# Guttman Insights

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*Dr. Loren Skeist is president and CEO of the world's leading independent supplier of precision DC high-voltage power supplies, x-ray generators, and Monoblock® x-ray sources for medical, industrial, and scientific applications. The company is privately held and headquartered in Hauppauge, NY. It has over 2,000 employees and serves global OEM customers in the U.S., Mexico, Europe, Japan, China, and Korea. Dr. Skeist was previously a practicing psychiatrist, with an M.D. from the Mt. Sinai School of Medicine.*

In this issue, Dr. Loren Skeist, CEO, Spellman High Voltage Electronics, gives an insider's view of meeting the challenges of significant growth in a family-owned business. Is your team coachable? Take the test that Howard M. Guttman provides, and the answers might surprise you. And to avoid being single-alternative driven when contemplating organizational change, check "If I Were You" to open up your thinking.

**What do you see as the key challenges in running a family-owned business?**

It is difficult for me to identify challenges that are specific to running a family-owned business, since I have never managed any other kind, but leaders who come from companies focused on short-term financial goals sometimes struggle with our focus on long-term growth. When we were a single-site, family business, our hierarchical leadership structure and strong personal relationships enabled us to make, communicate, and execute decisions rapidly. But as we grew into a global organization, informal communication links and chains of authority proved inadequate to provide the agility and responsiveness that our customers needed.

## In This Issue

## Leader's Corner: Loren Skeist–Powering up Performance at Spellman High Voltage Electronics

### What is the special ingredient in Spellman's "secret sauce?"

"The Spellman Experience" is embodied in our quality statement: "To Understand and Provide What Our Customers Value." For 50 years, we have worked to build long-term partnerships with advanced equipment manufacturers. We design custom products that provide the unique high voltage power requirements our customers' systems need to succeed in their markets. This approach carries significant financial risks, as it requires us to maintain a large engineering staff and to absorb most of the costs of custom developments that never get into production. It also results in a complex, high-mix, low-volume, vertically integrated manufacturing environment. But by driving innovation and enabling us to get in on the ground floor of breakthrough technologies, it lays the foundation for long-term growth.

### What are some of the key things you've learned about motivating key people in a family-owned business?

The most important factor is finding the right match. We look for people who want to be challenged, enjoy being part of a team, and feel proud of what they and their companies have accomplished. They want to be empowered to make decisions and have opportunities to learn and to grow their careers. My father inspired trust with his energy, confidence, vision, caring, and passion for learning. Particularly important was his faith that his employees could accomplish anything if they worked hard and believed in themselves.

### Like father, like son?

Fortunately, when I became involved the company had grown to a point where my more cautious, team-based, and process-oriented approach could supplement my father's entrepreneurial vision and leadership style. A highly committed and experienced leadership team was in place, and my role was to provide continuity, strengthen processes, and develop capabilities that were not yet at the level required by the global markets we were beginning to enter.

### What issues prompted you to undertake the journey toward the GDS horizontal, high-performance team (GDS HPT) model?

Steady proliferation of products and expansion into Europe and Asia required more systematic, inclusive, and transparent governance. We needed to engage the creativity of all of our employees and improve the ability of remote sites to collaborate more effectively with each other and with corporate leadership. We also needed to bring in leaders with greater experience in international markets and global operations. Our management system—based on strong personal relationships—did not lend itself to integrating new leaders with different experiences and ideas, and I found myself struggling to unify the leadership team around a common vision and strategy. Disagreements and friction among senior leaders reached uncomfortable emotional levels. Even minor disagreements could escalate into personal confrontations, inhibiting discussion of controversial topics. The absence of a clear and inclusive process for either making or communicating decisions resulted in confusion among senior leaders and a lack of confidence in and support for important initiatives. So, the idea of developing a "high-performance" culture, in which people could disagree without fear of offending or being attacked, and of having a process to make decisions that would include input from and be supported by everyone was very attractive.

### Where are you in the GDS team-alignment process?

Our corporate leadership team had an alignment, reassessment, realignment, and individual coaching. One of our sites has had an alignment, and others are being planned. Conflict resolution, active listening, and other skills training have been provided to most of the direct reports of the top management team.

**Were there any changes?**

There have been many changes. During the initial alignment, we spoke openly about our difficulty working together, unifying behind decisions, and confronting the multiple elephants in the room. We began to realize how each of us was contributing to the problem and how we could, by modifying specific behaviors, help to improve it. With hard work by the members of the team and the help of individual coaches, greater understanding of each other began to build. Developing a matrix leadership structure helped clarify who was responsible for what function at each site and strengthened accountability and communication among sites and between corporate and site leaders. It also made clear that for corporate functional leaders to be accountable for the success of their counterparts at each site and for their corporate peers they needed to create some more bandwidth.

