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Developing A World-Wide Corporate Culture

Tom Helton and Nancy Snyder
Whirlpool Corporation

Whirlpool was founded in 1911 in Benton Harbor, Michigan. The company currently has world-wide sales of \$7 billion and 40,000 employees. The number of employees at Whirlpool increased by 40% after it acquired an appliance division from Phillips N.V. in 1989. The current C.E.O. is David Whitwam who has a marketing background and is a twenty-two year veteran of the company. He believes that a company has to create its own future or one will be created for it.

An analysis of the global appliance market suggests that Whirlpool faces significant challenges in producing products for different cultures with different food preparation habits. The domestic market is flat, so most future growth is expected to occur offshore. The East European market has attractive prospects as does Asia. Whirlpool has to learn how to compete against new players such as Electrolux in Europe and Matsushita in Asia. It has undertaken joint ventures in Brazil and Mexico, India and the Pacific Basin. The challenge facing the C.E.O. was to develop a company that could compete globally even though few Whirlpool managers had ever travelled abroad before 1989.

The C.E.O. turned to Howard Perlmutter of the Wharton School to help him plan an international conference of senior Whirlpool executives. Perlmutter is an expert in the globalization of business and had recently conducted a broad-based survey asking executives about the "transnational" corporation of the twenty-first century. The Whirlpool international conference (known as the Chairman's Leadership Conference) was held in Montreux, Switzerland in June 1990. One hundred and forty senior Whirlpool managers from all parts of the world attended.

Tom, Nancy and Howard Perlmutter started planning for the conference nine months in advance. The overriding goal was to create one company culture. The 140 managers were to be accountable for taking steps toward creating the common culture. They were to take steps to create, communicate and disseminate the company vision world-wide. The C.E.O.'s vision included growth and leadership in all industries, competitive advantage through competence and quality, a market-driven orientation, and strong relationship with shareholders.

All invited managers were interviewed in their native languages by experienced interviewers in their home countries before the conference started. Their ideas were solicited on how to manage the conference and what would contribute to the creation of a common company vision. The conference lasted for eight days. Following Perlmutter's advice, Tom and Nancy planned the conference with a lot of attention to detail. For example, the managers were given seating assignments at meals to encourage interaction and minimize what Perlmutter called "cultural cocooning." Globalization, in his view, is ultimately person to person. A daily newspaper was produced overnight for distribution each morning. It included a summary of events of the previous day and plans for the current day. Two anthropologists wrote stories about cultural exchanges among the people present.

The conference was divided into four major parts. Part I reviewed what each separate company was like before the mergers and joint ventures. The purpose was to show some appreciation and respect for cultural differences before integration takes place and to provide a common framework

for what has happened to date. Part II was led by the C.E.O. and focused on the company vision. Part III lasted for three days and involved the C.E.O. and five members of Whirlpool's executive committee leading a series of workshops attended by thirty to forty managers each. Tom and Nancy worked with the executives on content and process issues before the workshops began. These workshops focused on different competitive issues. One of their major tasks was to generate ideas for projects to aid globalization. Two hundred such ideas were generated. Part IV of the conference involved selection by the executive committee of fifteen ideas for projects to be led by cross-functional and cross-national teams. Reports on the project's recommendations were due in one year or less. The reports were submitted and many recommendations were implemented.

Questionnaires were administered before and after the conference to inquire about how well the vision was understood, how strong was belief in change, etc. Significant differences were found before and after the conference.

Whirlpool held a second conference in June 1991 in Washington, D.C. that lasted for four and a half days. The C.E.O. broadened the company's objectives to include being in the top 25% of all companies on return on equity regardless of industry. The conference focused on leadership. A third conference is being planned for 1992.

Global Development of Human Resources

Nan Sheppard

G.E. Medical Systems/General Electric Company

GEMS competes in markets in the Americas, Europe and Asia. Each of these three regions or "poles" designs, manufactures and sells its own products. Basic research is conducted in Schenectady, New York. GEMS is number one in market share in magnetic resonance (MR) and in CT scanning. It also has a strong presence in nuclear and ultrasound. The X-Ray was GE's first major product, but faces strong competition in Europe, e.g., Siemens. GEMS undertook joint ventures in Japan (Yokigawa Medical Systems), India, Beijing, Mexico and Russia. It also acquired Thompson C.G.S. in 1988. GEMS now has 58% of its sales outside the U.S. Less than five years ago, it had 20%. During this time, it went from competing in five countries to fifty-five countries and increased net income by 300%.

