CE Roundtable: Factories Of The Future ■ The Automation Imperative

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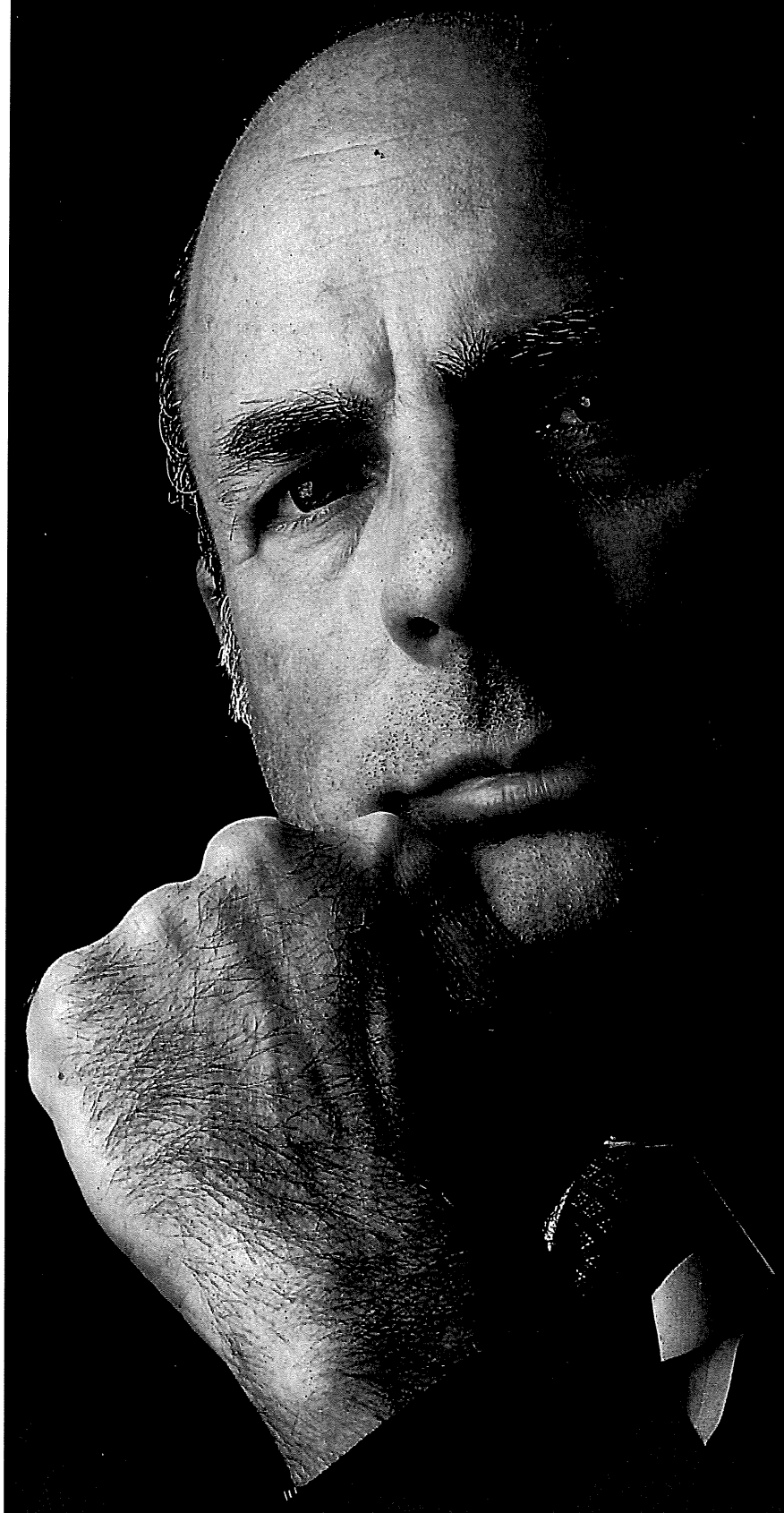


'If the Patriot missile had to compete in the marketplace on the same terms as the products of heavily-subsidized foreign suppliers, the Patriot would be out of business.'