**Did the move to a matrix structure require a change in how the members of your senior team viewed their roles?**

The matrix structure expanded site leaders' accountability to include all functions within their site. Previously, at some locations, functions such as Sales and Engineering only reported to corporate leaders.

Similarly, the matrix structure expanded corporate functional leaders' accountability to include leaders of their function at all sites. Previously, local functional leaders had often reported only to the local site leader.

The team-alignment process helped change mind-sets from command and control within their site or function to collaboration with other functional leaders and remote sites. For us to succeed, we needed to have our most experienced leaders go beyond their comfort zones, express their opinions concerning issues outside their expertise, and challenge the statements of others. We also needed to create a safe environment, so that everyone in the organization felt comfortable voicing their opinions, questioning assumptions and decisions, and speaking up when they thought we might be going off track.

**Was there resistance to the reorganization?**

There was widespread concern about loss of clarity regarding prioritization in a dual reporting structure, as well as anxiety about stepping over boundaries and unintentionally offending colleagues.

**In moving to the HPT model in a reorganized company, what were the biggest challenges for you and your top team?**

One big challenge was receiving critical feedback without becoming defensive. After the first alignment, I felt better able to give and receive feedback and discuss previously taboo subjects. The second challenge was accepting that empowering others to find solutions often was more important than quickly solving the problems ourselves. Particularly important for me was resisting the impulse to jump into "rescue" mode when told of an issue. As I began to coach more and triangulate less, senior leaders became much more comfortable sharing their concerns. An ongoing challenge is to create an environment in which "conflict" is viewed not as a zero-sum game with a winner and a loser, or even as a problem that has to be resolved, but rather as an opportunity to develop a more comprehensive understanding of the issues by exploring the reasons for different perspectives and opinions.

**Any hard-edged financial or business results coming from the GDS HPT journey?**

This has been our best year by any objective measure, with 18% growth in profitable sales and steady progress in improving processes. We are clarifying our strategic vision and strengthening project management. The senior management team has uncovered some key governance and infrastructure issues, and the matrix organization structure has helped increase collaboration across sites and functions. There are few areas in the company that are not operating more smoothly and more effectively.

**What advice would you give others contemplating undertaking the high-performance journey?**

If your leadership team is stable and has the bandwidth to give it the priority it requires, go for it. The high-performance process improves dialogue and communication by clearing away interpersonal issues and creating a safer environment in which to give and receive feedback. These changes open the management group to new perspectives, helping them develop fresh insights. It will take time and ongoing top-leadership commitment for these changes to become the norm. Work with a consulting organization that listens to your feedback and adapts to your company's unique environment. You need to own this process. Your consultants can facilitate, train, challenge current assumptions and open eyes to alternative ways of interacting and managing. Lasting change is up to you and your team.

# How Coachable Is Your Team?

*by Howard M. Guttman*

Members of top teams serve as an organization's ultimate role models. To the extent that they demonstrate a capacity to break away from the tried and true to take their performance to new levels of play, the more likely it is that others will follow.

*Intention* here is paramount. Is an executive's intention to change stronger than the lure of remaining comfortable with past ways of operating? We worked with a recently appointed CFO whose new job required him to speak confidently before investor groups. He was introverted and feared public speaking. But rather than get stuck in the, "That's who I am; I've never have done that before" story, he focused on "How do I do that?" and "What would it look like for me to succeed?" The CFO's intention was to show up as a confident public presenter. And, while he never became a Tony Robbins, the CFO's intention, combined with skills training, was enough to propel him forward well beyond previous limitations.

In contrast, the top team of a major consumer goods manufacturer was having serious difficulties with a newly appointed marketing executive who had a chronic need to be the center of attention. For him, team meetings were opportunities to strut his stuff, challenge the leader, and dominate the discussion. Inevitably, his cockiness led to poor performance.

The leader and several members of the team initially confronted the situation head on, but no one could penetrate the executive's defensive armor. In the end, the executive was terminated. Concluded the group president and team leader, "Sometimes, even on a high-performing team, you can only work at it for so long before you conclude that the person opts not to let go of an unproductive story and to change."

> Are team members focused on the future or stuck in the past?

## Testing Coachability

How coachable are the members of your top team? Here are eight questions to test a team's coachability when it is faced with the need to change:

- ▶ Are team members focused on the future, or are they stuck in the past? (Can they envision what a "happy ending" would look like? How they would show up differently?)

- ▶ Do they listen to the rationale for change rather than defend the status quo?

