Guttman Insights

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John Cowles is CEO and President of FXI, a leading foam manufacturer for the home, healthcare, electronics, industrial, personal care, and transportation markets. FXI's products include finished polyurethane goods, sub-assemblies, services, and raw materials for OEMs, fabricators, and retailers. The company has approximately 2,000 employees and is located in Media, Pennsylvania. A proven high-performance leader, Cowles has had an impressive career assessing underperforming companies, adding significant value, and turning them around.

In this issue, FXI CEO and President John Cowles discusses the art of sizing up a company's potential and the levers to push to move from potential to high performance. Howard M. Guttman examines now-ubiquitous virtual teams and identifies three critical factors that drive their success. And GDS's Associate Senior Consultant Jim Northrup focuses on a client company where plant morale and performance shot up despite a looming shutdown. All this in a five-minute read.

What do you look for when assessing a company's potential?

I look for the company's capability to win in its marketplace. I'm interested in companies that are well positioned in an industry with high growth potential. I want to understand why a company is underperforming: Innovation might be undernourished; the supply chain might be over cost; or the culture might be dysfunctional. I look for fundamentally strong companies that need improvement. This opens the possibility of creating change and driving added value.

What is more important in assessing a company: the current financial soundness or the quality of its human resources?

You can't separate the two. Having a strong innovation platform, a low-cost supply chain, and a functioning human resources capability—these are all important. But if you don't have the cash necessary to win, you will not be able to innovate, invest in product development, and strengthen your human resources. In 2009-2010, many companies were in dire financial condition. FXI acquired the assets for Foamex during a challenging business environment. I had to take into account both the financial and HR situations when evaluating FXI's potential.

Foam Solutions for Every Market

Leader's Corner: Firming up FXI's Foam Business

What questions do you ask when evaluating that elusive, "fuzzy" HR side of an enterprise?

Are teams working well together? Do employees believe in the organization's mission and vision? Is the organization siloed or working horizontally? When I joined FXI, we had a loyal, driven organization, but everyone was working in silos. I believed that we could improve performance and increase our speed by working horizontally and improving team performance, especially in the area of decision making.

You mentioned the need to drive change. What's your approach to organization change?

I look at four levers to drive significant change. Innovation: How can we delight customers and consumers? Cost structure: Are we operating at the lowest possible cost? Organization systems: Do we make fact-based decisions and provide great customer service? And organization structure: Are we operating as a horizontal, high-performance organization? It is critical to communicate this to the organization frequently and consistently as you move through this journey.

Do you push the four levers one at a time?

If your aim is to transform a company and deliver double-digit growth, you need to manage all four elements in parallel and in an integrated way. You can't just start with one and proceed sequentially. In the companies I'm familiar with, the mission and vision are reasonably clear. What needs immediate attention are the levers of innovation, cost structure, business systems, and whether the organization operates hierarchically or horizontally.

Could you give an example from your FXI experience?

At FXI, our vision and mission are very clear: Building our future together, providing tailored solutions that delight our customers and the end consumers. This provides guidance for how we behave, but it doesn't say how we're going to win in the marketplace. We looked carefully at customers, competitors, marketplace dynamics, technology, and our own organization and did so through the lenses of the four levers. This gave us a framework to strategically reposition each one of the levers so we could win in the marketplace.

Working with all four levers simultaneously allows us to monitor our progress and ensure that we stay the course. If you were in a commodity market, for example, with a goal to only expand margins, then investing in capital to develop innovative products wouldn't make sense. You better not look for revolutionary new products that will create an entirely new asset base!

Besides the strategic insights, can you point to a few key actions that your four-lever approach led to?

On innovation, we had been fairly reactive. Ideas came from our customers, who told us what they wanted us to make. We are now taking a much more proactive and rigorous approach. We partner with customers to conduct joint market and consumer research; we share ideas based on that research; and we can now lead the innovative solutions. To do this, we had to invest in building a strong marketing department. Another significant investment was in our IT area. It is hard to pilot the ship without data that is easily accessible. We invested in an enterprise-wide SAP implementation. This system gives us the capability to drill down to a specific work center in any given plant, so we can immediately make adjustments that improve efficiency and reduce cost. We didn't have those five years ago. Great decisions take great data.

