Merged Division of Multinational Manufacturer
"Mobilizing a Merged Organization to High Performance"

Situation

The president of a division of a leading $4B manufacturer and distributor had been in his position for over a year. The division had been expanded a year before he arrived through an acquisition. His executive team had undertaken a significant amount of merger integration activity, numerous strategic initiatives, and had put significant effort toward addressing what they perceived as low morale and sub-optimal performance between the legacy division and newly acquired company.

The division was making its numbers. Operating results improved from $530M in sales to over $800M a year later. Nevertheless, the president felt strongly that the full benefits of the merger were not being realized. He felt frustrated in his ambitions for the business and thought it was critical to go beyond current performance objectives.

In the first conversation, the president realized the best he could hope for, given the current trajectory, was compliance to the existing strategies. This was a far cry from the level of commitment and ownership he believed was needed. He also acknowledged that the morale issues could not be attacked directly. These issues would need to be addressed by mobilizing the organization around a compelling strategic challenge.

Outcomes

Three to four months later, after focused effort using principles of complex systems, these are the outcomes. The Division President was asked what was now possible in the division. Here is what he said:

> "It significantly **increases the probability of future success**, of achieving flagship status within [the company] and achieving the breakthrough operating income targets. It establishes a much stronger basis for accountability since these breakthrough targets were co-created versus imposed by senior management. We have leaders who are now initiating versus resisting cost take-out efforts. We have a critical mass of leaders who are aligned around how we are going to win…and enthusiastic about mobilizing others in the division. Relationships are healthy, conflicts and differences are being surfaced openly and constructively…not as unhealthy hallway conversations…and we are all learning new leadership skills."

When asked to assess the division's progress in this time frame, the president and other senior executives said the following:

- "Strong commitment and ownership for the flagship **vision**. Much more compelling than past visions. The top 75 own and can articulate the vision."

- "The top 75 are aligned regarding the **revenue and operating income gaps**. The top 75 created the breakthrough operating income challenge; they imposed it on themselves."

- "Top 75 are aligned regarding **strategic opportunities for organic growth** and the key strategies for the next 2-3 years."

- "There has been 'unbelievable' improvement in the **working relationships** between the two merged businesses. The conversations about cultural differences have been put to rest. Damaged relationships among top levels of management have been repaired. And, with the exception of the first day of the process, we didn't even focus on relationships and morale. It improved as we tackled a tough business agenda. Was a consequence of the engagement process."

- "A **stronger basis/foundation for accountability** has been established: the Top 75 own our strategies and gap targets. They co-created them with us. They are demonstrating **stronger ownership for overall success of the division**."

- "Hierarchy is not a deterrent to **straight talk**; the Top 75 are demonstrating the ability to be straight with senior executives and the SLT (Senior Leadership Team). They are talking candidly about the business and business issues. Clear evidence of **improvement in dealing with conflict and straight talk**."

- "The top 75 are enthusiastic and positive about being **authentically engaged** in co-creating vision and strategy for the division. It represents a marked difference from the past."

- "A 'complete' shift is evident in the SLT's attitude regarding engagement. They have taken ownership for the process and the development of **new leadership skills** is evident in a number of areas. And we developed new skills as we worked on the challenges of our business…not in a classroom."

Second Quarter Results

Second quarter results also improved significantly. Sales were $277M, representing a 6% increase; first half sales were $382M, a 7% increase compared to the same periods that year. Second quarter earnings (before tax) increased 21% to $42; first half earnings increased 48% to $33M.

In the second quarter the division delivered 50% of the corporation's earnings (before tax) on 24% of the corporation's sales. Although this increase cannot be all attributed to the work with the leadership team, corporate executives of the parent company publicly attributed the improvement in part to "improved efficiency of a more integrated business organization developed from the former two units of [the company] division".

How These Outcomes Were Achieved

Creating early ownership on the part of the president and senior executives was an essential ingredient to the success that followed. Until the division president was able and willing to own the challenge and take it himself to his executive team, the consultants were not willing to proceed.