Martin Marietta's Norman R. Augustine

BY THOMAS N. GILMORE, VICE PRESIDENT
THE WHARTON CENTER FOR APPLIED RESEARCH

Developing Leaders In Turbulent Times

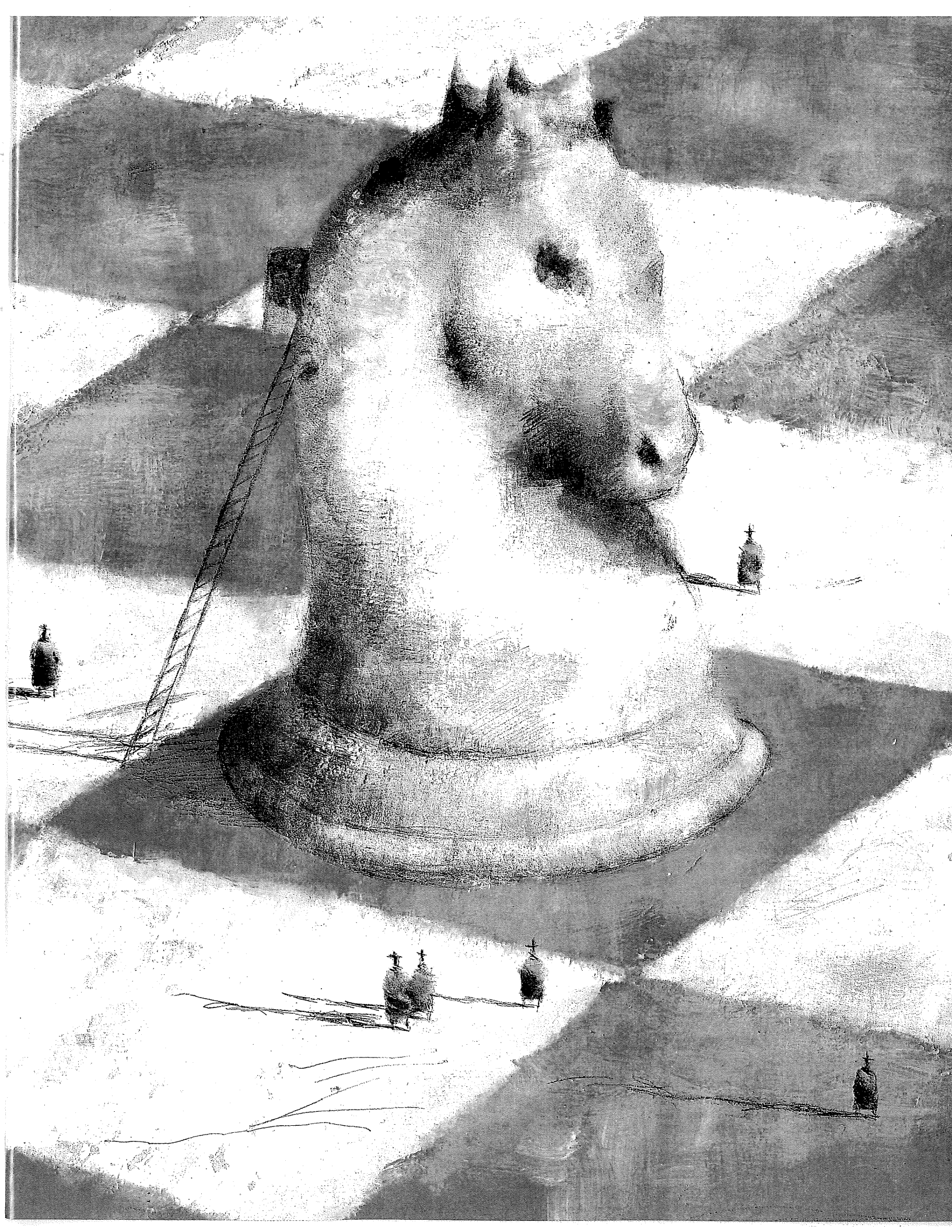
Do the tough really get going when the going gets tough, or do they just pick up and leave? Executive transfer is placing new strains on CEOs.

In World War II, the British realized that the total mobilization of their society to battle Hitler required more leaders than the so-called "old boy" network of the right schools and class could provide. This challenge gave rise to the War Officer Selection Boards that devised methods of appraising individual potential for leadership and rating existing leaders on their goal orientation.

Wilfred Bion, a decorated tank commander from the First World War and a psychoanalyst, devised an approach of creating groups of potential officers and observing how they coped with the ambiguities of group situation. Bion wrote about this personnel observation process: "The selecting officers...could observe a man's capacity for maintaining personal relationships in a situation of strain that tempted him to disregard the interest of his fellows for his own." This is similar to the situation in combat where people have to cope with their desires to stand out, their fear of failing, and their need to stay related in facing the enemy.

We face these same challenges today, both at the level of chief executive and his or her team, and at a societal level in three critical areas. First is the critical issue of responding to threats to our preeminence as a global competitor. Second is the problem of developing the diversity of our leadership to match the heterogeneity of the workforce. Finally, there is the matter of balancing the need both for individual leadership and for empowered teams that can collaborate effectively. These are the important concerns that must be dealt with as leadership evolves to meet the difficult challenge of turbulent times.

Directed by Edward H. Bowman, the Reginald H. Jones Center of the Wharton School focuses on "CEO concerns," drawing on diverse faculty of the University of Pennsylvania to study leadership and strategic issues.