What's the role of the senior team and the tier below in thinking through the four levers?

In the beginning, the most significant changes are driven by the senior leadership level. You're creating a burning platform, assessing the need to invest in all four areas, changing the way the senior team behaves, and making sure that data is "clean" and accessible to decision makers throughout the organization. Once this is established, you can then drive horizontal behavior to the next level. It was no different at FXI. The transformation process began with the senior leadership team. We had to take a fundamental look at how we did things. For example, innovation: Is it as good as we say? Or costs: Are they as low as we want? Or team behavior: Are we high performing? With this work done and "clean" data available, we moved quickly to engaging the organization, and that's where the speed and sustainability are.

How do you track and communicate progress toward achieving change?

We set milestones in each of the four areas. Take innovation. A key objective was to achieve the kind of innovation that would enable us to grow at double-digit rates in each of our divisions within three years. We installed a stage-gate model that enabled us to show to the organization our progress toward achieving that goal. Regarding creating a high-performing organization, everyone was aware that we made an investment in aligning the senior team, then conducted a multi-tier alignment, provided coaching and mentoring, and then put a senior-leadership development program in place for everyone in the organization.

What's the role of the horizontal, high-performing approach in organizational transformation?

For a company like ours, which is moving from mid-cap to large-cap, the HPO model is critical. When you are a smaller company, you can get away with the top-down, hierarchical approach. But you eventually reach a breakpoint, where you can no longer do it all by yourself. When you get to the complexity that we have at FXI, you need to be able to create high-performance teams that are driven by data to make fact-based decisions. We can no longer rely on a few people at the top to make the calls. We wouldn't get speed; we'd create bottlenecks in the organizations; and it would inhibit our capability to transform quickly. HPO stops the second-guessing, empowers teams, creates the trust, and enables you to move quickly.

What's your advice to leaders wanting to undertake transformational challenge?

For transformational leaders looking for a fresh challenge in a new organization, find a business that is well positioned but underperforming in one of the four areas: innovation, cost basis, systems, or people. Make sure that you, your leadership team, owners, and board of directors are aligned. Then, invest in all four areas at once. Keep communications open and focus on the milestones. This enables you to build trust, and once you do that you'll gain the speed and momentum necessary to transform your organization.

Three Tips for Making Virtual Teams Work

by Howard M. Guttman

Virtual teams. It wasn't too long ago when you could easily dismiss the phrase as some trendy oxymoron. Today, there's hardly a team leader, from mid-level management to the executive suite, who has not either led or been a member of a virtual team. Such teams are the way business is now conducted in a global enterprise.

I define a virtual team broadly: It's any team where at least some of its members regularly conduct business remotely and communicate electronically. A team is a team, you might say, so what's the big deal with virtual teams? After all, teams, whether virtual or face to face, occupy one of four stages on the GDS Team Development Wheel. (Like most other teams, count on virtual teams being in Stage 1—Testing—or Stage 2—Infighting.) They are all challenged by similar pathologies: misalignment, siloism, lack of transparency, fuzzy accountability, conflict avoidance, and the like. Which is to say, virtual teams, like their face-to-face counterparts, need to be aligned to become high-performance, horizontal entities.

True, a team is a team is a team. But virtual teams—especially multicultural ones—pose special challenges. Distance, especially when it is not carefully managed in a virtual team environment, can become a killer of team effectiveness. It can easily diminish cohesiveness and trust, make personal bonding difficult, facilitate holding on to stories, compromise information flow and engagement, and all too frequently encourage unilateral decision making by leaders frustrated by decision drag and the fog that often hovers over virtual team meetings. And we haven't even touched on the technology challenges posed in virtual settings!

In our research on virtual teams, conducted during the development phase of GDS's new "Accelerating High-Performing Virtual Teams" program, we found that, alignment aside, leaders and their virtual teams need to pay attention to three make-or-break factors that are essential to their performance.

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While these factors are important for all teams, they take on special significance for virtual teams, given the centrifugal forces that challenge them.

