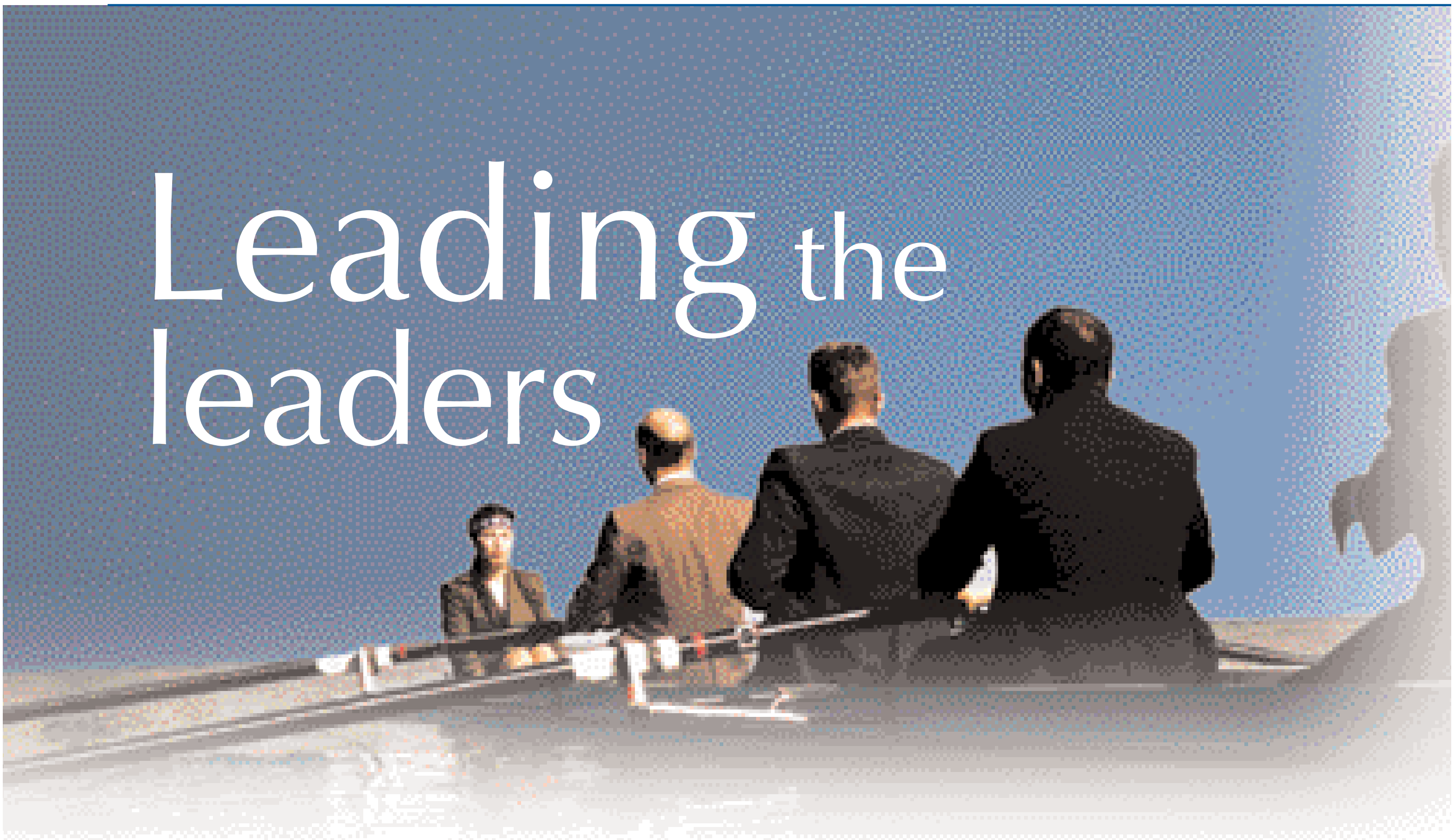
Leading the leaders



Non-constructive management still dominates in most workplaces, but as **Lynnette Hoffman** writes, it's never too late to start making changes

Lauren Johnson is a hard working, dedicated marketing professional trapped in the realm of Murphy's law in the workplace – in her two years at the fictional firm Harlow Kane, she encounters a whole range of obstructive management that wears away at her. She is bullied by aggressive managers and left to fend for herself with no tailored development. Her ideas are stolen, she is left isolated by a passive manager who doesn't support her when a more senior manager criticises her ideas, and she is demoralised by lacklustre performance appraisals.