Once the president had discussed the approach with his senior executives, the next step was to engage the senior leadership team (SLT) and representatives of the mid-level of the organization. Interviews revealed a number of critical issues including: *(Note: key concepts are added in italics)*

- There was insufficient mutual respect and partnership to achieve the full benefits of the acquisition. Each "entity" was accentuating its own successes and rationalizing its weaknesses, while rationalizing the others' successes and accentuating their weaknesses.

- A compelling and unifying vision was missing, and with it the means to focus employees on the future rather than the past. Employees did not see a clear direction or roadmap for the next 3-5 years.

  In order to solve the complex challenge facing the company, the organization needed to be moved out of complacent roles and perspectives toward a state of disequilbrium. A powerful vision, co-generated through conversation to reveal the passions and commitments that already exist in the organization, was needed to move the division forward.

  > *"The vision of the future (i.e., the attractor), like a magnetic or gravitational field, draws many small day-to-day contributions of collective intelligence into a constellation of concerted action."*
  > *(Surfing the Edge of Chaos, page 245)*

- The organization did not regard the SLT as a collective leadership force. Visibility as a team was limited, individual interactions pervaded.

  > *The role of leaders is to disturb, rather than direct, the system. However, the disturbance needs to be unified rather than random or fragmented. An undirected or unaligned set of disturbances does not disturb in a way that focuses the organization.*

A model emerged from the interviews, which was used to present the findings to the SLT and served as the basis for conversations on engaging the organization. Significant time was spent discussing the implications of leading from a context of engagement.

> *Leading through engagement and co-creation is based on the sense that there is collective wisdom in the organization that is largely untapped. The wisdom and responsibility to address a complex challenge are distributed throughout the company and can only be accessed by engaging a broader group in key strategic questions facing the organization.*

During the next SLT meeting, it became clear that an adaptive challenge had not yet been recognized by the organization. There was no strategic context in which to engage the workforce. As a result, the senior team worked together to articulate the adaptive challenge: "to become the flagship of [the company]." This was especially energizing to the senior team since they were the smallest and only division different from the others in the company. To become the flagship, we recognized that a breakthrough performance target was required.

Journey Map Example
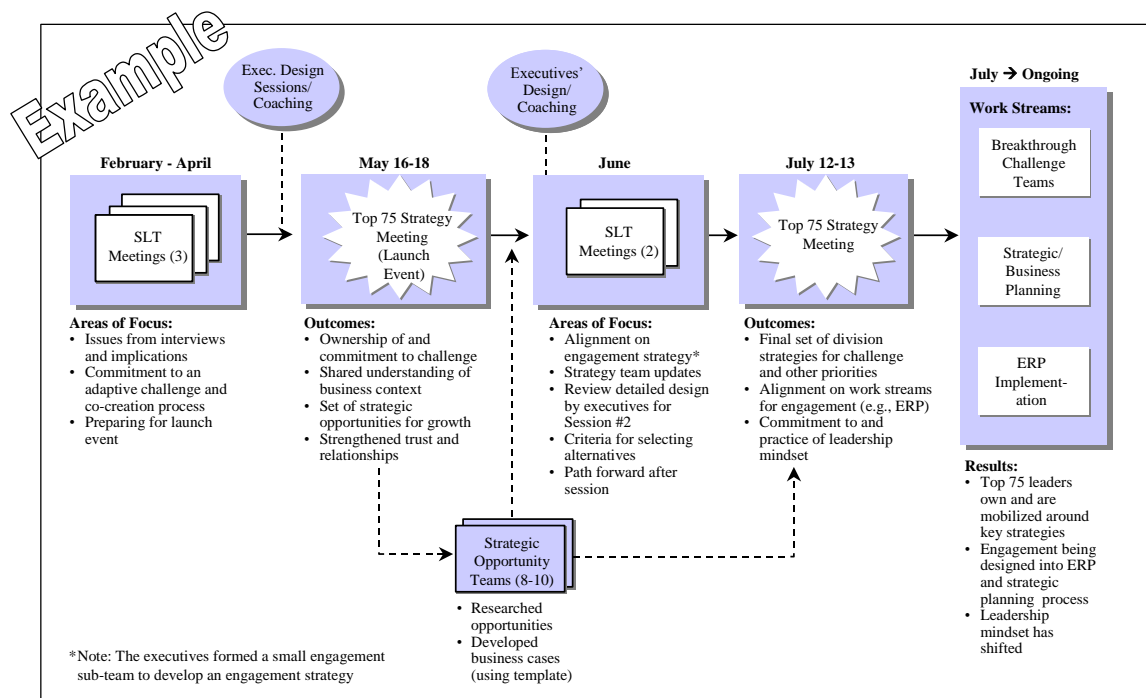
The SLT decided to engage the broader leadership team and established the overall goals and benefits of this process. They decided to conduct a Launch Meeting of the top75 leaders to engage them in creating the strategic plan for the business. As one of the first steps in engagement, the leaders needed to "test" the flagship vision with the broader group.