1. Process Is Pivotal.

A process is a step-by-step approach to channeling discussion, idea exchange, and information flow. Take two of the most essential tasks of any team: setting priorities and making decisions. Without common agreement on the criteria to be used for determining which issues should command the time and attention of a team, chances are the team will not spend its time wisely. The combination of distance, cultural differences, and functionalism work to erode the sense of commonality that is key to gaining agreement on what is important—and what is less so, or not at all. And the lack of a common decision process makes virtual teams especially prone to "Butterfly Thinking Syndrome": gut-feel, seat-of-the-pants thinking; being alternative driven; too little focus on data; and haphazard attention to the key elements of any decision—objectives, options, and risks.

Beyond ensuring that there is a process to manage the key transactions of virtual teams, leaders need to pay special attention to team or group process. There is no need for me to revisit for readers of this column the dynamics of horizontal, high-performance teams, which directly influence team process and behavior. In addition, on a virtual team, the leader needs to create opportunities for team members to connect socially. This can be accomplished by everything from creating a "virtual water cooler" to encouraging informal conversation during breaks to interactive facilitation or scheduling time on the meeting agenda for celebrating successes, recognizing performance, and celebrating birthdays and holidays.

However impressive modern technology is as a connectivity enhancer, nothing does it better than face-to face meetings. We

recommend that virtual team members meet face to face at least once a year to reconnect in real time, deepen relationships, and assess the team's progress.

If you're the leader of a virtual team, don't just dive into business when you convene the group. Open the team meeting with a quick "round robin" of introductions to ensure that everyone is present, connected, and has access to the documents, tools, and agenda. We recommend encouraging all virtual team members to be process observers, continually asking themselves and their colleagues: Is everyone engaged? Is energy low? Are ground rules being followed? Is conflict being dealt with honestly and in the moment? Are we summarizing salient points? Are we testing understanding and commitment? Do we routinely have the opportunity to discuss how we are doing, as a team?

Plenty more could be said here, but you get the idea.

2. Build Trust.

Trust is one of those words that immediately evokes high energy, lofty rhetoric, and pious pronouncements. Surely, trust, however defined, is in short supply, especially in virtual teams. 81 percent of virtual teams report that trust is an issue. In addition to distance, there is limited communication, limited opportunity to engage emotionally, and rare exposure to "real experiences" on virtual teams. This increases the probability of miscommunication, misunderstanding, and misalignment—all important preconditions for trust building in a team setting.

Rather than abstractly defining trust, let's take a quick look at the behaviors that trust denotes. We refer to these behaviors as *The Four "A's" of Building Team Trust:*

Able—Can we do it?

• We have the skills and experience to perform or the vulnerability to ask for assistance when needed.

Authentic—Are we transparent?

• We are candid, straight, and honest with each other; we have the integrity of action and word to say what we mean and mean what we say

At stake—Do we have each other's back?

• We have the shared belief that we can depend on each other to achieve a common purpose; we have one another's back.

Accountable—Do we do what we promise?

• Our word is our bond, and we always do what we say we will do, or we recontract with each other when we find that we can't do as promised.

Integrity, consistency, wanting others on the team to win: These are the essential elements of trust. In our "Accelerating High-Performing Virtual Teams" program, we run an initial trust-building exercise that focuses on the four A's. We ask the team: What behaviors/examples can you provide of best practices for each of the four A's? What behaviors are most important—and why? What does consistency and integrity look like in the context of the team? What's the tipping point of trust, where you can say, "Yes, I trust the other members of my team?"

No question, conflict can be a trust builder or destroyer, depending on how well it is managed. A virtual team that has been through an

alignment has a substantial advantage here. It is committed to a culture of transparency and accountability, supported by protocols governing how team members engage with one another. This allows virtual team members to anticipate with a fair degree of certainty how their colleagues will behave in a variety of delicate situations, from decision making to conflict management to giving and receiving feedback. Consistency might be the hobgoblin of little minds, to paraphrase Ralph Waldo Emerson, but on virtual teams it is an important trust-building virtue.

3. Avoid Technology Trauma.

Let's face it, technology can be challenging, even frightening, especially for executives of a certain age. You can master today's technology and still be obsolete tomorrow, if you don't keep abreast of developments. Meeting phobia is a common syndrome; add technology to the mix, and you're apt to wind up with meeting dread. This makes it imperative to ensure that everyone on a virtual team has the knowledge of the technology being used and is comfortable using it. Providing education is a must. And, since software is enhanced frequently and new tools are routinely added, education should be treated as a continuing process, not a one-time event. Most software companies and internal IT departments have experts that can train the team on how best to use communication and collaboration tools.

