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ORGANIZATION PRACTICE

“Flying people, not planes”:

The CEO of Bombardier on building
a world-class culture

Bruce Simpson

Pierre Beaudoin explains how a company driven by engineering goals learned to focus on customer expectations, teamwork, and continuous improvement.

Canada's Bombardier was founded in 1942 to make snowmobiles and similar equipment. Today, it makes trains and airplanes and is the world's number-one train manufacturer and number three in civil aircraft.¹ The company's revenue and stock price have held up during the downturn. Over the past couple of years, it has significantly boosted its investments for growth, most notably an entirely new airplane design: the CSeries, a transcontinental commercial airliner with significantly lower emissions and running costs than existing planes have.

Pierre Beaudoin, CEO and president since 2008, attributes the company's resilience in large part to its culture. He led a complete transformation of that culture over much of the past decade, beginning as president of Bombardier Aerospace. The transformation changed Bombardier from a company driven by engineering and manufacturing goals, with deep cultural divisions, to one focused on customers, an engaged workforce, and continuous improvement.

Beaudoin talked with McKinsey's Bruce Simpson at the company's Montreal headquarters about how he persuaded engineers to pursue "soft" goals and discussed the business value of implementing them.

The Quarterly: *You became president of the Aerospace Division in 2001 and very quickly began a transformation. What was happening?*

Pierre Beaudoin: For us, 2001 was a very challenging year. Obviously, 9/11 was a shock to the airline industry. But, in that same year, we also made a huge acquisition in rail transportation—Adtranz from DaimlerChrysler—more than doubling our size, and as part of our Recreational Products Group we bought the Evinrude and Johnson brands.² So we had a year of expansion and, at the same time, we had a year where the business slowed down. The result was that a lot of the rocks came to the surface in terms of Bombardier's capabilities and structure.

We'd gotten into the aerospace business in 1986, and we grew rapidly from about 12 aircraft a year to about 400, going from a small player in the industry to leading in the business aircraft and regional-aircraft segments. To do that, we had organized as functions rather than business units, and responsibilities were not clear across the organization. This served us well for the growth period because engineers designed products, manufacturing people manufactured—we had very strong functions that gave us a lot of focus. But we forgot about the customer and about delivering a good experience overall.

So in 2001, we had an organization that was very proud of being number one and had all kinds of metrics to measure why we were very good. But when we talked to our customers, they were saying we weren't very good. And when business slows down and you've got issues, you're going to have to fix them.

The Quarterly: *What led you to focus on culture?*

Pierre Beaudoin: Everyone in management recognized we had a problem but insisted it wasn't in their department. So my leadership team and I quickly realized that the division would be very hard to transform if we only focused on fixing this piece of hardware or fixing that system, because the people in the system thought that what they were doing themselves was working well.

One of the important initiatives that helped me understand how to talk about the problems was surveying our employees. They were telling us that we're very focused on hardware. But I knew that the customer doesn't really care about the hardware; he cares about his flight. We had employees explaining that the customer shouldn't really care if the video didn't work [as long as] the plane actually flew. But if the number-one thing for the customer is the experience he gets in the cabin, who are we to tell him he's wrong? We needed employees to understand we were flying people, not planes.

¹ These rankings are calculated based on a mix of existing orders for equipment (such as rolling stock, locomotives, and systems), combined with revenue from maintenance, signaling equipment, and other services.

² Bombardier later sold its Recreational Products Group, in 2003.

“If you want to make a change, you need the people who are willing to make themselves vulnerable, who are willing to learn, to work in teams, to promote the leadership skills that we agree are important.”

Our employees also said it was very hard for them to support where the company was going because they didn't know what we really valued as an organization. In fact, we'd asked our employees what objectives they thought we valued, and although we had very big strategic plans, nobody could answer the question. For any team to pull in the same direction, it has to know what you're looking for and feel a connection.

