

Musings from



Musings from Gate 44 is a series of papers written from one of the most sacred reflective places in a consultant's life – the airport. As we depart our client's cities, we are often decompressing, celebrating, venting, strategizing and reflecting on behalf of those we serve. We're inviting you into our private thoughts about...you. "You" means those of you leading complex organizations trying to grow, change, improve and compete. These "musings" are stimulated by patterns we see over and over again as we work. Our hope is that letting you into our inner thoughts will help you grapple with the issues that frustrate your noblest aspirations and thwart what you seek to achieve. (We hope we'll also have a chance to laugh gently together at some of the silly things organizations can do.)

Leading at the Right Level I: The Phenomenon of Leadership Compression

By Ulrich Nettesheim and Ron A. Carucci

Flying over Yosemite Valley on my way home from another week on the road, El Capitan, the imposing solid granite wall with innumerable classic climbing routes on it, looks like just another modest lump among many others in that part of the Sierra mountain range. By contrast, I was reminded how it looked and how I felt standing on the Valley floor at the foot of El Cap at the base of the classic climb called The Nose. I was in complete awe of what a vertical granite wall 2,900 feet tall looks like – let alone climbing it for two to three days. How climbers only half way up look like ants when you look in binoculars. And then remembering another perspective, all those features of the route like belay stations and cruxes and bivy ledges and rotten anchors and run-outs described

in the topo maps you only read and commit to memory when you will be climbing the route. Three very distinct perspectives of the same entity. Then I flashed on a shared reality common to both flying over and climbing up El Cap – gravity. Gravity is always at work. Rock climbers, pilots and senior leaders alike are very familiar with the actions of gravity. First among them is the fact that gaining and then maintaining altitude takes effort. Funny how a long flight can blend flying, climbing and leading in an instant.

Several of our clients are prominent global consumer packaged goods companies and we frequently work with the SVPs of Operations. We've been asked repeatedly to help them understand why performance gains are lower and slower than expected after a variety of efforts and investments. Are these disappointing results driven by leadership issues, training issues, process issues, team issues, or by something else? As part of our diagnostic work, we've approached each facility with an open mind but also with a common foundation – approaching

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each performance challenge from a whole-system perspective, taking in both the facilities in question (plants, regional offices, etc.) and the larger enterprise. In the course of our work clear patterns have emerged. One of the more common – and troubling – findings has been General Managers (GMs) in these facilities who work too much on tactical issues and too little on the strategic issues of their unit (see the table). We nicknamed this pattern WAWL (pronounced “wall”), for “working at the wrong level”, and the more we explored it, the more we realized that it was a core issue undermining the performance of many of the organizations we saw.

The GMs we saw struggling the most were too tactically focused and much of their tactical work overlapped with and duplicated the work of their direct reports. It is worth noting that the GMs we worked with have hugely important jobs, in some cases leading up to 2,000 employees and driving upwards of \$1.5 billion dollars of revenue through their respective facilities. A GM with big budgets and a complex portfolio of responsibilities who focuses too much on the tactical level leaves a lot of their expected leadership value on the table, no matter how hard working and committed they are. As we brought our findings to the enterprises we worked with, the questions at Corporate started to move away

from “what is wrong with General Manager A”? Instead, curiosity grew about how the governance structures and management processes of the enterprise were contributing to the problem. The hunt was on to figure out the systemic causes and solutions to valuable GMs working at the wrong level.

Let’s be fair to our good friends in Manufacturing, and to the GMs we have worked with. “Hitting the WAWL” is not just a GM problem. We’ve seen line leaders undermined by WAWL in in all sorts of industries and settings. In our experience, no level, function or industry seems immune. It is in many C-suites, in regional offices, marketing departments, and in R&D facilities. Basically it is everywhere. Perhaps you will recognize some of the recurring patterns we’ve seen when leaders chronically work at the wrong level:

1. Strategy is a paper exercise when GMs work too much at the wrong level. If executives spend less than 5% of their time (and their staff or team’s time) defining and working on strategic organization-wide issues, then it less likely that a robust strategic plan is actually being implemented.
2. Strong silos thrive when GMs work at the wrong level. Executives manage their direct reports as a staff, not as a team. The leader manages with a hub-and-spoke approach (all paths lead to them as the central decision maker).
3. Downward pressure on direct reports work is immense. When GMs work at the wrong level too much, their direct reports lower their work roles by one or two levels as well. Ironically, GMs themselves may also be getting downward pressure. If leadership above the GMs regularly require the GM to have command of all the details residing one and two levels below the stated GM role, then the GM has little choice but to immerse themselves in those details. In those instances, the root cause may not be a “GM” problem. Instead, it may well be a senior management issue.