As in making any decision, it's important to first focus on the team's objectives before choosing the technology platform. What do we want the virtual team to accomplish and with what level of interaction? What type of technology will best meet these objectives? What specific tools are available—Microsoft Outlook, Skype, WebEx, Adobe Connect, etc.—to enhance team interaction? It sounds self-evident, but be sure that everyone on the team has access to the technology and tools.

Effectively managing virtual teams is a work in progress. As technology evolves and business needs become more complex, all of us, clients and consultants alike, must remain open to the possibilities and be prepared to adapt or be left behind. But in a world of fast-paced change, it is good to remember that whether you're in a face-to-face or virtual team, the horizontal, high-performance team model remains sound and can serve as a basis for effectively meeting whatever challenges lie ahead.

Click here for a description of GDS's new "Accelerating High-Performing Virtual Teams" program.

From a Consultant's Notebook

Jim Northrup

Here are the field notes from an intervention led by Guttman Associate Senior Consultant Jim Northrup.

Presenting Situation

A diversified manufacturing organization with a global footprint made an acquisition....Decided to eliminate redundant operations in the newly purchased plant....Acquiring company projected streamlining would take a year-and-a-half to complete.... Big question: How can management of the to-be-shuttered operation maintain employee commitment, teamwork, capability, performance, product quality, customer service and safety— despite employees knowing they would eventually be terminated? Management of the operation also slated for replacement.... Needed outside consultant to manage the HR function.

Charter for Guttman

Consultant met with plant manager, who said, "Neither I nor anyone on my leadership team ever had to close an operation and keep it up and running for an extended period. Help!" Also met with acquiring company leader who wanted a senior HR consultant to come in and manage the function and help wind down the operations: "Just get the job done!"

Process

First interviewed each member of the plant's leadership team, plus relevant leaders of acquiring company.... What are the three most important objectives to achieve? What are the three biggest obstacles? How will this play out?....Concluded that leader of the acquired company was team oriented and capable....Ditto for his team....Found they were unsure of what to do....They knew either all must pull together or fall apart....Step two: needed to probe all employees....Would they stay until no longer needed? Any concerns? Are they being treated effectively? How engaged are they?....Conducted survey and department heads led focus groups with departments other than their own....Treasure trove of information gathered...Able to assess risk profile of each employee: Would they remain or leave? Would they be willing to assume other responsibilities? What were trust levels? What would motivate them? Data next linked to the unit's production needs, safety requirements, warehousing, purchasing, etc....

A profile of current "as is" developed, along with projections covering 18 months....Then formulated a strategic communication plan....Included first sharing with everyone survey results, shutdown schedule for each product, and progress toward goals.... Also, "all hands" monthly meeting schedule put in place, with template for department heads to communicate status of their area. Organized weekly e-mails from the business leader, weekly departmental meetings structured, and provided department heads with updates to share with colleagues. Enabled department heads to show up as "leaders in the know"....Also brought in outside experts: New Jersey Department of Labor to discuss benefits, training firms to talk about professional development, reps from corporate to discuss possible job opportunities within the acquiring company, and outplacement support.

Results

The plant achieved the best safety, quality, and customer service record of any facility within the world-wide operations of the acquiring company....As each area in the plant closed, people left with dignity—with a party, outplacement support, and a generous severance....Morale lifted for those remaining. Eighty-five percent of employees stayed until their area shuttered.... Acquiring company experienced a "synergy lift"....Plant asked to delay closing to provide additional manufacturing support....Also, plant made a bottom-line contribution 45 percent over plan.

Key Insights

To increase productivity, start with good data about the current situation—which is what employee surveys and interviews helped to achieve. Focus on three elements: Treating people fairly, equitably, and mitigating their sense of risk; fostering a belief that their jobs have meaning and that they will be rewarded for achieving them; providing a work environment in which relationships are warm and authentic. Develop an action plan, including how best to involve employees and communicate to them....This helps build trust.... It's a winning formula, whether you're shuttering a facility or preparing it for growth.