At the management level, there were cultural problems too: the culture was about avoiding putting facts on the table. All the goals were defined so that management would feel pretty good about its performance; we'd go to a leadership forum and spend three days telling each other why we were good. And if a person brought up a problem, someone else would say, “Yes, but you didn't really understand the issue properly; we're actually really good.” It was a culture of not facing up to issues, of blaming another department.

In addition, there were a lot of silos. People were focused on their own tasks. And it was a culture where we valued the “firefighter,” the person who would step on everybody but get the job done in a crisis. There was very little teamwork.

The Quarterly: *How did these insights help you shape the transformation?*

Pierre Beaudoin: We've all seen quick turn-arounds in companies where they got good results in the short term by doing some very drastic things. You can cut R&D, you can cut expenses, that's easy. But when you're building a business like aerospace, which is all long-term stuff, if you cut corners then you're going to pay for it later. A culture change takes a little bit more time up front, but, once it starts moving, then it moves even faster because more people are engaged. So it was a bit of a leap of faith, but we thought it would be worthwhile.

So once we identified the problems, we specified three priorities and four leadership skills to address them. The priorities were creating a rewarding and safe workplace, providing superior customer service, and reducing waste in everything we do. On the leadership side, the skills were people first, teamwork, continuous improvement, and drive for results. In the longest term, we set a goal of becoming world class in all of our operations.

The Quarterly: *How did you begin?*

Pierre Beaudoin: By asking our 100 top leaders how they would approach the situation—who are we and who do we want to become?

Because nobody wanted to talk about themselves, we really had to force ourselves to look in the mirror and say, “The first thing you have to recognize, if we're going to fix this organization, is that you, as a leader, have things to address.” Asking leaders to make themselves vulnerable is not that easy. If you're seen as a person who always makes good decisions, always delivers, you're going to progress. And now we're asking people to say, “Yes, but some of my leadership skills are not acceptable to this organization, and that's where I need to focus.”

Pierre Beaudoin



Vital statistics

Born June 13, 1962, in Québec City, Canada

Married, with 2 children

Education

Earned a degree in industrial relations from McGill University Engineering College

Career highlights

Bombardier
(1985–present)

President and CEO
(2008–present)

Director (2004–present)

Executive vice president
(2004–08)

President and COO,
Bombardier Aerospace
(2001–04)

Fast facts

Director of Power Corporation of Canada and Bombardier Recreational Products

I think our leadership appreciated this in the end. But the process also told us very quickly which people would stay with us and which would decide it's not for them. It's not about making it personal, but if you want to make a change, you need the right people on board. You need the people who are willing to make themselves vulnerable, the people who are willing to learn, to work in teams, to promote the leadership skills that we agree are important.

These calls are difficult to make. Some of our very high-performing individuals really didn't behave properly. The organization was very resistant to moving these people out. The conversation we had to have as an organization was, in essence, can we live without this or that individual? And it's just not true that one individual carries a company of 30,000 people on his back.

The Quarterly: *Did the change in goals—from “it’s just the hardware” to “it’s whether the video works”—help you or hurt you as you were redefining which goals the high performers needed to meet?*

Pierre Beaudoin: Both. At the beginning, there were a lot of people who resisted, who said this organization will never be successful again because there aren't enough hard goals and there's too much softness within the goals. You can imagine a crowd of very technical people asking, “Why do you care about a rewarding workplace? This is just going to become a really nice place where we're all nice to each other, but we won't get the work done.”

But the whole idea was that while we focused on the soft stuff, we didn't let go of the hard stuff. The performance objectives were really clear right

from the start—going from an EBIT³ margin of 2 or 3 percent to 8 percent, a \$500 million improvement. We made it very clear that that was where we wanted to go. And we achieved that goal.

The point is, you're in business. Whatever you do, it's about making the business more financially successful. We translated the soft goals into hard measurements too.

