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# 1 YOUR BOTTOM-LINE GOALS

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A leader is a person who has the ability to get other people to do what they don't want to do, and like it.

President Harry S Truman

Leadership is the ability to decide what is to be done, and then to get others to want to do it.

President Dwight D. Eisenhower

In 1984, Arden C. Sims, president of Globe Metallurgical, confronted an often paralyzing problem: how to make a rust-belt, bureaucratic, high-cost, and low-quality company competitive in a marketplace where Japanese producers offered superior products and Brazilian and Argentinian producers offered cheaper ones.<sup>1</sup> Steel and aluminum customers were canceling orders and embarking on programs to reduce the number of their suppliers. The union resisted change and eventually called for a strike.

Through Sim's tenacious leadership, Globe used these difficulties to forge a lean low-cost, high-quality company. In 1988, Globe was the first small company to win the Baldrige Award for Quality and it also won the Shingo Prize for Manufacturing Excellence in 1989. Such awards have not slowed Globe's continuing pursuit of excellence.

Tough, but conventional cost-cutting proved inadequate in the mid-1980s. Backed into a corner, Sims began experimenting and, with the urging of Ford, GM, and other major customers, began in earnest to implement a quality, efficiency, and cost program. All plant employees had six hours of training in basic statistical process control including

control charts. It was not an option; either they accepted quality or there wasn't a place for them. Sims talked sternly to any supervisors whose control sheet was inadequate, but did not fire anyone. Workers also visited the plants of customers to gain an appreciation of how vital Globe's alloys were.

Rigid work rules held back real breakthroughs. The answer to Sims was to negotiate a different kind of contract, but it was not the U.S. Steelworkers Union answer. The parent company announced it wanted to sell Globe; the union thought that Sims would not risk a strike.

But Sims was convinced that the long-term success of Globe required a partnership with workers to reduce costs and jobs. In October 1988, the union went out on strike and Sims, 35 salaried workers, and 10 managers stepped into the plant to operate two of the five furnaces. Everyone was assigned a job—Sims, the president, was assigned to maintenance, the dirtiest job in the plant. They spent the next 60 hours in the plant and then moved to 12-hour shifts, 7 days a week.

Ironically, the year-long strike improved communication between those who managed and those who worked on the shop floor; they were all part of the same team. Each day of the strike, Sims filled a notebook with everyone's suggestions to improve operations. At dinner, they proposed how their jobs could be made simpler or even eliminated and made decisions on the spot. By the tenth month of the strike, Globe was making money and, more vitally, had discovered the power of teamwork to find more efficient ways of working and improving quality.

Their experience confirmed that it took everyone working together cooperatively—welders, crane operators, furnace operators, forklift drivers, stokers, furnace tappers, and tapper assistants. Soon they were organized into eight-person, cross-functional teams without any first-line supervisors. They discovered to their astonishment that they needed only 120 people to operate the plant, not the 350 workers that had been required before the strike.

The strike experience changed Paul Smith from cynical, disgruntled supervisor into the highly committed number-two furnace operator at Globe. He had blamed workers for their sloppiness and management for their cowardice in not backing him and other supervisors up. During the strike, he came to respect Sims and other managers, coming to believe that they were serious about quality and cost-reduction. He saw that Sims was "just a person, just like the rest of us. He's as common as the day is long. He doesn't lie and he doesn't expect to be lied to."

One unexpected outcome of the strike was that it broke the union. The experience made it impossible to go back to the old ways. The union remained inflexible and filed an unfair labor practices suit, which it eventually lost. Later the union agreed to return without conditions, but Sims had already hired 35 non-union workers and early in 1988 called back 30 ex-union workers.

Globe continued to build upon its new attitudes and practices. Sims led a leveraged buy-out to deepen the transformation. Without the security of a cash-rich parent and its restraints, he and others at Globe doubled their cost-consciousness and their commitment to building the organization.