Lauren is a character in the soon-to-be-released HR-themed novel *The Boss*, by Hewitt Associates senior consultant Andrew O'Keeffe. But if the portrait of the unlucky protagonist rings eerily familiar, it is likely because her experience is typical of most people in a corporate climate where bad managers still widely outnumber constructive ones.

O'Keeffe didn't need to invent the circumstances nor the countless examples of destructive management ripping away at the once-eager employees' motivation and morale. After 25 years as an HR manager, he has seen most of it himself first hand, or heard about it from colleagues.

Lauren's struggle to thrive under such negativity eventually takes her to a point where she needs to respond. It is a scenario with which most HR managers can identify, if only because it is one that is so frustratingly common. The idea was to "hold a mirror up to organisations" to show how managers "actually behave, not how they should behave", O'Keeffe says. "And the picture isn't pretty."

Depth of the problem

Aggressive management creates a passive culture, says Quentin Jones, Australian director of Human Synergistics, a consultancy that researches and measures behaviour of managers and leaders. "People don't feel like their effort makes a difference so they don't take any initiative. It kills creativity, self expression and initiative and it impacts negatively on individual outcomes, group outcomes and organisational outcomes."

Individuals have low employee satisfaction and low intention to stay, groups are less likely to talk and share ideas, instead forming silos and struggling with decision making, while organisations find themselves with unhappy clients, fast turnover and high attrition, he says. Employees working for passive managers tend to be the least satisfied of all, according to Jones, because they feel like they are going nowhere and are not being developed or growing.

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But most managers – two-thirds, according to Human Synergistics research – have an unrealistic view of their own management style and the way it impacts staff. The results of 360 degree feedback show that one-third of managers over-rate themselves, one-third underrate themselves, and another third get it about right.

The good news

There are several ways in which HR managers can improve the level of constructive management. Improving graduate and career planning tools, creating appraisal systems that omit ratings scales which devalue and demoralise employees by categorising most people as average, revising remuneration and incentives so the way managers develop their staff plays a role in how much money they will make and providing recognition programmes are some of the approaches O'Keeffe says have been effective in his own experience working for companies such as Sinclair Knight Merz and now Hewitt.

The case for developing constructive leadership and organisational climates is well documented across all industries and improves everything from attraction and retention to engagement. "Business performance is improved through the level of energy that staff have – if you work for a constructive boss that can generate enthusiasm, but if you're working for someone who is not constructive your energy is drained," O'Keeffe says.

Reasons to change

Churn rates can cost employers enormously, and one of the most effective ways to lower them is to develop a more positive, open organisational climate, says Alan McGilvray, director of Norvox, a company that specialises in creating performance cultures, leadership development and culture change.

Constructive management styles will be sustainable in the long term because they impact the intangibles such as work/life balance. Attraction, retention and attrition all correlate to the constructiveness of an organisation's management and culture as well.

Ultimately, constructive management makes its biggest impact on the bottom line. A case study of 12 stores of a large, international fast food chain by Human Synergistics found significant correlation between achievement and humanistic-encouraging cultures and reduced staff turnover. Not surprisingly, intent of staff to stay with the company increased in supportive work environments where the focus was on goal-setting and achievement. A year-long study on 44 men's clothing stores found that while culture does not affect sales volume, it strongly impacts sales growth. And another Human Synergistics study in the retail industry found that shrink rates – of unaccounted for goods, usually stolen and usually stolen by staff – declined significantly when managers developed constructive styles. One store's reduced shrink rate after a year of management development training translated to a $15 million rise in profitability without adding any additional security or technology.

Making constructive change happen

The key is that "any change has to come from the top," McGilvray says. But, he adds, that is easier said than done and although many organisations are saying it, few are doing it. Lion Nathan, MasterCard and Freedom Furniture are among the companies that have been lauded for their efforts by industry experts. "What companies need is an atmosphere of trust where mistakes can be made and people can be open; too many companies work on an atmosphere of blame."

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"If you've got a powerful, aggressive manager, people think they're strong, but they aren't," he says. "They can learn to behave in a different way, but they have to have a reason why they should change. They might think, 'well I've always been successful, so why should I change?' But the point is they won't continue to be, and they'll never know how much more successful they could have been if they had done things differently."

