

# Leadership development in the fast moving consumer goods sector

## Industry

Fast Moving Consumer Goods

## Diagnostic Tool

Life Styles Inventory™ (LSI 1 & 2)

## Total Staff

100

## Country

South Korea

## Introduction

The subject of this case study is a highly respected United States-based multinational company in the non-food segment of the FMCG industry. This company had been operating in Korea for 30 years, starting as a small representative sales office but transitioning into a medium-sized stand-alone subsidiary via organic growth and acquisition. Following the departure of the local general manager soon after the Asian economic crisis in 1997, a succession of unsuccessful expatriate general managers had left the company in somewhat of a crisis – poor business results, low employee morale and almost non-existent processes driving up employee turnover. Starting in 2005 the company used Human Synergistics' LSI 1 & 2 to support the recently appointed general manager assess his leadership behaviors and their impact on his employees.

## The Challenge

The challenge for the new expatriate general manager arriving in the latter half of 2003 was to lead a successful and sustainable turnaround in business results, and also to establish an organisational culture which was acceptable to both the local employees and the parent company head office.

## Key Issues

Although the FMCG industry is characterised by rapid and continuous change, this particular business was faced with some additional factors, which could have easily distracted a less-focused leader from the turnaround goal. The primary issues of note were:

1. Inappropriate business practices forced the replacement of 3 out of 6 department heads within the first 18 months
2. Closure of the local factory due to regional consolidation resulted in the outplacement of 25% of the local staff and a 40% increase in raw material costs on 70% of its business
3. A global restructuring required the downsizing of some key departments (Marketing, Finance, Supply Chain) by 20-30%

4. External market factors affected all of its key categories. Climate factors impacted the seasonal category, which represented two thirds of sales and 80% of profits. Irresponsible media reporting reduced the size of its second largest category by 40%, and increased competitor activity affected its third largest category (the number of serious competitors increased from two to seven within a 12-month period)

The critical issue was that, in spite of all of these negative factors, the United States headquarters still expected the local subsidiary to increase sales, margins, and net profits. There was a critical need to improve employee motivation, commitment to results, and productivity within a very short time period.

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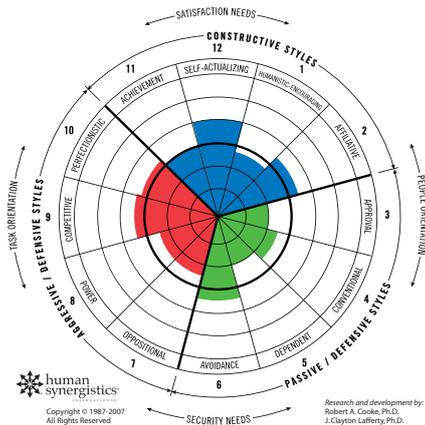


Figure 1 – LSI 2005: Feedback from Others

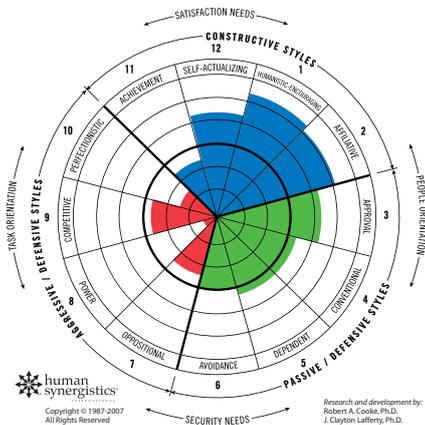


Figure 2 – LSI 2006: Feedback from Others

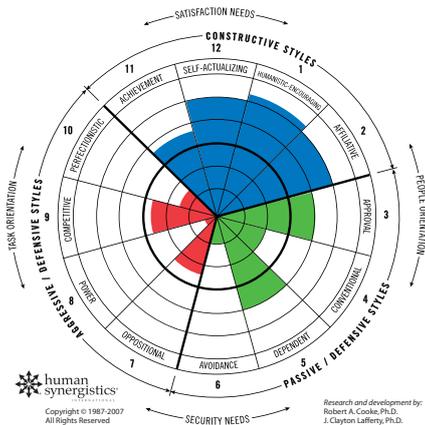


Figure 3 – LSI 2007: Feedback from Others

## Process

It was decided that the best way to achieve an increase in productivity would be via a companywide, top-down approach to enhancing the leadership skills of the relatively newly formed leadership team and creating a constructive and performance-focused environment throughout the organisation. Critical to the success of driving change within the whole organisation, however, was for the new general manager to be accepted and respected as the change catalyst. In order to initiate the change process and keep the momentum going, the general manager combined the use of LSI with behavioural coaching for the management team to follow through on leadership change.