A profit-sharing plan was introduced to make it clear that employees benefit from their efforts to improve plant efficiency. Information about budgets, salaries and wages, investments, and other expenses were shared with the workers. Sims held quarterly meetings with employees in groups of 10 to 20 to discuss all company matters and hear employee concerns. Management gave the employees a commitment to full employment at the plant. The employees initiate and form the budget so that they know what is expected if they are going to make a profit. With such teamwork, Globe averages nearly \$4 million a year in quality-related cost savings.

More confident of its abilities, Globe has gone global. Its focus on specialized metals requires it to keep the furnaces operating at full capacity. A strategic alliance with the British firm, Materials & Methods, helped it capture 20 percent of the Western European market. Success in Japan has been slower but Globe has 7 percent of the market. Sims is convinced that it will eventually be the supplier of first choice in Japan. Growth in the rest of Asia has been faster where it is replacing Japanese firms as supplier.

The need to survive by reducing costs and improving quality drove Sims' leadership and the transformation of Globe. He did not set out to forge a corporate culture or develop a team organization but he ended up doing so to save and build the company. He applied basic psychological ideas. Through statistical process control, employees became more focused on their objectives and identified problems that interfered with quality. Sims and the employees opened up lines of communication and developed mutually respectful, honest relationships. Together they reduced layers of management to help the company become more flexible and feel more powerful to effect change. The employees formed

teams to get the job done and to forge more effective ways of working. They adopted job security and profit-sharing policies to strengthen loyalty and teamwork. Through their ordeal, they had learned that to develop a real team behind quality and cost reduction they must confront problems and manage conflict.

Smith reflected, "I consider myself a fairly conservative manager. But over the last eight years, I've had to take some pretty big risks just to survive, and I've had to fight some pretty fierce battles. . . . I've found that one of the most important components of a successful transformation is to gain the respect of your workforce. I don't mean the workers have to like you, although that helps, but they have to understand that you will stand your ground when it comes to forcing through big changes. To initiate change, you have to be tenacious, and you need to show that you're not afraid of getting a little dirt under your fingernails."

## **THE IMPERATIVE FOR LEADERSHIP**

Globe and other companies need credible, skilled leadership to prosper. Sims used competitive threats to his company's survival to break out of old ways of thinking and acting. He realized that for his company to survive, people had to work together in new ways but he had to be a strong leader if the workers were to feel empowered. No. 2 furnace operator, Paul Smith, put it this way, "Arden [Sims]. . . turned things around where everyone feels that if it wasn't for him, and the changes he introduced, we wouldn't be where we are today."

## **Coping with Change**

Too many companies are not prepared to manage the turbulent changes and the intense feelings of today's work. Arden Sims observed, "I think a lot of senior managers have lost their resolve and their ability to face up to hard work. Change is never easy, and there are no special formulas, no quick fixes. You just have to roll up your sleeves and keep working at it without backing down."

Complaints about our organizations and despair over our leaders are loud and clear. Managers blame a complacent workforce; employees blame self-interested management. Through the 1980s, according to several polls, employees yearned for more openness and partnership with management but thought they got less honesty.<sup>2</sup>

Sixty percent to 75 percent of employees in many different kinds of organizations report that their immediate supervisor is the biggest source of stress in their jobs.<sup>3</sup> In the last ten years, 50 percent of all senior managers have failed.<sup>4</sup>

We have been caught off guard. We expected change to be beneficent and our work lives to be predictable. Feelings and relationships were for our lives outside work. Our literature portrays the tragedies and struggles of family and private life, seldom the rich drama of work. Stereotypes of the hard-charging businessperson and the reluctant employee dominate our images and thinking about organizational life.

Business is supposed to be rational and impersonal. The focus is on the end and what it takes to get the job done. Top management sets policies, managers make decisions and solve problems, and employees do their assigned tasks. People do their jobs to obtain the necessary money to have a life outside the business. These assumptions are too far removed from reality to work anymore.