It was a challenge for me and for my leadership team to explain why we were spending so much time on the soft stuff when we could be fixing factories, hardware, airplanes. We had lots of conversations explaining that, if we did the soft stuff right, our employees, with our help, would be more able to do what they're supposed to do, like make our factories efficient and work on engineering problems. For Bombardier, that's a hard change. We are hardware people, and we like getting into the planes and the technical problems.

The goal was to really enable the front line to take a lot more initiative. We didn't get it done rapidly; you don't change a culture rapidly. When you have 30,000 employees, it takes time.

The Quarterly: *Can you talk a bit more about how you translated soft goals into hard metrics and high-level goals into goals with meaning to individuals and whole departments?*

Pierre Beaudoin: After the first push, we implemented a system—the achieving-excellence system—that helps employees progress from where they are today, wherever that is, to being part of a fully engaged, world-class company. We call that level “diamond” and, currently, as a company, we're working toward “gold,” just two steps below. It's taken a journey of six years to get there.

Connecting goals to each person's day-to-day work is important. Take the goal to “eliminate waste in

everything that you do.” A simple sentence like that works for everybody. If you're somebody in the factory, you can understand what waste is and you can find yourself in that goal. And someone in the office can do the same. The metrics they use would be different because the idea of “waste” is different, but it's tangible in both situations and can be tied to the very clear high-level goal.

The first step isn't even about trying to find the exact metrics that would lead to the ultimate goal of becoming world class; it's just about setting any kind of goals. Because what we find is that if you go to an office of ten people who work together and you say, “What are your goals,” they'll talk about the corporation's goal. And then you'll say, “So how do you do it day to day, and what do you measure?” It's not that easy, but eventually each group of employees can find something for their department.

Sometimes you have to tolerate initial goals that are not completely linked to the corporate goal. Why? Well, that takes us to measuring something. And if that group of employees learns to work as a team, to focus on those goals, then you say, “OK, now we're ready to get a little bit tougher in the way the goals are defined.” And people have become more comfortable at setting goals.

The Quarterly: *How did you begin to implement these changes in Bombardier's operations?*

Pierre Beaudoin: We started by identifying discrete projects that were small enough to show the organization fairly quickly that if we accepted change, we could succeed. There were five or six. Once these were working, we could take the doubters to see them, and the employees who had been involved in the successes could talk to the others. We believed that if we could involve about 30 percent of the organization that transformed in this way, the ideas would catch on in the whole organization.

³Earnings before interest and taxes.

One of these involved our Learjet factory in Belfast. We assembled the fuselage of the Learjet 45 there. The changes were in part a lean approach, but really an approach where we engaged everybody in a different way of working, focusing on the three priorities. When we approached the Belfast employees, they said, "Well, maybe there's still some room for improvement here, but not much, because we've been making these fuselages for ten years." We tried, though, and the changes took about a year and a half to implement. In the end, we achieved a 25 to 35 percent improvement in quality and productivity.

Beyond those projects, though, it was very important to get more people who could spread the ideas across the organization. We had a group of champions—leaders of the demonstration projects and others who had been trained in the new ways of working and spent all their time teaching others. And I would meet with them, weekly at the beginning and then monthly, to make sure that they were getting enough support in the organization to really lead change.

The Quarterly: *Looking back at this point, how successful has the transformation been?*

Pierre Beaudoin: The way I define success is that we have a much more engaged organization today. The level of engagement in employee surveys has climbed more than 15 percent since 2004, and 85 percent of employees responded to our last survey. I'm particularly happy because, in past recessions, the first thing that fell was employee engagement, and this time it's holding firm. This means that we have an organization that's much more resilient to external shocks. In addition, we were recently named the third most admired and trusted brand in Canada in a survey of consumers; the survey also ranked our workplace second most admired.⁴ And we have good financial performance. We're going through a storm like this industry has never seen, and we're still achieving good results and meeting customer expectations with an engaged workforce.

⁴ Joint survey between Global Reputation Pulse and *Canadian Business* magazine.



