied with their own survival rather than organizational growth. People strived to appear busy with results a high level of individual activity that produced little sustainable organizational results. Leadership needs to help their organization define and measure value produced rather than just task completion.
- The business environment that emerges during the recovery will be dramatically different than past recoveries. Ambiguity and uncertainty will leave employees looking for strong, competent leadership they can believe in to guide them through.
- Talent retention will increasingly be an issue. The most talented will be looking for opportunities to lead, to do work that matters. Central command and control management needs to give way to

more inclusive decision making and increased decision making input throughout the ranks if top talent is to be retained.

- The needed innovation to insure the organization's future success is strongly influenced by the prevailing culture and management practices. Only a culture that encourages the best and brightest to experiment and innovate will succeed. Many current practices actually discourage innovation with employees fearing failure.
- Many companies have put employee, and leadership, development on the back burner as revenues fell. Companies that continued to place a premium on developing people will have a competitive advantage with the recovery. Their talent will have the tools and skills necessary to recognize and act on emerging opportunities. The quality of your leadership will be a competitive issue.
- For the near term, employers will not be in a position to substantially increase financial rewards or reduce the workload of its employees. Leaders need to be able to increase the intrinsic value of the working experience, in addition to providing competitive wage and benefits packages.
- Leadership is a voluntary relationship between those with the courage to lead and those that willingly follow. It is not a position that can be granted by the organization. It must be earned one follower at a time. While many managers characterize their response to the downturn as "strong leadership", many followers see it as micromanagement. This relationship needs strengthening if emerging opportunities are to be maximized.
- As a member of the management team at United Parcel Service, Michael Neiss often heard the words of founder Jim Casey. "Determined people working together can accomplish anything." That remains true, and your leaders responsibility is to build teams of determined people.

"...survey by the Centre for Work-Life Policy, an American consultancy, found that between June 2007 and December 2008 the proportion of employees who professed loyalty to their employers slumped from 95% to 39%; the number voicing trust in them fell from 79% to 22%. A more recent survey by DDI, another American consultancy, found that more than half of respondents described their job as "stagnant", meaning that they had nothing interesting to do and little hope of promotion. Half of these "stagnators" planned to look for another job as soon as the economy improved. People are both clinging on to their current jobs, however much they dislike them, and dreaming of moving when the economy improves. This is taking a toll on both short-term productivity and long-term competitiveness: the people most likely to move when things look up are high-flyers who feel that their talents are being ignored."

The Economist, 10/09/09

Case Study

Michael T. Neiss and Associates was engaged to partner with the leadership development efforts at a leading manufacturer. They are currently producing 1.5 billion in revenue with 5100 employees, largely in the midwest. They have corporate offices in the UK and China. This company has consistently been recognized as one of the 100 best places to work and are pioneers of green and sustainability strategies. Fast Company magazine has recognized them as one of the top fifty most innovative companies in the world.

- The presenting challenge was to establish a continuing pipeline of leaders for succession and growth opportunities. Particular interest was paid to retaining high potential talent.
- The organization had weathered a difficult market following the dotcom bubble bust. Executive leadership wanted to insure their management team was prepared to handle the next cyclical business challenge and be more proactive in their business approach.
- The approach was to be integrated with their existing management competencies and corporate strategies.
- The implementation was designed to be a “top down” approach, starting with executive levels, then two identified groups of high potentials, and finally engaging the entire management workforce. Subsequent to the initial efforts, a parallel program was instituted for individual contributors in both the exempt and non exempt workforce.

→ The design

The Leadership Challenge™, a model developed by James Kouzes and Barry Posner, was selected as the foundation for the skill building portion of the intervention. The primary advantages included:

- The research base for the leadership challenge was ordinary people who had accomplished extraordinary things, as opposed to the “great

person” model. This fit well within a culture that had historically grown their own leaders, often people who had excelled by hard work and commitment.

- The Leadership Challenge model includes a 360 degree instrument called the Leadership Practices Inventory. The thirty behaviors in this instrument are measured in perceived frequency of use. We found a high level of correlation with the identified management competencies already in place.
- The Leadership Practices Inventory allowed us to monitor improvements in individual and organization wide leadership practices.
- The workshop design included multiple instructional methods including lecture, case studies, experientials, and action planning modules. The LPI further allowed the participants to weigh the conceptual learnings back against their own results in the “real world”.

In addition to the workshop experiences, each high potential was afforded the opportunity to work with a leadership coach. Michael T Neiss and Associates selected five coaches with both the expertise in the leadership challenge and a proven record of leading teams in similar corporate environments.

The original design for the workshop was a residential program of three days length. Included in the original efforts were outdoor challenge activities specifically designed around the Five Practices of Exemplary Leaders identified in the research for the Leadership Challenge. The current offering is a three day offering at the organization’s conference center.

Solution Results

The leadership development efforts continue with the following results to date:

- The corporate values were refined, and in some cases, redefined to validate the historic foundation while addressing a very different competitive environment.
- The majority of advancements into executive level positions were filled from the high potential pool, including the key roles of CFO and VP of Human Resources.
- A mobility program was initiated to identify and attract outstanding college graduates. The program includes a track modelled upon the high potential intervention.
- With strengthened leadership skills, managers have been able to accommodate larger spans of control saving managerial costs.
- The program itself was recognized as the best by Workforce Magazine's Optimas Award. In addition, Michael Neiss and two members of the internal leadership development efforts were chosen to keynote the first Leadership Challenge forum to present the case study.
- The program was expanded to include sales and marketing, and their dealer network.
- The organization continues to be recognized as one of the 100 best places to work, even in an environment of weakened markets and the necessary cost containment efforts.
- Internal development programs were strengthened and expanded to include identifying future leaders earlier in their careers and looking further down the organization to hourly workers who showed leadership promise.

Summary

Disciplined management of a business is a requirement for all economic conditions. Lowering the cost of doing business is a legitimate and necessary strategy. Often, overusing a strength causes a new weakness and this is true in this case as well.

Excellence requires improving the return on investment especially when it comes to talent. This requires leadership, not management. Few would argue that talent is the differentiator for success. Dramatic improvements in performance occurs when there is sound leadership that engages and enables talent. Aggressive cost cutting may have set back the leadership development efforts, and this could be a detriment as the economy improves. The performance improvements you can expect from investing in leadership development include:

- A workforce that is committed to success, and the increase in the use of discretionary effort. Most experts estimate this is as much as 50% effort available.
- Attraction and retention of talent. The best want to work for the best.
- Improved decision making on complex issues.
- Providing a better work experience for your employees, building the brand and loyalty.
- Alignment to a common vision and values leading to better teamwork, collaboration, and communication.
- Improvements in change management and project implementation.

Peter Drucker once said, "Only three things happen naturally in organizations: friction, confusion, and underperformance. Everything else requires leadership."

We agree. Call us. We can help. Passionately and practically.

→ **Contact Us**

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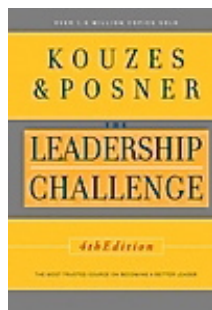
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