TEAMWORK IN TRANSITION

In much of my work with top teams, I have seen the interplay between individuals advancing their own interests and careers versus the larger good of the enterprise. CEOs face a double challenge: nurturing individual leadership and managing team dynamics. We face two paradoxes. We need leadership most when turbulent, fast- changing conditions often make its exercise most difficult. A second paradox is that we know that under conditions of high stress and uncertainty, small, stable face-to-face groups are more resilient than individuals. They have both a greater ability to make sense of what is going on (drawing on the different perspectives) and the capability to support and backup one another when the situation changes. Yet careerism, mergers and acquisitions, and the decline in corporate loyalty are all creating higher turnover in top teams and more fragile relationships among team members.

Senior leadership changes are moments of both opportunity and vulnerability for leaders and teams. They are natural entry points for new ideas from the incoming executive and from current staff who are provided a fresh chance to sell favorite ideas that the predecessor might not have supported. Yet, transitions are dangerous because of the fragility of the team's relationships. Historians who studied the Kennedy administration think that the Bay of Pigs fiasco was caused in part by people not knowing each other well. Candor was difficult. Some have suggested that the NASA Challenger disaster was caused partially by the transitions of two key executives who had scheduled a meeting on the ill-fated O-rings that never got rescheduled by their successors. Communication suffers, and the effects can be seen in highly critical settings, including the air traffic controller's more than fast-paced tower.

I was with a divisional president and his top team on the day after the corporate parent announced the president's transfer to another business and his replacement by someone from inside the company but outside of this top group. People felt vulnerable. They had committed emotionally to this leader during his year-and-a-half tenure. Under his leadership, they had clarified the mission, launched a major quality initiative, and reorganized some operating units, all within an overall cultural revitalization initiative. Now, the senior managers felt they had travelled halfway up the hill, only to see the leader lifted out of their midst for some other mission that was unrelated to their struggle.

Describing the situation, one individual used a metaphor of juggling—lots of balls were in the air, and many were at risk of falling in the transition. This was happening either deliberately because of different choices by the new leader or simply as a casualty of the transition itself. Each ball (initiative) represented considerable effort in defining the issue, getting it sanctioned by the appropriate people, and mobilizing followers to work on it. Would all this work have to be repeated? A second image given by a member of the team was of a crustacean molting—"We have a soft shell. New processes, ideas, and projects have not yet had time to jell. We're vulnerable at this moment."

LEADERSHIP IN WHITE WATER

Leadership is centrally about managing uncertainty and creating conditions of safety (vision, resources, protection, and regulation of conflict) for others to do effective work. Yet the turnover of leaders and members of their top teams is also accelerating, creating increased uncertainty rather than dampening it. If we are to take revitalization seriously, we must acknowledge that it will take years of sustained focus. Therefore, if this rate of change continues at high levels, what can CEOs do to effectively manage the arrival and departure of key executives on their top teams? How can they deal with these and their own transitions in such a way that long-term strategic thrusts are sustained and accomplished across time?

It is striking how mismatched the frequently used sports metaphor of "team building" is from the reality of corporate life. In sports, there is a pre-season with intensive practice, followed by a season during which one plays with a relatively stable set of players. That is much less true in the corporate world (and increasingly less so in the sports world itself): There is no pre-season, little practice, and the players often change. Jack Welch of GE, in talking about his revitalization effort called Workout, has used the image of trying to change the tire on a moving vehicle. A CEO has to get performance from his organization while simultaneously attending to its maintenance and development both.

People collect statistics on the tenure of specific roles, such as human resource executives, CFOs, and general managers, when the more appropriate measure would be the "half-life" of a working alliance. How do people acknowledge the reality of much greater rates of change in top personnel, yet preserve effective teams of people who can sustain focus on the right issues, and can recompose themselves in ad hoc ways that are appropriate to the issues at hand? Military research has suggested that when new people are introduced to a cohesive team under stress, it can be more disruptive than helpful unless carefully managed.

We have entered a world characterized by Peter Vaill in *Managing As A Performing Art* as one of "permanent white water," and this requires a different executive mentality. We have inherited a model of the world in which there were relatively short periods of turbulence and then long stable calm periods. Today, we face business conditions that place a premium on adaptiveness. Cycle time—whether for new product innovation, manufacturing, distribution, or customer service—is being reduced. Slack, the equivalent of flat water, is an ever scarcer resource. People have fewer opportunities to rest on an achieved competitive advantage and collect their thoughts for the next push. Planning and implementation will inevitably be more simultaneous.