## Outcomes

By early 2007, two years into the change process, the results were quite remarkable:

- 32% increase in sales per employee
- 80% increase in profit per employee
- 30% increase in profit margin
- 15% reduction in overhead expenses

## Measuring Leadership Styles and Managing Change

Human Synergistics' Life Styles Inventory™ 1 & 2 (LSI 1 & 2) were used to measure the general manager's perceptions of his current leadership styles and behaviours, and to provide him with feedback from other members of the organisation on his leadership styles. The LSI-1 is a self-report survey that measures thinking styles, and the LSI-2 is a feedback-from-others component that measures behavioural styles. LSI results are presented on a circumplex and the twelve behavioural styles that are measured are divided into three styles: Constructive, Passive/Defensive, and Aggressive/Defensive. Both LSI feedback results were used to create development actions to build a more constructive and successful leadership style for the general manager, which he could cascade down throughout the organisation. The general manager's baseline LSI-2 results are shown in Figure 1.

## Phase 1 – Diagnose direction for leadership change

At the beginning of the change process, the general manager had a primary style of Self Actualizing (style 12) and a back-up style of Avoidance (style 6) (1st and 2nd highest extensions see Figure 1). On one hand the general manager was perceived as Self-Actualizing, which was understandable based on his grounded personality, self-confidence, optimism, personal integrity, being respected by others, and use of discerning judgment. On the other hand, his Avoidance style was high as well. People wanted him to engage stronger in execution while taking calculated risks and supporting new ideas.

Based on the above analysis and the general manager's natural people orientation, his initial leadership change focus was 'Coaching and supporting others to achieve their objectives' and 'Being more entrepreneurial in his behaviour'. This would consequently reduce the Avoidance style and increase the Humanistic-Encouraging style which should also lead to him and others achieving better results.

## Phase 2 – Measuring change and increasing impact

One year into the change process the LSI was administered again to review progress and the LSI of the general manager showed remarkable and measurable changes. Figure 2 shows the manager's 2006 LSI-2 results. His primary style had shifted to Humanistic-Encouraging (style 1) and the back-up style was Affiliative (style 2). Overall a significant increase in Constructive styles of people management, which had now become his dominant leadership style. Also noticeable was a strong reduction of the Avoidance style. His continuous focus on 'Coaching and supporting others to achieve their objectives' and 'Being more entrepreneurial in his behaviour' had produced the intended results as people experienced his strong engagement and support. The general manager had initiated (bi)weekly 1 on 1 empowerment meetings with each direct report to review business issues and action progress.

The behaviours associated with the Humanistic-Encouraging style include

being supportive, motivating others, and being patient. In addition, the general manager's secondary, or back-up, style was the Affiliative style, which drives behaviours such as being friendly, warm, and trusting.

However, in order to further improve the business results, it was clear that the Constructive style of Achievement needed reinforcing to increase the level of motivation and commitment to results within the organisation and to create a truly performance-based culture. Some of the Passive/Defensive behaviours, such as Conventional and Avoidance, would also have to be reduced further to meet the extreme business and organisational challenges (e.g., take some calculated risks and try new things).