Too few managers actually spend time working on themselves – they often think they're above being mentored or coached or have no need to develop their leadership skills further. One way to foster that sort of change is to provide incentive by tying improvement and leadership development to remuneration and bonuses, McGilvray says. To do that, companies need to make leadership improvement part of performance appraisal criteria.

Building market share through organisational transformation

***Leigh Clapham**, senior vice president and general manager for MasterCard Australasia, talks with **Craig Donaldson** about how the company overcame the challenges of declining market share coupled with an ineffective culture by putting a strong focus on linking leadership and culture to performance*

Organisational transformation has resulted in a number of positive outcomes for MasterCard, both internally and from a business perspective. From a business perspective, the results were tangible. The company's new business success rates increased significantly with MasterCard increasing its share of credit card accounts from 29 per cent to 40 per cent in 36 months.

The key reason the organisational transformation was so successful was because the program was openly adopted by all levels of the organisation. At the beginning of the process, MasterCard clearly defined the problem, it was willing to engage the right help and adopt a comprehensive program that was regularly measured and reviewed throughout the process to ensure the outcomes were on-track and measurable. The action plan developed by the leadership team really provided the platform for the transformation. The implementation of the plan then became the focus for the entire organisation. HR played the quarterback role in the entire process. Total coordination of the program including refinements that we made at each stage of the process.

MasterCard developed a comprehensive approach to ensure the process was welcomed by all members of the organisation. Beginning with the leadership team, MasterCard held one-on-one meetings, follow up workshops as well as quarterly team meetings to ensure focus and momentum were maintained throughout the process. Once successfully adopted, the leadership team led by example and the implementation flowed throughout the organisation. It was important that our people understood the key objectives and standards of behaviour to ensure the process was a success. Overall the transformation was extremely well received, resulting in a more productive and happier workplace, as well as a more successful business.

There were many lessons learned in the process. One of the key lessons was that people can change, resulting in an improved workplace for learning and performance. It is important that MasterCard led by example and practised what it preached; if this didn't take place then the process would have been ineffective. Another key contributor to the success was that there was open and real communication, allowing people to share experiences and provide feedback on the process. Finally, to successfully create a high performing culture, you have to be willing to work hard, invest a lot of time and money and most importantly be patient. There is no quick fix solution.

Building long-term value at Freedom

***Craig Donaldson** talks with **Rod Walker**, managing director, Freedom Group, about his strategy to move the company from a short-term profit focus to build a long-term value culture that delivers sustainable results*

The key elements in organisational transformation were having a vision and belief, gaining the support of senior management, and then chipping away at the changes. The change at Freedom has not happened overnight it has been evolving over several years.

There have been many benefits for the company, including personal growth and leadership for individuals. Many managers have found the feedback and leadership programs have given them new insight and skills. Through the shared learning and experiences, there is a common language that is used throughout the organisation. The fact that we are measuring our culture and we are aware of the factors that contribute to our culture speaks volumes for how the organisation has changed.

I look inside the organisation and there are many examples of the culture, such as head office being called support centre, the directors appearing in annual performance skits which in recent times have ranged from the Village People, River Dancing, Iron men videos and superheroes – all designed to have the directors appear to be and actually be human, approachable and to have fun (one of our values).

A recent employer branding project identified leadership, teams, recognition, career development, employee discounts and learning and development as our employee value propositions. Our employer branding statement of real people making a real difference reflects what employees believe the Freedom brand stands for as a place to work.

In terms of hard results, five consecutive years of both top and bottom line growth speaks for itself. Additionally, the growth of the group includes an additional five new retail brands.

The process began with a clear message of where the organisation was heading. The organisation gave people the support and tools to change through leadership training and reinforcing behaviours. The process began with the senior team and cascaded down the organisation. As our culture changed we attracted people who fitted in with the culture and some people who didn't fit the culture were filtered out.

There were some challenges in the process, such as communicating and monitoring a consistent message when the organisation has locations spread across Australia and New Zealand. It is difficult to ensure all areas of the business have the same vision and values. As the company has grown and expanded it is also difficult for the senior team to maintain as much contact with the field and must rely on their direct reports to reinforce the message.

People can have good intentions to change; however, sometimes under pressure people can slip back to old behaviours. In retrospect there are always things one would do differently. Having said that, there are no major changes I would make in how we did things and in truth very few minor things either.