

November 7, 2007

A Leadership Tragedy *in 3 Acts*

*A story of success and failure in executive leadership
and business transformation*

Case Study

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Prologue

Several years ago a failing mid-sized company was sold to one that was very much larger. A top manager at the larger company knew just the right person, Donald, to run the smaller one and called him. He told him about the company and its many problems. Then he used a brilliant closing line: “You’ve always wanted to run your own show, here’s your chance – and if you screw it up you won’t kill too many people.”

Donald was very impressed with this compelling logic, took the job and moved his family across the country.

Then, as they were still unpacking, the larger company called all the presidents of its subsidiaries to a mandatory meeting in France over Christmas. There they were told that the larger company had over extended itself doing acquisitions and that it was now entertaining offers from its subsidiaries to buy their independence.

Donald was one of those people whose potential was obvious early on – he had 27 job offers when he graduated college. He took the one with GE where he began a brilliant career as an engineer and manager.

A former college athlete, his six foot four height commanded attention in any meeting. At GE he was noticed for his drive, portfolio of patents, willingness to champion new business lines, and for his stellar business results.

Donald was just getting used to the idea of being president of a subsidiary inside of another large and safe conglomerate. Now he began to contemplate doing something completely extraordinary.

Donald’s company made industrial keyboards but didn’t do it very well. Over half the orders shipped late and a third came back for rework. Most parts shipped at negative margins by anyone’s accounting and the company was losing millions a year. The company was like the Titanic just as the stern was beginning to lift into the air.

Could Donald find investors, build an effective management team, change the culture and behaviors of the workforce and turn around the financials of this shipwreck before it slid beneath the waves? Could he be the type of leader he wanted to be? A vision began to form in Donald’s mind and he couldn’t sleep on the long flight home.

Summary: Donald exhibits boldness and a personal desire for leadership and growth that launches his career into new territory.

Act One

Finding the investors had been tough. Not because of the travel, financial and personal scrutiny, and the constant retelling of the story, but because the very creation of the story had been so draining. The company had a long but undistinguished track record, no incredible technology to leverage, and it competed in a highly fragmented industry with a low barrier to entry.

Creating a story compelling enough to excite even a small group of investors had been difficult but Donald had managed on strength of personality, the GE myth and the promise of efficiencies from yet to be developed factory automation.

The investors were a small venture firm that focused on “turning” manufacturing firms in that region of the country. While essential to obtaining independence and for financing the turnaround, Donald had no idea to what extent his new partners

would control the operations and plans of his company.

Even as he lined up financing Donald had set to work creating the team he needed. He remembered key people he had worked with at GE in product management and sales that might be lured by the challenge and potential rewards, but there would still critical gaps to be filled.

It wasn't that there weren't people doing those jobs, it was just that Donald knew in his gut that things weren't working and something major had to rapidly change. One spot that was rock solid was the VP of HR. A tall and striking woman from Montana, she had been there for years and could eagerly play the devil's advocate role for Donald.

Others didn't pass Donald's quick and deadly appraisals – some left immediately with Donald insuring that they landed on their feet – others moved to roles that would eventually go away.

Donald slowly filled the empty slots on his executive team, picking each person carefully, and basing his decisions on heart as much as head. His priorities were team chemistry first, fearlessness, leadership ability and then particular skills. In fact he was building his new team even as he was formulating the direction of the companies new strategy.

Donald had a thorough accounting review conducted of the cost for each part number using contribution margin analysis. This allowed for a clearer picture without cost or overhead allocations. Customers who had part numbers with below a 30% contribution margins were contacted and offered one of two options: Either their pricing would go up to provide the needed margin or they could have last time builds. The industry was

such a cutthroat one, that almost 80% of the part numbers fell into this situation.

A surprisingly large number of the customers agreed to the price increases when they were told about the new direction of the company. This rationalization of the customer base took less than two months from start to finish. During the same timeframe, Donald made the personnel cuts needed to bring costs in-line with revenues. Again, even for the lowest hourly employee, Donald did his best to insure that they were treated fairly.

Next, he brought together the survivors and told them a new company story. In the new story, the company would compete with automation, quality and execution. It would leverage technology to the maximum while providing all of the responsibility and education employees wanted. And very importantly, failing to honor any commitment would be devastating to one's reputation.

Donald needed a metaphor for the new company, one to which everyone could relate. He found one at the movies. The HR VP arranged to reserve an entire theater and have it show a special presentation of "Cool Runnings" for the employees and their families. The huge bobsledding mural that Donald commissioned for the break room further underscored the employee's reliance on each other. The bobsled even had the company's name on it and Donald talked about bobsleds at every one of the new, monthly, open book, company meetings.

Summary: Donald creates and communicates a powerful new vision throughout the stakeholders of the company.

Act Two

The bleeding had been stopped and in that first moment of peace the next step suddenly became obvious. During the margin analysis it had become apparent just how major a part of a keyboard's cost was due to the hand assembly of the parts that make the electrical contacts and provide the tactile sensation of the button being pushed. Since this was the area with the biggest automation ROI it was where Donald focused the full engineering resources of the company.

That development process took almost two years. In the first generation the parts were made individually and then placed by robots. In the second, the parts were made in place simultaneously, inspected automatically, and the final assembly cut out by laser. Several minutes of tedious labor had been reduced to six seconds of automated efficiency.