Based on these initial findings, the general manager set in motion a series of initiatives focused on improving his leadership behaviours and their resulting impact on the organisation. These included:

- Focusing on increasing his Achievement styles by receiving regular feedback from his direct reports on his efforts to engage in specific leadership behaviours related to enhancing the Achievement style.
- Focusing on increasing Achievement styles by increasing the focus on results. Streamlining company objectives and goals and increasing their visibility and understanding throughout the organisation resulted in a concentration of processes and an increase in employee engagement. Simple and easy-to-understand measures and reports around every company objective and monthly feedback on progress toward company goals were given to all employees. Quarterly employee meetings were held to present results, strategies and action plans to engage all employees on the business initiatives.
- Focusing on decreasing Approval and Dependence styles by increasing the level of empowerment throughout the organisation.
- Encouraging increases in Achievement through the addition of a number of employee reward and recognition programs, led by the general manager. A combination of results-oriented rewards and behaviour-based incentive plans across all departments and all levels were implemented.
- Focusing on decreasing Competitive behaviours, which showed up as dominant style in most of the LSI results from the people reporting to the general manager, the logic being that the "competitor is outside and not inside." Spending more time with customers, suppliers, and the sales teams to get direct feedback on the business environment not only ensured that the company's own initiatives were realistic and appropriately targeted, but also promoted a team collaboration. Customer/field visits for all department directors was also put into practice.
- Improving the general manager's already strong Affiliative and Humanistic-Encouraging styles by implementing employee coffee mornings, which were monthly opportunities for cross-functional groups of employees to meet with the general manager on an informal basis to talk about key topics, share views and opinions, and to suggest new initiatives.

### *Phase 3 – Continuous improvement – You can manage what you can measure*

In 2007, two years into the change process, the company administered the LSI 1 and 2 again, to review progress and determine further leadership change requirements for the general manager. The LSI-2 circumplex is shown in Figure 3.

Particularly illustrative for the general manager was that the 2007 LSI circumplex showed increases in Achievement and Self-Actualizing styles (driving for results in a Constructive manner), whilst retaining already strong scores on Humanistic-Encouraging and Affiliative. Also, the Avoidance and Conventional styles showed considerable reductions, which indicate increasing levels of empowerment and engagement within the organisation. However, the Dependent style increased somewhat, which may imply that some people saw a number of the new initiatives as being part of a structured approval process rather than open forum for discussion and problem-solving.

The LSI-2 results reassured the general manager that the process of eliminating non value-adding activities, enhancing some good but under-performing activities, and adding a small number of new activities really guided the employees' behaviours and the business results started to reflect this.

The general manager further modified the successful initiatives, programs and processes that had been implemented. The general manager also took steps to enrich the empowerment process in order to reduce his own Dependent behaviours, as well as those of his direct reports and other organisational members.

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## Conclusions

1. The LSI provides insight into leadership behaviours in a relatively simple and easy-to-understand way, which means that managers can readily see the results of the actual changes they make over time. The LSI circumplex provides a comprehensive visual image which is easy to understand and easy to retain as a mental picture of where leaders are and where they need to change.
2. The reliability and validity of the LSI, along with the availability of norms makes it easier for leaders to accept constructive feedback, and helps them move beyond internal or other subjective types of benchmarks for behaviour. Despite radical changes in the business environment, the LSI tool helps leaders focus and stabilize, such that the manager can focus on the key leadership behaviour changes and accurately measure the degree of change over time.
3. The circumplex is almost the psychometric equivalent of a leadership Profit and Loss Statement or a Balance Sheet; it is a one point in time, accurately measured reflection of actions which have taken place. And much like these financial documents, it really acts as a formal confirmation of what the manager feels in his gut has taken place – it accurately reveals the scale of the change.

## Appendix

In addition to the General Manager's annual LSI process, all department heads participated in LSI programs of their own, and the company conducted regular culture and effectiveness surveys using Human Synergistics' Organizational Culture Inventory® and Organizational Effectiveness Inventory™ to measure the behaviour styles, norms, systems, and outcomes throughout the organisation. A number of key initiatives were implemented with high confidence because of the consistency of results achieved at the individual and organisational levels. This really enabled the leadership of the organisation to focus on the most critical and urgent needs for the whole organisation, as well as structuring improvement programs for individual managers. This ensured that all these initiatives converged in win-win results.

## Author's Profile

### Willy Linssen – Heartware

Heartware specializes in corporate training, assessments and executive coaching. Our work with organizations focuses on strengthening their performance and creating sustainable business results. We utilize research based tools that engage and motivate people, inspire sustained change and measurably improve individual and organizational performance.

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