GEMS mission is to become the world-wide leader in electronic imaging. Its leadership strategy includes participating in and being first or second in all its markets. To do so will require competing without a major technological breakthrough beyond MR for several years. This means competing by continually upgrading the existing technology, focusing on financial services, etc.

Nan reported on the human resource plan that was to support the GEMS mission. The HR staff worked with fourteen senior executives to define the meaning of being in a global business, to foster cross-boundary cooperation across poles, to respond to local needs, and to develop core business values. The staff and executives articulated three levels of "globalness" that they wanted to encourage. First, global awareness, is being able to understand and communicate with persons from another culture. Second, global participation, is becoming a member of a cross-cultural project team. Third, global mastery, is accepting an overseas assignment for a year or more.

GEMS held its first Global Leadership Program in 1988 and subsequently held three more in 1989, 1990 and 1991. The GLP objective is to create global awareness among managers. At the meeting, fourteen senior executives selected six or seven persons for each of seven teams. The senior executives brainstormed about potential globalization issues and settled on seven. The seven projects concerned critical issues and the assignments were considered achievable within six months. The persons were selected so that the teams would have good cross-functional and cross-national representation. All persons selected were critical players in their respective organizations and undertook their assignments in addition to their regular jobs. A senior executive sponsored each project, but did not participate regularly in its work.

At the start of their assignments, all seven teams met for a five day workshop. Each team was assigned an external process consultant who led cross-cultural or team-building exercises. Temporary teams of managers from different functions and poles were formed to encourage cultural awareness. Each permanent team developed a mission statement and an implementation plan and related them to its sponsoring executive on the fifth day. If the executive approved, the team was given a budget, which included funds for travel, videoconferencing, and external consultants.

A mid-course workshop was held after three or four months to assess progress. Teams received feedback from peers and, if applicable, diagnosed their lack of progress. A final workshop was held after six months. Teams gave written reports and made twenty-minute presentations to senior executives and other GLP participants. The team members then met with the pole managers who were expected to implement the plans. Some negotiation took place at this time. If the pole managers bought-in to the plan, then the Senior VP (Business Leader) generally supported it completely or at least partially. Sometimes plans were rejected.

Two hundred managers have now attended four GLPs and produced twenty-eight projects. At first, the objective of the GLPs was to create global awareness and speed up the development of a global culture. However, the projects have become an effective problem-solving mechanism and are now tackling increasingly more difficult problems. GEMS has decided not to hold a GLP in 1992 in order to take stock of progress to date and to develop some measurement tools to assess the effectiveness of future meetings. However, there is a strong impression that the GLPs have had a positive effect.

Middle Management: A Strategic Target for Change Through Leadership Development

Neil Sendelbach
Ford Motor Company

Ford recognized that the development of middle management was critical to its transformation. It already had programs for its executive management (Executive Development Center), first level supervisors and staff (Human Resources Development Center) and hourly workers (UAW-Ford National Education, Development and Training Center), but had nothing for its 3000 middle level managers. Focused interviews with middle managers made it clear that these managers were facing a challenging new environment and that the scope of these manager's responsibilities and skill requirements were continuing to increase. Specifically, they need a broader, cross-functional orientation as Ford moves toward a product-based organization.

In response to these challenges, Ford's Employee Relations Staff created the Leadership Education and Development Program (LEAD). Senior executives were shown data indicating the need for the Program and were asked to assign an executive to the Executive Operating Management Steering Committee of the Program. This would signal that the Program had line commitment and was not solely a staff initiative. A partnership with the University of Michigan was established to carry out ongoing research on topics related to the Program.

The Program goals were to help middle managers develop leadership skills, develop a cross-functional perspective on the company's strategic issues and direction, provide an understanding of middle management's roles and responsibilities and a framework for continued personal/professional development, and, finally, move beyond awareness and understanding to application and implementation.

Ford targeted 3000 managers world-wide for its program. Middle managers are defined as those beyond a specific "salary cut" (first bonus level) in the company. These persons include all operational and staff areas, individual contributors responsible for major projects, supervisors responsible for an area of fifty people, etc.

The Program consists of a five and a half day core session where Program concepts are presented and discussed. Managers are expected to apply the concepts on the job for six to eight months following this session. A two and a half day follow-up session is then held during which managers reflect on their experiences for both individual and organizational learning. Seven teams of seven managers (forty nine managers) attend the program at one time. Attention is given to the optimal cross-functional and cross-national mix of the teams.

Neil discussed the content of the core and follow-up sessions. University faculty provide concept development, while executive management provides context and credibility. There is an emphasis on self-diagnosis of value preferences and learning styles. The content focuses on overall corporate strategy, customer focus, quality and continuous improvement. The focus always remains on application and implementation back in each manager's organization. Each manager chooses what change initiatives he or she wishes to undertake back-home, but managers are encouraged to develop networks with other participants for support and ideas.

