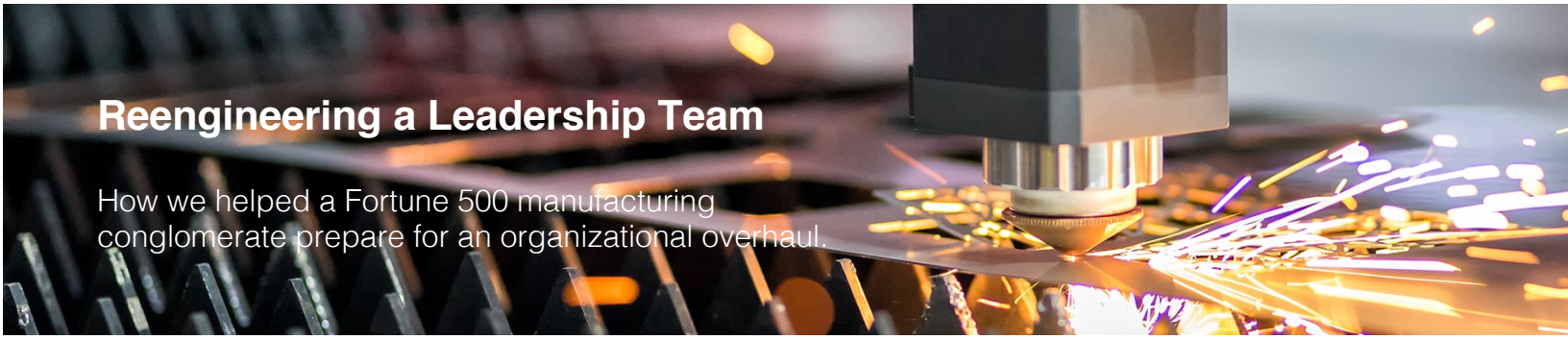

Reengineering a Leadership Team

How we helped a Fortune 500 manufacturing conglomerate prepare for an organizational overhaul.

Opportunity

A New (Supply) Chain of Command

How does one company end up with 52 P&Ls? When the CHRO of a Fortune 500 corporation reached out to EDC about an assessment project, that was our first question. This multi-billion dollar manufacturing conglomerate had acquired a portfolio of companies across a number of different industries. Having done so very strategically, the subsidiaries were largely quite profitable. Nevertheless, there was still opportunity. After most acquisitions, the buyer will usually look for opportunities to streamline operations and rationalize costs. They may sell off less profitable assets, consolidate or renegotiate contracts to secure better pricing. This company had done little of that.

The result – one organization with 52 subsidiaries and little central planning. Each of these subsidiaries was led by a General Manager, most of whom had spent their entire career working for the company. And because they were all responsible for their own P&Ls, they had a lot of autonomy and limited oversight.

It is worth noting, this flat organizational structure can work and does work for many companies. However, its success is dependent on the quality of the leaders in place. In the case of this company, the "promote from within" strategy had been the primary path to those top jobs. This is commonplace, especially in the manufacturing space. It builds loyalty among junior employees and gives them a goal to work toward. It can work, but only if there is a strong leadership development program in place. In this case, there was not one.

That was the company's problem. Instead of recognizing the bigger picture operating environment of the parent company, most of these General Managers were only thinking about their own bottom lines.

The company had tried putting measures in place to address this. The 52 GMs reported to 8 EVPs, who had the responsibility of driving collaborative thinking for the organization. However, because the GM's were left to run the businesses as they saw fit as long as they were profitable, synergies were missed.

It was time for reorganization, and the senior-most leaders of the organization knew it. Instead of 52 General Managers overseeing 52 P&Ls, they would give the 8 Executive Vice Presidents budgetary authority over 8 consolidated P&Ls. The role of General Manager would cease to exist, and in its place, there would be a new cadre of Vice Presidents.

It was a major undertaking, but a necessary one. Before they could begin, they had to determine which of the 60 leaders – the GMs and the current EVPs – had the attitude and aptitude for working within the new structure. Enter EDC.

Approach

Searching for Weak Links

What are we assessing? How will we assess it? These are the two questions EDC asks and answers at the beginning of every project. In this case, we were assessing leaders, so we turned to 7 core constructs – Leadership, Management, Judgement, Communication, Stress Management, Motivation, and Interpersonal Style. The company had plenty of managers. What they needed were leaders who could work together toward a common goal.

Now, on to the question of how we would assess. From the outside, the assessment process can seem mysterious, but it is really quite simple. While every project is unique, almost all will use one of two assessment approaches – an individual assessor method or a multi-rater, multi-method approach.

Individual Assessor

With the individual assessor approach, the assessor does a deep dive interview with the assessee. These can go on for hours, with the conversation revolving around three core questions. What was the situation? How did you respond to it? What happened as a result? The assessor then compiles these answers into a post-interview report.

The effectiveness of this approach is completely dependent on the accuracy of the information shared, and any number of circumstances can compromise it. The interviewee could be having an off day. The assessor might misunderstand an answer. Of course, experienced assessors know how to see the forest for the trees, but even the best will admit they are susceptible to human error from time to time.

Multi-Rater Multi-Method

In the multi-rater, multi-method approach, assessee interviews are still an important part of the process, but they are not the only input. The assessee must also fill out a series of in-depth assessment surveys. Additionally, the assessment team conducts a 360-evaluation of the employee, asking their direct reports, peers and their supervisor for feedback. The assessment team then looks at these three streams of input – individual interview, assessment surveys, and stakeholder interviews – and identifies areas of overlap. These themes become the basis for the final report.

Both approaches are viable, but at EDC, we almost always recommend the multi-rater, multi-method approach. The results are more accurate. Moreover, if the project is large like this one was, we can scale without fear of differing results between assessors.

With an assessment plan in place, our team got to work.

Outcome

The End Product

600 interviews. 60 assessment reports. One big announcement about restructuring. Of the original 52 General Managers, only 12 remained. Some were let go. Others chose to leave. The 12 who continued on had high marks across all 7 constructs. They were leaders who also knew how to be part of an integrated team, and they had the willingness and capacity to adapt to their new role.

As for the 8 EVPs, they all stayed on. But with the new responsibility of managing a fully integrated platform, the pressure was really on to perform. And perform they did. Though our engagement only lasted 90 days, the CEO and CHRO still credit EDC with making a lasting impact on the organization nearly a decade later.

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