Emotions and frustrations in today's work place are so great they cannot be denied. People feel burnout by the incessant crises and demands to get the job done. Some are too scared to speak out or even to have children for fear of jeopardizing their job. Many are less and less prepared to sacrifice and give their all to a company because their boss has asked them. Feeling pressured and anxious, they are searching for meaning and purpose in their work.

The disaffection of people poses great hazards because organizations need highly skilled, committed employees to deal with ongoing problems. To cut costs, organizations have reduced the layers of management that before supervised and cajoled employees. Today's employees must be able to operate complex technology, establish personal links with customers, and handle specialized information, often at a site away from colleagues and bosses. Without employees who have a conviction that their work is important and valued, organizations are vulnerable.

### **Need for New Ways of Working**

Leaders like Globe's Arden Sims have a vision—though not necessarily a plan—for the organization and of how employees should work together. It is that vision that captures people's hearts and minds. Leaders inform and inspire so that people are convinced that they can find more productive, enhancing ways to collaborate. Leaders and followers

channel their strong aspirations and intense feelings to build organizations that innovate and serve customers more effectively.

Managing in the sense of handling the requirements of the status quo and getting by in the short-term is insufficient. We need leaders who recognize the shortcomings of present ways of working and have the credibility and tenacity to create the spirited teamwork necessary so that people believe they are in charge of change, not pawns of irresistible forces.

But because we need leadership does not mean that we will get it. The very demands for leaders make becoming an effective leader seem difficult and foreboding with few realistic models to follow. "Charismatic" leaders who single-handedly turned around a company from the brink of bankruptcy are often celebrated, but these stories seem distant from the possibilities and demands for leading a hostile work group or an established company operating in a mature market.

Command-and-control management has left much fragmentation and mistrust in organizations. In many companies, divisions see each other as rivals rather than partners in creating value for customers. Employee grievances have been smoothed over but antagonism builds. Nearly everywhere people complain that their bosses are so arrogant and uncaring that they don't even listen. How can leaders bring us together when people distrust them and each other?

No wonder managers turn to quick fixes. They hope more meetings will make the organization more synergistic and pep talks about the importance of quality and some measurements of it will unite everyone behind quality improvement. By having people talk with customers, they will work together to improve customer service. After these brief interventions, people are told to get back to work and deal with new crises. Under pressure, they revert to traditional ways and hope that working harder and longer will be enough.

In some organizations, top management has boldly and radically restructured organizations. They have collapsed managerial levels, reduced the workforce, formed divisions focused on specific customers, and initiated self-directed work teams. Despite the enormous upheaval and costs of such changes, scant attention is given to creating a new way of working together and the leadership necessary for it.

New structures do not themselves create a new culture and way of working. Telling the fewer managers who are left after restructuring to facilitate, not lead, is not effective. Talking about teamwork and labeling people a team does not mean that people can operate in a nonhierarchical

manner. It turns out to be much easier to condemn traditional managing and organizing and devise new organizational charts than to foster the leadership to build synergistic teams and organizations.

Outmoded beliefs and inadequate ideas about people and their relationships lie behind our failures. Valid psychological knowledge is critical for creating high involvement, high commitment organizations.

## **PSYCHOLOGY TO CREATE A BOTTOM LINE**

Although often assumed to be simply a measure of financial performance, the bottom line of an organization has many components. Short-term profitability must be balanced with long-term effectiveness. Measures of product quality, customer satisfaction, reputation, and relationship with regulators may all be relevant for the bottom line. Many companies recognize that being ethical and contributing to the local community are vital goals.

Effective bottom lines must be created through considerable debate. Vital goals are not simply there, but the leader and employees must together envision them and develop the tools to measure progress. They must apply psychology if they are to have a meaningful bottom line. Discussion throughout the organization is needed to see how the different goals of the bottom line can complement each other, what priorities are needed in making trade-offs, and how the goals of the bottom line unite people and teams in a common endeavor.

