



A Company's Slow Death: "Leaders" Threatened by Performance

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Much has been written in recent years about corporate leadership – who America's most successful leaders are, the principles under which they operate, how to emulate and cultivate new leaders, and so forth. With the struggle to maintain and grow sales and profits, I raise a personal concern that, paradoxically, centers around those in top management positions who are threatened by stellar performers committed to the organization's success.

As a business owner who has worked with many companies attempting to accomplish a large variety of objectives, I have seen it and you have seen it. Undoubtedly everyone in American business has at some time looked at a given corporation's leadership team and wondered how a particular vice president or president has reached that lofty position lacking vision, conviction, interpersonal skills, and countless other essential leadership skills and behavioral traits. More often than not, this leadership dilemma is caused and perpetrated by a deep sense of insecurity and a resulting need to create an illusion of competency.

The tragedy in organizations plagued by this form of top management is that the careers and livelihoods of employees are directly dependent upon the competency of this management team. I regard this situation as criminal – literally – because in every sense of the word these senior managers are stealing precious time, talent, energy, and emotion from their organizations – resources that if properly cultivated would ensure individual and organizational success. These individuals are not leaders.

Companies rarely fail because they lack skill and talent in functional roles. But if management teams don't become leadership teams by working together; challenging themselves to improve; surrounding themselves with those who have the ability to out-perform them; and, inspiring others through the constant application of well-communicated values and philosophies, the company is prone to failure regardless of its size or prior successes. Corporate leaders are charged with serious personal responsibilities that include financial, social, and moral

obligations associated with their business enterprises. The job is not about them; it's about those they serve. And that group includes customers, suppliers, and most importantly, employees.

But what do we see so often in much of corporate America? All too often, corporations rely upon past successes, pent up momentum and sheer size to gain competitive advantage, rather than challenge themselves to promote high performers who "have it all." Frequently, the dominant criterion is technical expertise in accounting, engineering or some other discipline. However, an individual cannot have enough technical prowess to overcome leadership deficits. Consider further that after an individual is promoted based primarily upon technical skill, management is essentially shouting loud and clear that this is the recipe for getting ahead. You can guess where all of the training and development focus goes . . . absolutely to those tactical and technical skills.

Additionally, the technocrats who are placed in leadership positions see themselves as successful and will create a succession strategy that promulgates more managers like themselves. Can any organization ever truly excel in this kind of distorted scenario? Or, will it forever expend energy and intellectual capacity, only to fall short of the harmony and collaboration that defines "the best?"

An Unfulfilled Commitment to Change

Here is an example of a top management team at a manufacturing company that in the end, was threatened by performance: the team claimed the only way the company could regenerate its sagging stock value and become a world-class supplier was to change the way it identified priority initiatives and how it accomplished them. Historically, the company had a poor record of

implementing new initiatives on time and on budget. An external consultant provided the manufacturer with an assessment:

- ✚ The company spent far too little time ensuring that the right objectives were being pursued – some initiatives were funded without reasonable justification.
- ✚ The company's culture avoided upfront preliminary planning that is critical to defining the scope of activities against an objective and their associated costs, timeline, resource requirements, and risk assessment.
- ✚ Few measures were in place to assess performance and drive continuous improvement.

The consultant's conclusions: the company required better defined processes to validate the business justification for their many business

✚ *"An individual cannot have enough technical prowess to overcome leadership deficits."*

initiatives; there was a need to more properly and clearly define project scope and related components; and, planning and implementation needed to be undertaken in a more disciplined manner.

A separate exercise conducted by Integrated Project Management Company, Inc., Burr Ridge, Ill., targeted these very issues. Top members of the operations management team (including the vice president of operations) were guided through questions and evaluations allowing them to form their own conclusions about organizational inefficiencies, bottlenecks, cultural obstacles, and related improvement opportunities. Through this process, the vice president made it clear he wanted to reinvent the company and challenge old paradigms; establish responsive, efficient

systems with corresponding procedures and metrics; and most importantly, drive cultural change. The old culture thrived on a top-down, autocratic management style that frequently circumvented procedures and disregarded organizational protocol.

Furthermore, the company promoted based on technical competency and rigid individual compliance to "doing what they are told." To ensure that managers fit the profile, the company gave all potential hires a psychological test – further ensuring that 'cultural inbreeding' continued without challenge.