General Managers focus on:	How Much Time Corporate Expects GMs to Allocate To This Focus	How Much Time GMs Actually Allocate To This Focus
Strategic issues (e.g., longer-term business, processes and technology and innovations)	50%	5%
Operational issues (e.g., costs, process improvement, management systems, culture and talent investments, etc.)	30%	35%
Tactical issues (day to day execution)	20%	60%



4. Weak leadership bench is also a WAWL hallmark. GMs accustomed to working at the wrong levels can come to believe that only they can run their business. In addition, with little time left in the week to work on operational and strategic issues, they rarely invest enough in developing the talent around them. And chronic under-investment in leadership development at all levels is typically accompanied by not having a viable succession plan.

We believe that top leaders working at the wrong levels is a wide-spread issue for organizations generally – one that needs ongoing vigilance and attention. The direct costs and the opportunity costs of not addressing this pattern are immense. What are the costs of a plant that doesn't keep up with the technology and process requirements of a marketplace that demands both lower unit price and more customization? What are the costs of GMs not thinking through what to do about the coming exodus of experienced colleagues when 50% of its work force retires in the next 3 years? What are the risks of having to hire mostly new GMs from the outside because candidates are not being developed on the inside? When leaders work too much at the wrong level, where and when is the substantive work on the future getting done? Talent doesn't get developed, innovation doesn't thrive, the performance culture doesn't get strengthened and over time the business starts to run out of ways to grow organically and sustainably.

Does Your Organization Suffer From Leadership Compression?

If the conductor of an orchestra leaves the podium, who else is in a position to see and hear the whole orchestra as the audience will experience it? There is no other role to which all the musicians can readily look to collectively for guidance and inspiration on what comes next for the whole orchestra.

When top leaders “abandon the podium” and work at the wrong level, there are a host of undesirable consequences. “Leadership compression” is one way to describe this collection of negative consequences. Top executives get “bunched up” at the lower altitudes of managerial work. By neglecting their strategic and organization capability building roles, the future of the business is put at risk.

Leadership compression generally creates role confusion at the next level down, generates rework (multiple managers reviewing the same things) and worst of all it creates stagnation of leadership

development because the opportunity of next generation leaders to stretch and gain altitude in what they work on is taken away. Abandoning the podium also starves the vital roles of those working on the future growth of the business – the innovation, the strategy, the leadership development and the organization's culture to name just a few. If the future focused leadership roles don't get sufficient time on the business agenda, when and how can they engage with line leadership? If the people working on the future are relegated to the sidelines then they become further and further separated from the core business, creating a downward spiral of their impact and their motivation. Leadership compression in essence prevents the governance structure and related management systems from adding the commensurate value that comes from working on the future growth of the business.

Leadership compression is particularly dangerous to an organization because it spawns a host of related problems that sap performance, innovation and leadership bench strength. We see three in particular quite frequently: perspective compression, information compression and decision compression.

Perspective Compression

When leaders of mature businesses start to work at too low an altitude for extended periods, they literally lose their perspective – the unique vantage point – that is expected of their role. Three perspective distortions can be particularly damaging. The loss of a comprehensive systems view is one big issue. The deeper you dive as a leader, the more of a siloed perspective you acquire and reinforce in others. As siloed perspectives become dominant (i.e., we each just tend to our own function), then the value of having a team (versus a staff) at the top starts to come into question, which only serves to further strengthen the silos. The resulting spiral can keep silos strong despite energetic attempts to create a “boundaryless” culture. A second problematic distortion of perspective is the long view being drowned out by short-term focus, undermining the ability of the business to develop long term strategies. Thirdly, there is pattern blindness – the



loss of top leaders' abilities to spot important patterns of requirements from either outside the business (from customers, from senior management, from the board, from regulators and officials, etc.), or patterns of requirements across functions or geographies from inside the business (i.e., our culture of performance is clashing with our need to take informed risks as part of innovation). Let's look at each of these patterns in greater detail to understand why leaders' blindness to them puts the future of the business at risk.