After the launch event, five strategic opportunity teams were formed to develop business cases for the opportunities identified during the launch. These business cases were reviewed in the second offsite meeting. The specific work streams where engagement would be applied were also specified (i.e. ERP and strategic planning). Special attention is being put on creating line of sight at all levels of the organization through the strategic planning process.

The executives facilitated both events. During the meetings, they took on roles that were unusual and uncomfortable to them. Their focus was on facilitating conversations rather than presenting points of view or facts. *If leaders are to be disturbers, they need to disturb their own way of leading.* This experience strengthened and unified the senior team. It also began the practice of absolute authenticity and integrity among the individuals on the executive team. The executives began to challenge themselves and each other as to "are we really going to do this?", and if so, "what do we have to do differently consistent with our commitment to engage others?"

Currently, we are defining the third and final phase to help implement the remaining work. In addition to supporting the breakthrough challenge and engagement work streams, a coaching guide with key "learning moments" will be developed during this phase. The SLT will also be involved in ongoing coaching and development activities.

Reflections and Observations

Both offsite sessions, with the larger group of leaders, were focused on gaining access to the distributed intelligence of the organization. A critical component in gaining this access is building a more intricate understanding of the business. When executives engage others in authentic dialogue based on relevant and timely information, this creates a set of conditions in the organization that releases the latent responsibility to work towards a common end result.

Confronting traditional beliefs about the role and authority of leaders, especially at the top, is one of the biggest challenges in this work. For some leaders, believing the larger organization had wisdom and answers that they did not have confronted their fundamental belief about leadership and why they were in their current positions. *The move to co-creation and engagement is sometimes difficult for executives, because it requires an unprecedented confidence in the system's ability to self-organize and be responsible for the results that need to be produced.* We helped raise their confidence and work through this shift in thinking by talking through scenarios and implications. This gave them time to become individually reconciled with the approach so they could align around the decision to move forward.

Consequently, during the large group sessions, many of the initial skeptics came to see that "this really works." Seeing the living system at work, delivering insights and results, gave rise to a new level of confidence. One executive remarked, " I am amazed at what this group got accomplished – we couldn't have done this." The executive team observed that solutions to complex problems do emerge, while simultaneously realizing that the path is not predictable.

Finally, as a consulting team, we needed to work very differently. The designs for both offsites were co-created with the executive team. We needed to constantly resist being the "experts". We continuously checked ourselves to see if our role in the project, and individually how we were "being", were consistent with the principles of emergence. Rather than simply "having the answer," our expertise was demonstrated by creating the conditions and vehicles for solutions to emerge. This was also demonstrated in the coaching we did with others to shift their roles as leaders and to help them engage in the critical conversations that brought the process of engagement into existence.

A number of factors were important in the success of this engagement:

- The process to engage the leadership in the organization was linked directly to the strategic planning process.

- Definition of an adaptive challenge was essential and provided the context for the work; discussions of boundaries were also critical throughout the process.

- Significant time was spent with the executive team to help them understand the implications of engagement for them as leaders and to gain true commitment and alignment.

- The executives were very involved in designing the launch event and were coached to facilitate the session in a "conversational" and facilitative style rather than a "stand-and-deliver" format. This involvement was critical to them establishing ownership and getting practice in leading in a different way.

- Transparency of business information was a critical factor to creating shared understanding of the business and context for the strategic discussions with the top 75 leaders.

- An internal consulting team was developed deliberately during the process. We consciously started shifting their role in the process to take more of a lead to ensure sustainability of the process.