The follow-up session focuses on the managers relating their implementation experiences. They share implementation successes and express frustration about unsuccessful initiatives. They often find their problems are similar to those of managers from diverse cultures. Where possible, they are encouraged to contact managers at higher or lower levels to help them implement and maintain change.

About 2400 managers have now participated in the program, which will be completed in 1993. Ford is pleased with the payback in initiatives undertaken, but cannot quantify it. Their focus groups have been very positive, however. They have learned that the program is most effective when managers can implement their changes in the context of key strategic company issues. Middle managers can play a vital role in implementation, especially in a dynamic environment that can change significantly during the six months between the core and follow-up programs. Ford continues to work with the University of Michigan to undertake extended studies about how individual change

and learning occur. Empowerment is one of the program's key concepts. Neil showed conceptual models that help to understand the development of empowerment and its facilitators and barriers. He also indicated what Ford expects from empowered managers.

Leadership Development: A Catalyst for Organizational Transformation

Bill Boynton
AMP Corporation

AMP understood five years ago that what had made it a successful company in the past was going to change in the future. As a result, senior management formed a task force to develop a "Corporate Plan for Excellence." Bill was a member of that task force. AMP had concentrated on the quality of its product in the 1980s and wanted to concentrate on the quality of its people in the 1990s. The members developed a corporate division statement on quality for everyone to share. Its values were based on the Malcolm Baldrige quality criteria. Leadership was one of the seven Baldrige categories that became the basis for more detailed focus. The task force developed the statement about quality through leadership that senior management liked, i.e., "through leadership, planning and personal involvement of corporate management and employees at all levels will create and sustain an environment in which our journey to excellence will flourish."

Management supported several quality initiatives. Twelve hundred employees discussed leadership concepts in four hour sessions over three months, i.e. "Excellence Awareness." External consultants were hired to help managers develop a customer focus and to reduce cycle time through value-added management. Leadership, supervisory and other types of human resource training were provided. A Corporate Quality and Excellence Award was established for manufacturing and services. A Career Alignment Path was created to offer advancement opportunities for technicians who do not necessarily wish to become managers.

Bill discussed several definitions of leadership, but Stephen Covey ("The Seven Habits of Highly Effective People," "Principle-Centered Leadership") and Peter Senge ("The Fifth Discipline") have had the most influence of AMP's leadership initiatives. Bill emphasized the distinction between management and leadership; management relates to order and stability (planning, budgeting, resource allocation), while leadership relates to change (vision, continuous learning, organization development, innovation). Both are needed, probably by providing teams with a balance of people with different types of competence. It is unlikely that one person has equal competence in both.

Bill discussed Covey's four levels of leadership development. It begins at the personal level where each individual must examine his or her own basis of competence and integrity so that he or she becomes trustworthy. Individual trustworthiness is a prerequisite to success at the interpersonal level, which thrives on openness and caring for others. Empowerment is fostered at the managerial level and is built on success at the personal and interpersonal levels that precede it. Empowerment means real delegation of decision-making and giving up some control. The highest level of leadership is alignment in which all employees share a vision of where their company is going.

Bill also discussed individual leadership (self-mastery, self-management, character development as well as purpose and direction) and organizational leadership (strategic planning, systems or holistic thinking, a multifunctional perspective and shared value base).

AMP has exposed two divisions to the above concepts and has asked them if this is what they want to support and implement. The feedback from these two divisions has been good. While Bill likes Covey's concepts, he is not sure what is the most effective mode of implementation, e.g., work with divisions simultaneously or serially. Bill has responsibility for the company's engineering rotation program and has exposed newly recruited engineers to these concepts.

The most fundamental premise of the AMP approach to leadership is that everyone in the corporation must develop leadership capabilities. It is not a program for a selected few. The focus starts with building individual self-confidence in one's capabilities for learning and mastery before proceeding to the interpersonal and organizational levels. Change starts with dialogue and raising consciousness among individuals and teams.

Developing and Managing an Empowered Work Force

Jerry Rowland, Harold Shoemaker, Terry Jordon and Aaron Richardson

Sara Lee Knit Products

Sara Lee Knit Products is part of the Personal Products Division of Sara Lee Corporation. Its brand names include Hanes, Bali, and L'Eggs. The Division currently has \$1.5 billion in sales, which is the largest among Sara Lee's divisions. It has 70 operations in the U.S., the Caribbean Basin, Central America and Mexico and employs 25,000 people, 11,000 of which are Spanish speaking. Sales have grown from \$400 million in 1985 to \$1.5 billion at present and are projected to grow to \$3 billion by 1996. It is the largest consumer of cotton in the United States.