### **Ambivalence Toward Psychology**

Managers taking up the leadership challenge have realized that people are a company's greatest resource. It is through them that plans are devised and implemented, problems are identified and solved, and productivity and success are achieved. The work place must be characterized by mutual trust and mutual accountability. Key to the transformation of our organizations is to involve people and gain their commitment. Globe's Arden Sims began by changing the autocratic way of his predecessor. "I know for a fact that you can't run a company very effectively with one person making all the decisions."

In developing the people side of the organization, leaders are moving themselves and others away from the emphasis on technical and financial skills to the human relations ones. Yet many managers are

skeptical about psychology. Theories of leadership often seem grand and abstract and reinforce the stereotype that psychology is removed from the real demands of work. Psychologists appear to have more abstract concerns of whole person, job satisfaction, stress reduction, and feelings of well-being; their ideas are not central for creating competitive advantage and meeting crises. Psychology seems irrelevant for the bottom line and the problems of our times.<sup>5</sup>

Psychologists have responded to these attitudes. They have shown that following validated employee selection procedures can save companies thousands of dollars compared to typical unstructured interview methods.<sup>6</sup> Research has demonstrated that failed coordination between people and groups cost organizations money and that these costs can be steep indeed.<sup>7</sup>

Applying psychology is not only entirely consistent with striving for bottom-line goals; it reasserts the value of a bottom-line focus. As we will see in future chapters, people want to achieve, feel the success of completing tasks, and be a part of something greater than themselves; they seek goals and feedback in reaching them successfully. They want information that confirms their competence and hard work. Indeed, job dissatisfaction pales compared to the despair of unemployment.<sup>8</sup> Losing one's job is often a catastrophic experience because of the basic needs that working fulfills. While some people have higher needs, the desire to feel the internal satisfaction of doing a task well and being valued by others are built into all of us.

The problem is that in many organizations the bottom line is not clear and measured. Many so-called hard-nosed, bottom-line managers have only the fuzziest notions about what their bottom line is. They are busy, pressed and running hard, but why and where to are unknown. They take refuge in the "hurry up" offense of the company and doing their many tasks but ignore issues of goals and purposes. But leaders simply working harder is not a solution for today.

### **Uniting Behind the Bottom Line**

Even managers who have well-articulated purposes and goals are often woefully inadequate in helping employees develop their own complementary goals. They assume that employees should think and feel like they do; an after dinner speech should clarify any confusion and put everyone on the same wavelength. They assign tasks and give deadlines to keep employees busy but seldom have any discussion

about an inspiring, uniting vision. Then these managers complain that workers do not care. We offer you a new understanding of leadership: Leaders help people care.

Though often advocated, it is unrealistic and undesirable that everyone should be committed to the identical goals and bottom line. Although it is useful for people to buy into overall company goals, what goals the marketing group strives for are not the same as the goals of the production department. What one production employee finds motivating and inspiring, another does not.

We must appreciate that individuals, teams, departments within an organization have their own special perspectives, interests, and capabilities. However, this diversity itself does not prevent effective bottom lines. In fact, leaders learn how to use this diversity to enhance the organization. What is critical is that the bottom line of groups and individuals be *cooperatively* aligned, not necessarily the same. To achieve a cooperative bottom line requires a great deal of discussion and reflection so that the goals of the company, its teams, and individuals are understood and mutually reinforcing.

Divisions, departments, and other groups must understand the various aspects of the organization's bottom line and determine what specific goals in their group will contribute most effectively. Texas Instruments calls the ongoing "give and take" between groups and executives as to their goals and the company's vision "catchball." Groups need to develop their bottom line in conjunction with the organization's goals or risk being seen as irrelevant. But a group's bottom line has to be responsive to its own capabilities and aspirations. What are the ways that the group is able and motivated to contribute to the organization's bottom line?

A group's goal cannot be assumed to be an individual's. The group may determine that zero defect quality products is its bottom line. An individual may decide that learning and applying quality control statistical methods should be foremost in her own bottom line. She may be committed to this development because it increases her income, promotion opportunities, or group support or all of these. Employees should see how their individual goals fit with the goals of the group and organization and, at the same time, promote their own needs, values, and aspirations.