Loss of the systems view happens when the leader (say a plant manager) leaves her podium and spends too much time immersed in the work of her direct reports. She may do this because she feels a few of her direct reports need her help or because her boss manages her in such a way that she has to be hands-on with all her direct reports. Whatever the reason, the impact is the same. By looking at the same landscape and the same issues as each of her direct reports over extended periods, she begins to lose the valuable perspective from the podium of the whole plant and how the plant fits into the value chain of the larger enterprise.

Her value-add as the leader also starts to diminish as she is now immersed in the same parochial views each of her direct reports struggles with. How will I fix the problems in quality on third shift this month? What should second shift line operators do to increase production to meet schedule? These may be important issues, but if they occupy most of the plant manager's time and energy, then there is no one else at the plant who can look at the plant-wide and business-wide organizational issues or be thinking about what to do today so that three years from now the plant remains a competitive advantage to the corporation. Any strong general manager needs to retain an active role in seeing the big picture from the podium and working on the future of the business.

Perspective compression also creates a natural altitude lowering effect on direct reports. If they are conditioned to "just provide detailed data" and lots of it, then they are not developed to go beyond data reporting. When the data synthesis, interpretation and prioritization is done by the boss, then direct reports don't learn to develop

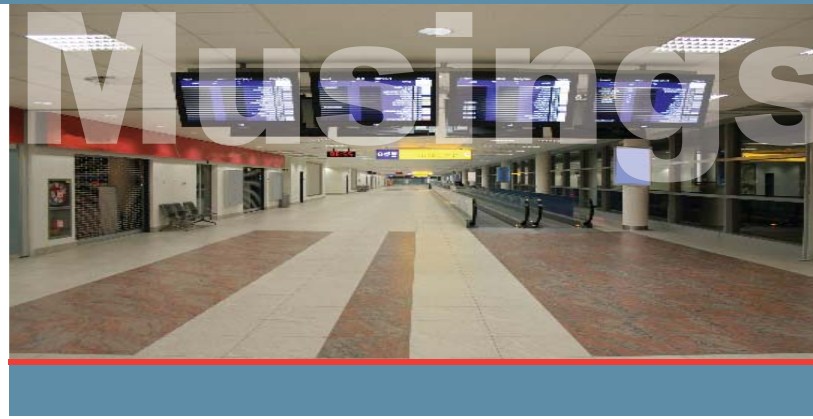
those essential skills themselves. Equally problematic in many organizations, if the top leader's direct reports become data reporters and silo managers, then a natural tendency on the part of the top executive is to think of the collection of direct reports as a staff and not as a team. No wonder that even today we still find more staffs than true teams at the tops of many units and enterprises.

Information Compression

Information Compression follows right on the heels of Perspective Compression. When the conductor leaves the podium to go work with a particular section of the orchestra, say with the violins, then the information – the data stream – he is exposed to becomes limited by what is happening in and around the violins section. He can no longer experience the output and dynamics (aka information) of the whole orchestra the way it is heard on the podium nor how the audience will experience it. Done for short periods, like during rehearsals, stepping over to the violins might be fine. Doing that repeatedly, and especially during performances is not an accepted practice for conductors. It is also very possible that the musicians would shut-down or revolt.

An executive at a consumer products company who had moved over to the top strategy position from marketing kept all her previous contacts and brought a rich marketing perspective to meetings with the CEO. Over time, however, the CEO became disenchanted with her new chief of strategy – it seemed that this executive was too focused on her old information stream and she wasn't developing a broader sweep of enterprise-wide data. She wasn't building relationships with other executives in the enterprise who had vital information thereby limiting what insights she was gleaning and detracting from her effectiveness as strategy thought leader. Overcoming information compression means elevating what indicators you are operating with (maybe some outside your comfort zone) and building new bridgeheads to the information streams you need. Without them, your focus remains too narrow because of the narrower information you are immersed in.