- ▶ Do their discussions revolve around their intent to change and how to make it happen, or do they continue to debate the need to do so?

- ▶ Are they able to step back and take a depersonalized look at themselves and their situation?

- ▶ Are they willing to let go of core-limiting beliefs and stories about themselves?

- ▶ Do they clearly see the positive consequences of changing? Do they see higher payoffs of change versus the costs of remaining stuck in past "stories?"

- ▶ Do they express willingness to partner with a coach on the journey forward?

- ▶ Is their intention to change converted into an action plan—and do results mirror that intention?

Team leaders also need coaching from time to time, so ask yourself the same questions to determine just how coachable you are. Do this and it is likely that others in your area of responsibility will follow suit. Before long, the entire organization will find it progressively easier to move beyond the status quo to achieve increasingly higher levels of performance.

## *If I Were You:* Tips for High-Performance Leaders

*by Howard M. Guttman*

*Here's the point about top leaders and organization change: They are responsible for commanding change, not just managing it. Commanding change begins with a periscope-up, strategic question: What's the next round of competitive advantage? Answering the question demands keen strategic insight, a sharp ear to the ground, forward-leaning data, and the ability to anticipate unfolding reality and fashion a coherent, compelling picture from it.*

With this strategic picture in place, commanding change moves to implementation, which is what I am going to focus on in this follow-up to my September 2018 column on the causes of change resistance. The key question here is: How do leaders go about overcoming change resistance?

*There are five available options:*

*Communication and Education:* Use this method when there is insufficient or inaccurate information or incorrect analysis on the part of those affected by the change. We've seen "town halls" work well in such situations. The payoff here is that information helps blot out fear of change, triggers a sense of involvement, ensures that everyone has the same "plot," and widens support, as those who "get it" become messengers for change. The downside: This method can be time-consuming, especially if lots of people are involved.

*Participation Involvement:* Use this when the leaders who are initiating the change lack all the data or input needed to design it. Involving others prompts a deep sense of commitment for implementation and tends to neutralize fear. However, if the viewpoints of those involved in providing input are at cross-purposes with the leaders' take on the change initiative, this can open the door to resistance.

*Facilitation and Support:* Let's say you're planning a significant change involving a merger, a restructuring, or a reduction in workforce. These are big-time changes, no mistake about it. Adjustment to the change becomes a key issue. If people are not "okay," you risk having the change initiative stall or fail. To help ease the transition, we've seen many leaders drop in expert facilitators to guide those affected by the change—individuals who will listen to them; explain the what, why, how, and rewards of the new direction; and, when needed, provide one-on-one support. The downside: This approach can be time consuming and puts a premium on deploying facilitators with the skills to avoid inadvertently sabotaging the process.

*Negotiation and Agreement:* This is the classic method in union/management situations. On the positive side, this method can overcome major resistance to change, at least when the settlement is a "win-win" for the parties involved. We worked with a Midwest heavy-equipment manufacturer that went beyond negotiation to actually involve the union in problem solving. The company sought to revamp its "heart-of-the-line" manufacturing process, which amounted to a root-and-branch overhaul of its plant. It formed a management-union decision team to develop alternatives. The team worked diligently for a year developing an array of options and a favorite alternative, which it then presented to management. The downside: This method can spur on others in the company to resist and negotiate for compliance. And it takes time, patience, and a willingness to "give."

*Threat and Coercion:* The ham-fisted, "my way or the highway" coercive approach to change has speed to recommend it. *Explicit coercion* requires that those initiating change hold all the cards. It favors compliance over commitment. But there is often a steep price to pay for explicit coercion. It risks building an army of change resistors, with broken morale, underperformance, and underground behavior. *Implicit coercion* or threat, where the change initiator holds the cards but plays things close to the vest, is explicit coercion's kinder cousin. Here, the threat of negative consequences becomes an unstated premise and a prompt for behavior change: "If you want to move up to the next level, I suggest that you retain an executive coach." Or: "We'll give your team three months to turn things around; then I'll review our options." Implicit coercion creates urgency for change, but the jury is still out on the effectiveness of fear as a tool for change.

When thinking about implementation, let the dynamic of the situation dictate which of the five methods works best. To get a firm grasp of that dynamic, ask:

- What are the stakes involved in the change?
- How fast must we move?
- Do we need additional data for designing the change and, if so, who has them?
- What's the anticipated level of resistance—from hyper-resistance to little—if any?
- What's the power dynamic between change initiators and change implementors?

Surprisingly, many senior leaders are not always aware of these options. When they understand the context for change and the options, they stand a better chance of commanding change to successfully convert their future strategic picture to "now."