Psychological research suggests that the goals for the organization, teams, and individuals should be specific enough to be measured and allow regular feedback.<sup>9</sup> Recognition and rewards for reaching bottom

lines should be public and frequent, and, as will be discussed at length in Chapters 5 and 6, they should reinforce the cooperative, mutually reinforcing goals of the groups and individuals in the organization.

Leaders need not choose between being sensitive psychologists and hard-charging, bottom-line businesspeople. Rather considerable sensitivity and psychological sophistication are needed to create motivating bottom lines.

### **Psychology for Bottom-Line Leadership**

#### **Respond to Change**

- Handle stress.
- Deal with intense feelings.
- Cope with burnout.
- Confront distrust.
- Make change a friend.
- Learn to take advantage of ongoing change.
- Motivate everyone to innovate.

#### **Determine Our Direction**

- Help individuals find value in organizational work.
- Gain employee internal commitment.
- Inspire a shared vision.
- Create more effective ways to serve customers.
- Align the goals of individuals and groups.
- Forge unity out of diversity.

#### **Getting There**

- Translate intentions into effective action.
- Move from alienation to trust.
- Build cooperative, synergistic team organizations.
- Develop mutual confidence and power.
- Communicate effectively.
- Debate and make business decisions.
- Manage conflict.
- Become self-directing.
- Improve continuously.

## GETTING THERE: MORE THAN GOOD INTENTIONS

Why do so many of our organizations fail to meet our expectations as good places to work and meet customer expectations of quality service? Why don't they reach their bottom lines? The most common answer is the lack of motivation and good intentions. "If employees cared more about their work," businesspeople have argued, "our organizations would be more competitive." "If bosses were not so greedy," employees have argued, "they would be more able and motivated to contribute." The "other guys" just do not have good intentions to be productive and fair.

Good intentions and motivation themselves are seldom the culprits. Most bosses want their organizations to be enhancing, rewarding places to work. Most employees want to do high quality, first class jobs, not be embarrassed that they work for a company that delivers defective products to their neighbors and other customers. However, good intentions do not automatically translate into effective work. Bosses withhold information they consider confidential and thereby unintentionally create suspicion. Employees are annoyed that their suggestions to improve quality are not considered and resign themselves to lesser goals or possibly express their anger by letting defective products through to the marketplace. Although no one wants an organization to be fragmented and unproductive, it ends up that way.

The failures and successes of our organizations must be seen as jointly caused. The credit and blame are rarely attributable to just one person or group. Although people have good intentions and technical skills, they may end up working at cross-purposes and against each other. They must coordinate their abilities and energy as well as have good intentions.

To lead by building more synergistic ways of working, managers need to be psychologically savvy. It is not enough for them to want teamwork; they must have ideas, procedures, and skills to make it happen. Many managers are able to work with others honestly and productively, but leadership requires more. Leaders articulate a realistic vision and credibly take steps so that people throughout the group and organization feel like a team and are able and committed to working together.

Building a team organization requires leaders to be knowledgeable as well as inspiring. They should understand the nature of productive teamwork and feel a passion for creating it. They should know practical procedures for realizing the vision and have the psychological

confidence and hardiness to persist. But leaders must also have the interpersonal skills to reach out and involve employees so that they too are convinced that together they can forge more spirited cooperation. Psychology is critical for creating the new way of working necessary to achieve today's bottom lines.

Psychology can help leaders address the fundamental issues of where are we going and how are we going to get there. Part Two explores how we can understand our hopes and aspirations to develop visions and careers that are meaningful for us. Leaders not only should know where they are going, but also help employees understand the company's direction and discover whether they want to go with it. Parts Three and Four address how people can best work together to realize their joint and personal aspirations. We turn in Chapter 2 to how to learn psychological ideas and skills that are the background for knowing our bottom lines and developing our mutual plans.