Donald had been a key hands-on engineering contributor to the development of these new machines, often working 18 hour days with an occasional "all-nighter" thrown in from time to time. Donald felt this type of effort was required to take advantage of developing market opportunities and to continue to save the company. He led by example and pulled the projects to completion through sheer force of will.

Other projects proceeded in parallel: ISO 9001 certification, upgrading and networking computers, developing a paperless manufacturing system and making key hires in design and sales.

As the new product line moved from the drawing board profits soared and, over time, a sense of a normal pace returned. Even Donald and his managers were known to leave early to catch a child's basketball game or meet a spouse for an afternoon together. Company meetings

were filled with positive energy and gentle kidding. Life at work was good but Donald grew restless.

Summary: Donald solves numerous tactical problems and establishes a balanced approach to work but not to his life.

Act Three

Donald felt that the opportunities for the new product were too great to not pursue them as aggressively as possible. The bottom line was that the lower margin portion of the business could be sold to provide the cash needed to fund the growth of the new product line. Announcing his intentions to the entire company, Donald encouraged any who wanted to be part of the new product line to take (without cost) the training required to operate the high tech production equipment. Some did, but many did not, either from fear of change or the disbelief that a now profitable product line could disappear.

After several months of fits and starts with various suitors an unexpected thing happened. The investors and board sold, with Donald's severe reservations, not just the lower margin product line but the entire company to its largest competitor. (Once they had seen the "new" stuff on the other side of the aisle, they wanted the whole thing.) Donald's management team began updating resumes in preparation for the "costs savings" that would follow.

Then a second unexpected thing happened: Donald was immediately promoted to head the division that had just bought his company. Suddenly he had almost ten times as many people reporting up to him and he was required to relocate to the east coast headquarters.

Wanting his trusted management team around him, he pressured others to relocate as well. Few did as the quality of life and the performance of the schools

near the headquarters was much lower than that of the original company. Two that did move immediately left the company.

Already burning through his honeymoon period Donald increased the pressure to relocate with an “or else”. At that point the team suffered severe losses as the VP’s of finance and HR left.

Donald was also rapidly discovering that his new division was actually in worse shape in terms of quality, OTD and margins than the company he had first tried to save. But now his core team was depleted and the clock was ticking faster and faster. Ironically it was often Donald winding that clock as he tried to repeat the improvement rates achieved in the past and prove himself to his new boss.

With depleted senior resources Donald personally jumped into numerous problem areas while also re-learning the near constant reporting on 32 “key” and often conflicting performance measures and the review meeting rhythm of a large and not particularly trusting company.

Some of his remaining team began weekly commuting to the headquarters – 80 and 100 hour workweeks became the norm.

New and untested members were hastily added to Donald’s inner circle – some fit in, some didn’t – but team performance continued to decline as fatigue became a factor.

Demand forecast required additional manufacturing capacity which was added close to customers in international locations – each facility was a major and resource draining project.

The plan also called for new value added products that required new technologies, new engineering, and new processes –

again from already stretched and limited resources.

Development and organizational due dates began to slip and with them their forecasted revenues. Without the revenue, there was no margin with which to hire more of the right kind of resources. Without resources, more and more due dates slipped – everyone could feel that they were running out of time.

Under the cruel light of monthly performance revenues the pressure became even more intense. So intense that relationships began to fail. Not just those between the new and old guards (and these did fail in ugly and often backstabbing ways), but even those fostered over many years.

For two months a sense of the inevitable filled the plants and offices. And then one day everything just came apart and without saying anything, Donald quietly left. Much of his team left or was forced out shortly thereafter.

Summary: Donald and his team lose all balance (and the company) while trying to solve far too many problems simultaneously.

Conclusion

Donald was one of those rare leaders with whom everyone hopes they will work at some point in their career. He provided the rare combination of opportunity and the authority to make a real difference in a business and an industry. Yet Donald failed to get his team to their goals.

In a proper tragedy the protagonist has a fatal flaw that leads to his demise. In a slight twist of the standard tragedy plotline it was Donald's intense strength of focus that ultimately became a profound and devastating weakness.

In other words, without a balanced approach to both personal and organizational wellness, coupled with a sound leadership approach, Donald and his team could enjoy short term results but not long term success.

We've all seen leaders fail because of various reasons – some obvious, some not. Sometimes these failures occur surprisingly late in careers.

These failures are sometimes due to circumstances but more often to a weakness in at least one key leadership skill. While many leadership abilities are useful, we've noted that being an exceptional leader, *over the long term*, requires the following complete toolset:

- The ability to obtain and maintain personal and organizational wellness and balance
- The ability to lead with deep integrity
- The ability to create and communicate a compelling vision
- The ability to gain buy-in and to effectively solve tactical problems encountered along the way

And as we've seen here, ignoring the development or the use of any one of these vital skills can lead to a personal and organizational tragedy.

Afterword

In case you're wondering, Donald's company was sold, re-sold and sold again over the next six years. Three of the plants were closed.

Donald is now a successful consultant to small businesses and a prison minister. He saw all of his youngest son's basketball games.

His executive team moved on to other large companies or changed careers.

One even became a speaker and business trainer.

The Claymore Group, through its Thinking Like a Leader seminars and programs, helps create and encourage the skills needed for long term leadership performance.

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