After identifying both hard and soft benefits through the exercise referenced, a strategy was developed that spanned a two-year period. During this time, the transition would occur, new processes and procedures would be employed, and a cultural transformation would begin. Metrics were developed and agreed to. Although everything appeared to be in place to ensure success in this new, streamlined work structure, middle managers expressed disagreement with the new direction and made it clear through their behavior that they would never buy in. Each new success and every effort to alter acknowledged cultural bottlenecks created greater animosity and lack of cooperation with this group. Cultural indifference became an almost insurmountable obstacle.

At the end of year one, all performance metrics were met or exceeded. However, rather than welcoming the success and focusing on further improvement, the primary leaders of change insisted that the metrics be modified to reflect the previous process. It was obvious that those who should have been the greatest sponsors of the new processes were threatened. The supplier who had worked diligently to help the company reach its objectives was viewed as the enemy, rather than an ally. Benefits being accrued to the business were treated as secondary, overshadowed by personal

agendas driven by a lack of confidence, or overlooked altogether.

In short, the vice president and his management team said all the right things about their commitment to change. But after more than two years, it became evident that while intellectually there was an understanding about the need for change, there was a lack of emotional fortitude and conviction to lead the organization through change. The personal and professional risks associated with challenging the old guard were too intimidating. There was a lack of vision at the highest levels; senior management could simply not embrace or drive change effectively.

I can recount other engagements during my 13 years as a business owner where I am convinced that personal insecurities overshadowed responsibility to the company. Those most resistant to facilitate needed changes were at the middle manager to director level. I believe that in most organizations -- even those that tend to be very technocratic

-- individuals at the vice president level and higher have a much greater sensitivity to profitability and other business metrics. Not to be underestimated is the influence of executive incentives attached to profitability. Staff at the lower levels will accept help from any source that can reduce frustration, and make the job easier and more enjoyable.

Fortunately, examples of leaders that live their vision can be found.

Leadership and Loyalty: Fred Smith, Chairman, President and CEO, Federal Express Corporation

In November 1998, Fed Ex was in the midst of seemingly intractable labor negotiations with the company's pilots. With Christmas – his company's most critical business/shipping holiday – fast

approaching, the situation was critical. Should Smith and his team grant the pilots their demands, and get on with what was looking like a record year for the company, or should they stick to their convictions that the terms offered to the pilots were already among the most attractive in the entire airline industry? The answer came not from the boardroom, but from the people of Fed Ex themselves.

Thousands of employees in the company's headquarters in Memphis staged a spontaneous rally in support of the company on the grounds of the headquarters complex. Drivers, package handlers, secretaries and other administrative workers congregated to make it known that they felt that Smith and his team had been fair and honest during the company's 26-year history, and that the pilots were being unfair in their demands. It was

Smith's "People-Service-Profits" philosophy, set to real life. Smith's leadership style, and his actions, inspired an entire company to rise up against what they thought were unfair bargaining practices by a powerful union, which eventually backed away from its demands. This is powerful testimony to how Smith inspired his company by his words – and, more importantly, his actions – consistently and clearly.

Technical Versus Leadership Skills

We also have companies who have defined themselves and leadership against the yardstick of technical competencies. Introduce its management team to an individual with the requisite technical skills – but beyond that, strong interpersonal and communications skills; a broad perspective; a high degree of self-confidence; an ability to dream the possibilities, describe them, and design a strategy to achieve them; a high energy level; clearly communicated and consistently applied values; a fair and objective approach to conflict resolution;

and, a passion for inspiring others to achieve new levels of performance. What becomes evident? The technically competent organization is intimidated – or threatened. The sad fact is, many organizations lacking holistic and confident leadership will pursue every possible alternative to remedy business problems, from technology to procedures to policy, rather than accept the "threat" of a true leader in their midst.

To be a world-class organization, a company's leadership team must first be ready to compete against those in similar roles in companies engaged in similar or identical businesses. The best technology, intellectual property, and systems cannot be effective without competent leadership; it is leadership that sets direction and creates synergy, but, most importantly, strong leaders convert skills and tasks into meaningful, personal contributions to the company. In its most perfect form, true leadership fuels a human potential that transforms the business grind into a lasting spiritual journey that engages the intellect, arouses the instinct, and inspires the heart.