Another dimension of information compression includes how well leaders do, or don't, utilize, organize and leverage data. In organizations severely hampered by decision compression, the sources of data – finance, strategic planning, HR, and line unit reporting, tend to become increasingly unreliable as those responsible for creating the data become fearful of it being misinterpreted or punishable. Decision compressed environments are hampered by the reality that people in multiple reporting relationships within the hierarchy are making the same decisions, and therefore presumably relying on the same data to do so. But the difference is some of them are creating the data, and some of them are receiving it. So those creating the data have



to protect themselves from those receiving it and need to justify their participation in decisions they shouldn't be involved in. Condemning the data becomes the easiest way to self-justify one's participation, thus creating even more decision compression by limiting the access to otherwise truly reliable perspectives available in the data gathered by those who should really be utilizing it. (For more on the senior leadership role see *Leading at the Right Level II: Understanding the Different Roles in the System*. For more on playing at the altitude appropriate to a senior – especially when you are new to the task – see *Leading at the Right Level III: Arriving at the Executive Level*.)

Decision Compression

The head of a key business unit in a large technology firm we helped a few years ago wanted us to interview his managers and find out why innovation seemed to be so difficult for them. He was concerned with non-traditional competitors entering his market and wanted to branch out into new product lines. But despite a strong engineering culture and a history of past innovation, new product development seemed to be terribly cumbersome and slow. He was a very popular leader and his people talked to us enthusiastically about how involved he was with them.

But a darker picture emerged – he was so involved in decisions that his people sought him out for input on fairly mundane things. Many low level decisions sat unmade because he could not get to them. Despite being responsible for a \$9 billion dollar product line, he was so involved in the minutia that decision making had become completely compressed. None of his direct report felt it was their job to make independent assessments and decisions without checking in with him. This constricted responsibility and accountability levels throughout the unit. It had robbed an engineering division literally bursting with talent of the ability to move quickly and placed the entire business unit in danger. Operating at the right altitude for a senior role is vital, which includes watching out for decision compression maladies.

As this example illustrates, decision compression is when the top leader constricts or removes entirely the scope of decision making and influence from the levels of managers below. Rather than pushing the decision making down to the level where the best information and insight resides, decision compression does the opposite – it forces that decision making to go only one way – namely through the leader.

Rites of Passage: Maintaining the Right Altitude in Varied Terrain

Leadership is a collective capacity in an organization. Even if your organization is deep in the throes of leadership compression, the good news is that you can pull yourself out of it and refocus yourself and your top team on the work of the top level. Here are four ways to do it.

Take Charge of Your Calendar

One of the new GMs we worked with came to the organization from outside and he decided to get the lay of the land by asking that all the meetings held under his predecessor continue for a period of time. After a month, he was aghast – meetings were formulaic, focused on minutia and were very time consuming. His team wasn't fond of them – some grumbled about "talking about work instead of doing it" – yet the management calendar of these time consuming ineffective meetings was deeply embedded in the culture and how people felt the business was being measured.

To introduce some needed changes in how the unit was run, the new GM decided to take control of his calendar, pruning tactical and operational activities and meetings and introducing conversations and thinking sessions about innovation and threats of disintermediation from competitors – two strategic issues the organization was particularly eager to address. He also took charge of his direct report's calendars, liberating them from some of the redundant and mechanical reporting requirements of the old regime and refocusing them on current strategic priorities. The best complement this GM received came a few months later when a team member remarked that he felt he now spent more of his time doing the work the organization needed rather than reporting on it.



As you think about how this example might apply to your own work, scrutinize your calendar and the calendars of your direct reports and think about how you can use this example to refocus time and activities on a balanced portfolio of tactical, operational and strategic issues. If you aren't driving how you and your team are spending their time, who is?

Ensure a Balanced Portfolio of Effort

We've talked at length about maintaining your proper altitude and avoiding the tendency of over-investment on the tactical work. That doesn't mean tactical work has no place in the portfolio – far from it. The key is appropriate balance of work effort – strategic, operational and tactical. And as we learned from GMs in various organizations and industries, the appropriate balance is highly dependent on your industry, your organization's management culture and on what is required in your role. What you can do is develop your own "altimeter" to help you discern the right altitude and balance of focusing on current performance and future growth. You can also help your team develop their own altimeters so they know when to sound the alarm that you or your team's altitude needs recalibrating.