Increasingly, we are seeing evidence that performance across time is being critically affected by leadership and team instability: The well-publicized trouble with the Hubble telescope stemmed in part from 13 project managers in 12 years, and unclear responsibilities among the top team. A recent study of 57 major Pentagon

acquisition programs suggested that "program managers are often just mastering the complexities of their projects when they leave," with an average tenure of only 21 months. These examples suggest the pressure that new leaders face.

In the business world, and retailing in particular, the former president of Bonwit's reflected in the *New York Times Magazine* on the instability surrounding a company with so long and distinguished a history. He had launched a process of revitalization and refocus, only to experience lack of support from his superiors. Then he himself was attracted out of the organization, as he says "I was hesitant to leave the team and the company I was in the process of building . . . I cannot help but think of the confusion and stress that the people of Bonwit's have experienced . . . What America's troubled retailers need is owners with deep pockets, a strong commitment to being merchants and a sophisticated sense of where the companies should be headed." Similarly, another study found that "the revolving door in Burger King's corporate suite created much of that company's turmoil. Burger King had four chairman, six presidents, and six marketing directors from 1980 to 1988." This resulted in shifting ad campaigns, and overall business strategies. Management was no easy matter.

TURNING CHANGE INTO GROWTH

What are the implications for chief executives who aspire to develop leaders and effective teams when the rate of change is creating so much instability? They need to think about managing the entire cycle of selection: managing entry, deepening team working alliances, and actively managing transitions out (regardless of the reasons for the departure). If leaders are to capitalize on transitions as opportunities and prevent the risks that they pose, four critical factors are imperative:

CEOs need to see, from the moment of their own arrival, one of their central tasks as preparing the organization for future transitions at multiple levels. No single executive, including oneself, should be allowed to become indispensable. Others must be involved in ways that both develop a deeper "bench" and protect the organization against departures. In a sense, top leaders need to be both better futurists and better historians. They can then integrate new initiatives with a richer sense of how they can be authentically linked to core competencies that have deep roots in organizational culture. The emperor Hadrian, in Yourcenar's fictional version of his *Memoires,* writes, "Even in my innovations, I liked to feel that I was above a continuator." This illustrates the power he derived from being able to help people connect with change, link it to the healthy aspects of their past, and provide for growth.

CEOs must actively manage transitions among the top team. When a vacancy occurs or is created by a decision of the CEO, the search and selection should be guided by the connection of the role to the overall strategy, not just to a job description. Moreover, the replacement should be screened not just for the role, but also for how he or she will add value to the team. Team members can absorb a new member when the way that they add value to the common mission is clear. Involvement of team members in aspects of the executive search and selection might be appropriate. Furthermore, even though there are often awkward circumstances surrounding a vacancy (e.g., someone is asked to leave, or decides to leave for their personal career), the top executive must ensure that all the key initiatives get handed off effectively, and that major learning is not lost in the transition. People below the top team often feel like Sisyphus, fated to have their efforts on an initiative wasted when a new manager comes in and takes a different approach. If differences are appropriate, they must be explicitly worked through, rather than pushed aside as accidents of different styles.

CEOs need to be more attentive to the emotional aspects of people's commitment to the organization. This means realizing that team members who have arrived at different times may be at different stages in their commitment. For example, a top team member may be new, yet both his boss and subordinates have been there for years. It's no accident that linguistically "resigning" is close to "re-signing up." Often it is just that because in thinking about leaving that we review our commitments. Leaders must attend to the processes of top team members re-signing up, especially in the face of membership turnover.

CEOs have to invent new methods for speeding up the development of strong, working alliances among team members. For example, an intensive retreat can help several new members join a team, connect with individual members, and understand more deeply the firm's mission and strategy. Some organizations have instituted formal leadership-transition workshops that help a new executive get up to speed on substantive issues and the tone of the group, as well as help the subordinates learn about the relevant background of their new leader.

In the current climate of change and instability, we run the risk that many of our initiatives have much longer time horizons than the tenure of the key executives who are working on them. As people come and go, valuable time gets consumed simply developing working relationships, with too little left to deliver value for the organization before another person is on the move again. The rate of recomposition of key relationships can threaten institutional memory. John Paul Vann, a retired lieutenant colonel, diagnosed as critical to our experience in Vietnam that "the United States has not been there for ten years, but for one year ten times." The same things happen again and again, but no goal is attained.

In the end, if our institutions are to survive, there will need to be much more attention to the damage that can result from failed leadership during transitions. Martin S. Davis, chairman and CEO of Gulf & Western has remarked, "You can't be emotionally bound to any particular asset." But such an attitude is a maladaptive response to the pain that lies beneath the making and breaking of relationships in the course of leading any complex organization. Leaders must be attuned to the emotional connections of people to one another, formed in the course of highly successful teamwork. Management must be skilled at working through the issues that arise as people come and go, and create increasing turbulence in the workplace. Stability and productivity are not unrelated. ■

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