Experts¹ contend that human accomplishment is 25 percent dependent on academic and technical training and 75 percent dictated by emotional and creative intelligence, and other learnable qualities. It simply makes sense that real leaders must be able to harness both intelligence and emotion in those around them. Think of the finest leader you know as proof: your description is likely to include that he or she is a "people person." Beyond any book learning, corporate or entrepreneurial history, real leaders have a feel for people. They are confident in themselves; trust their instincts and are trusting of others. They are also street-smart, having climbed the ladder through hard work and hard-won experience; this is evident both in how

they conduct themselves and how they manage. These are the qualities (see sidebar, Characteristics of Powerful Leaders) – often underestimated – that make for superb leaders we all admire.

Living The Credo: Jim Burke, President and CEO, Johnson & Johnson

Perhaps nowhere in corporate history was a company's value system put more to the test than in 1982, when a horrifying rash of deaths occurred due to tainted Tylenol capsules. Jim Burke, the president and CEO of Johnson & Johnson, was put in the surreal situation of trying to explain what had happened, and what consequences would emerge from this catastrophe. In a series of actions that should be modeled by executives and public relations counselors alike for years to come, Burke did seemingly the unspeakable: he told the truth, completely and sincerely. He ordered Tylenol pulled from the shelves until a complete investigation was completed, costing the company untold millions. He oversaw the company's re-invention of the way over-the-counter pharmaceuticals are packaged.

The Tylenol tragedy put J&J's famed "Credo" to the ultimate test. As Chairman Ralph Larsen explained, "The Credo is a code of ethics that provides a blueprint of how the company should be run. It underpins everything we do, and if you don't think it is important, or you don't believe in its value, you will not last at Johnson & Johnson."

Seemingly, the organizations that most need strong leadership are most prone to reject it and those who have it embrace it more – the strong get stronger. One could reason that this is truly survival of the fittest, and let hardship visit those blinded by their own shortsightedness and insecurity. I argue that the latter is neither a legitimate answer nor healthy for the

American economy. It is a fact that there are many more followers – good, hardworking, productive, and loyal employees who deserve the opportunities created and fostered through powerful leadership – than there are outstanding leaders.

It is incumbent upon those of us most responsible for establishing direction for our organizations to audit our management teams and assess the capacity of these people to become true leadership teams. What criteria are being used to determine who will transition from line to management roles? Does your organization place as much emphasis on inspiring as inventing? Realize that in the overall scheme of things, technology and academic intelligence are important commodities, but commodities nonetheless.

The ability to strategize, direct, and create organizational harmony and excitement is the real premium to be sought after and savored. 🚀

Characteristics of Powerful Leaders

- ▶ Communicate personal values and philosophies and live by them
- ▶ Authentic and apolitical
- ▶ Strive to gain loyalty and trust
- ▶ Consider leadership a serious responsibility because of the impact on other human beings
- ▶ Unselfish, giving, and caring
- ▶ Welcome and create challenges
- ▶ Extremely confident
- ▶ Driven to continuously improve and inspire other to do the same
- ▶ Results-oriented
- ▶ Compassionate yet demanding
- ▶ Visionary
- ▶ Maintain a balanced long- and short-term perspective
- ▶ Intelligent and emotional
- ▶ Instinctive, insightful, and perceptive
- ▶ Respect and appreciate others
- ▶ Understand seriousness of responsibility to others
- ▶ Create motivating, fun environments

Leadership is a critical component of the project management services offered by Integrated Project Management Company, Inc. (IPM), Burr Ridge, Ill., founded by **C. Richard Panico** in 1988. IPM re-defines the value of project management for Fortune 500 companies worldwide in the industrial, consumer products, healthcare, and information and communications industries. IPM plans and leads execution on client objectives, helping companies meet them faster and more effectively. Unlike business consultants and engineering-oriented service firms, IPM's practice of project management as its core competency has resulted in advanced protocols that raise the bar in the profession.

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¹ "21st Century Leadership & Excelling Under Pressure," Introductory Program, Robert K. Cooper, Ph.D., Advanced Excellence Systems.

² Exercise implemented by Integrated Project Management Company, Inc.