Push Back

If you are being pushed down from above or being pulled down from below (or both simultaneously), make sure it doesn't become an ineffective pattern or "habit." Pushing back against leadership compression from above can often be solved by engaging in a thoughtful conversation about roles and getting shared understanding about where the greatest value-add is for each level in the governance structure. One plant manager we worked with had great success in "pushing back" by first involving her boss, the SVP of Manufacturing, in a series of role clarity conversations that were one part leadership development (i.e., how could her boss support her in being ready for her next assignment) and one part talking about the future of manufacturing for the company. Those two

topics invited her boss to recalibrate what he needed her to be doing in her role. Eventually they got to the point of discussing what she was actually doing in her role day to day and how his expectations and management practices to date were contributing to her operating at the wrong level. At the same time she took responsibility for her comfort level with operating at the tactical level and how that contributed to the pattern of her working at the wrong level too much. What unlocked the willingness to revisit her role, her boss's expectations and management practices was that she began by talking about the needs of the business – not complaining to her boss that she was being "pushed down". This was a great example of effective push back in service of what the business needs.

The other phenomenon that a lot of GMs and other managers experience is being "pulled down" by direct reports. Here the push back might look a little different. Your direct reports may be contributing to leadership compression because of a number of factors. As the leader, you are in the best position to engage your directs in figuring out the causes and the remedies. Here are a few tips on places to look first. Is there a shared understanding and clarity (between you and them) about what your role is and what their roles should be? If not, step one is to work with them to ensure roles are clear and understood – yours and theirs. ~50% of WAWL issues are a result of lack of role clarity. Once roles are clear the next place to look is management processes and practices. Are reporting routines and management processes supporting or getting in the way of managers to work at the right level? Often, legacy reporting routines and other management processes designed 5 years ago no longer fit with the roles of the current organization. Creating congruence between the roles and the management processes often liberates leaders to operate at the right altitude more frequently. And finally, ask yourself if you are spending enough of your time (and your direct report's time) to develop their skills and capabilities so that they are growing in their roles and that you have viable successors ready to take on your role when you get your next assignment. Having regular and robust development conversations and taking the time and investing resources to make that development effective and real creates a self-governing altimeter on what work people are doing. In the privacy of your own office, if you recognize that you are more or less just filling out the forms and complying with HR on talent development processes, then go back and rethink your value-add as a leader in your role. Many GMs have gotten re-inspired about leading once they realize how much business impact and personal impact they can have when they become active developers of talent and become net exporters of talent to the rest of the organization.

Replace Compression with Engagement

The new CEO of the communications company we worked with faced an organization where compression had been a long-term problem. It wasn't enough to pull people back up into the top level. Compression means that everybody is playing too low. If you get your immediate team refocused on work appropriate to their role, a vacuum will open in the gulf between what your team used to do and what they do now. In the same way that compression is a downward push from the top, you must replace downward push with an upward pull of engagement of your people. Again, look at the right focus of roles. The top leadership is effectively a strategic system that sets direction while other groups in the organization translate that strategy for the rest of the enterprise, in the context of its work. The new communications company CEO hammered out a strategy for refocusing the organization, implementing a fiscal discipline that had been lacking and increasing sensitivity to customer needs. He then brought in the top teams from the business units and had operational strategy meetings in which these leaders worked through how the strategy would optimally apply to the area of the business they had responsibility for. The CEO participated in the first wave of these meetings and ensured that the operational strategies reflected the overall corporate strategy. Then these leaders went out and performed the translation work themselves. This was one key way this CEO replaced compression with engagement in an organization that had been tremendously unfocused.

The Sierras are well behind us now and the plane is on its glide path to the runway. We hope we've given you something to think about as you consider what working at the right level means for you and the GMs in your organization. We've mentioned that the top leadership is collectively a "strategic system" for the enterprise. The second Musing in this Leadership series discusses this strategic system in detail, in conjunction with the other systems that make up all large organizations. The third installment in this series takes a closer look at the challenge of arriving in a strategic system role and amplifies many of the



ideas presented here as it looks at how top executives can successfully reach the altitude their role requires.

If you want to hear more, drop us a line at ulrich@passagesconsulting.com or ron@passagesconsulting.com

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