Jerry covered the history of job and organization design from Taylorism and Weberian bureaucracy to self-directed, multi-skilled, and empowered organizations. The principles underlying the current paradigm include handling variances at their source, developing multiple skills and interdependent roles, and providing information where action and problem-solving occurs. The work team is the primary building block of the new organization; it works autonomously and is linked directly with suppliers and customers. Some of these systems fail unless all parts of the system are changed simultaneously. An important dimension missing from many design efforts is a basis for "bonding" with others as members of a group or community. This plant has devoted a lot of effort to creating opportunities for bonding.

Sara Lee refurbished an empty Burlington Mills plant in Mountain City, Tennessee, which has a population of 1,500. The plant (575,000 square feet) was rebuilt in September 1990 and shipped its first product (yarn) to customers (internal) in February 1991. The plant was producing at full capacity by February 1992. This start-up occurred in about half the usual time. Its manufacturing technology is state-of-the-art (computer-integrated), some of it is proprietary equipment and operates 25% faster than any in the world.

Two hundred and ten "associates" are employed in the plant. There are three rates of pay (\$7, \$9 and \$11) for three different job classifications. Everyone within a job classification receives the

same pay, so there is no progression within a classification. Associates are paid a salary, but are paid time and a half if they work more than 40 hours a week. Three percent of their pay is based on how their product performs in their customers' plants. Up to 10% of their pay can be performance-based and is payable once a month.

Jerry also wanted to emphasize the distinction between "discretionary effort" and "controllable effort." Discretionary effort occurs any time an employee is thinking about how to improve performance in the plant. It is beyond what is required in any job description and can occur at home or at work. It is driven and guided by a vision of doing something that is worthwhile for its own sake or, in Jerry's words, is "noble and worthy." The kind of commitment that is generated by such a vision is the only true basis of competitive advantage. It is an advantage based on human capital, not technology.

The design principles were established by a plant-wide steering committee and the plant design was carried out by a Plant Design Team, which consisted of line managers. World-class standards are a moving target, but this plant produces the highest quality yarn in the world as measured by the coefficient of variation of its process. They have benchmarked their best competitors and have searched the world for the best suppliers with whom to form alliances.

The selection process lasts for thirty-one hours. It starts with a three hour long personal interview, which is conducted by four persons. The interview is followed by a four hour assessment center, which includes exercises that are observed by six persons. They look at task behaviors and social behaviors. Twelve candidates are assessed at the same time. The candidate then takes a series of personality profile tests. A drug test and other medical-related tests are also completed. Twenty-five hundred persons applied for jobs at the plant, 347 were selected for interviews and testing (by education, region, age and sex) and 211 were ultimately hired. About half of those hired had worked at the Burlington plant previously. Newly hired associates are given business cards. Phones are available for associates to make personal calls if their jobs are done. There are no reserved parking spaces in the parking lot.

Each associate receives eight hours of training a month. Over one hundred hours have been provided per associate since start-up. The focus of training so far has been on mandatory technical and team-related skill development. The plant expects to offer voluntary training for those who wish to better themselves, but have delayed offering this before now due to the start-up. The plant offers a course taught by NC State on the basics of yarn manufacturing and a course in "Methods for Improving Quality" (MIQ), which is taught by UNC faculty.

The plant operates 24 hours a day, seven days a week with two 12 hour shifts. The pattern is four days on, three days off, then three days on, four days off. The plant has less than 1% absenteeism and relies on the teams to reprimand chronic absentees. Such persons are required to write a plan of action as to how they expect to reduce their absenteeism. If they do not abide by their plan, they are subject to dismissal. Aaron thought that the teams were quicker to act on absenteeism than management and stricter in their reprimands.

There are four advisors in the plant or about one for every fifty workers. The advisors are supposed to seek improvements and encourage workers to do the same. These positions are considered transitory and will be eliminated as the plant matures.

"Operation Customer" is a recent initiative in which team members visit five of Sara Lee's most valuable customers. Team members will be assigned to customers and visit them four times a year to ask them about quality and listen to any complaints.

Empowerment is manifested through several committees. The Core Team, consisting of seven associates, the operations manager and personnel advisor, has responsibility for making plant-wide policies as they are needed. The Associate Review Panel, consisting of one associate representative per shift, reviews cases of chronic absenteeism and decides how to deal with offenders. A Job Vacancy Committee screens potential candidates for team membership.