What I like most, though, is that we now have an organization that wants to get better. And that's the key. We always talk about why we're not there yet; we're on a journey—how close are we to those world-class metrics? We used to make excuses for why our performance was good enough. Today we say, "What will it take to get to world class?" That is what has changed.

The Quarterly: *Now you're CEO of the whole corporation. As you think about the next transformation, what would you do differently?*

Pierre Beaudoin: The most important thing would be to create even more of a sense of urgency. I spent a lot of time communicating, engaging with other leaders, yet I feel I should have done even more to engage leaders and the workforce. Also, in some cases—particularly with people who just weren't going to change and weren't going to work with a team—we should have made decisions about them earlier.

The Quarterly: *You've recently defined what you call "our way forward" for Bombardier. This idea has roots in the aerospace transformation, doesn't it?*



Pierre Beaudoin: Yes, it's about the priorities that I want this organization to focus on and how I'm going to measure them. The planning was much the same: discussing with our leadership team and our employees what we should focus on that would be common to everyone and that people could understand as meaningful goals in their day-to-day work. At Bombardier as a whole, that work was made easier because the president of the Transportation Group, André Navarri, had also led a performance transformation.

One other very important thing I learned at [Bombardier] Aerospace is that if we set three or four goals, our job as leaders should be pretty simple because after that you stick to those goals for several years. It doesn't work if you change goals year to year. In a large organization, people can't follow you that way. So the way forward for me is what Bombardier should focus on for the next five, six, seven years. Maybe it'll be longer than that, and some goals may evolve, but I see that these goals will be our focus for quite some time. And then my job becomes driving these goals across the organization. There are five areas of

focus: becoming number one in customer satisfaction through flawless execution, raising our game in global talent management, actively managing risks, establishing local roots in all key markets, and enhancing our corporate social responsibility.

For example, one strategic goal is creating more of a presence in Asia. So with the additional goal of local roots, the Bombardier of tomorrow has to be a Bombardier that develops more management teams aligned with where our business is going to be in the world. We often start with expatriate managers, but we quickly need to develop local roots, local relationships, and a local team—and to teach those people about Bombardier. Local people can be very good, but if they don't understand your company, if they don't understand what you value, then you won't succeed. Doing what needs to be done takes time.

But if you're able to talk very precisely about the goals you have as a company, it certainly helps you understand what kinds of behaviors and what kinds of people you're looking for. Just recently,

I was at our factory in India—where the Transportation Group is building subway cars for the Delhi metro—to meet our 900 employees. And using the simple elements of “the way forward,” I was able to talk to them about where this company’s going. Those goals translate well into any culture, just as the goals of the aerospace transformation translated into everyone’s day-to-day work.

The Quarterly: *The cultural capabilities that the aerospace transformation created have helped you capture some new opportunities, such as the CSeries airplane, haven’t they?*

Pierre Beaudoin: Yes, I think the CSeries is possible today because of the transformation. People say, in aerospace you have to bet the company when you develop a new airplane. Well, the CSeries is a \$3 billion investment and we have \$3 billion of equity. It’s true.

Developing an airplane has to be done with great teamwork. Suppose I come to a meeting and hear about four problems, and I slam my fists on the table and say, “I don’t want to hear about problems anymore; you guys are there to fix them.” Well, guess what—I’m not going to hear about problems. And that’s how you get yourself in deep trouble in airplanes: the problems surface too late. Developing a complex product like an airplane, there will be problems every day. To get it right, the team has to work together, share

the problems, fix them, make our engineers comfortable bringing an issue to the table so we can give them the tools to fix it.

In addition, part of that transformation was getting trust back from our suppliers, who had sometimes felt that they got burned in our fast-growth period. The CSeries is a great example of how we were able to get our suppliers on board, getting them to invest and to trust that we’ll give them the information and coaching they need to progress. This can be challenging, especially in China, where there can be controversy over technology transfer. So when we hit some hurdles, we have to work extra hard to be in this together.

Today, with the progress we’ve made, we have the ability and the trust to do both of these things. ○

Bruce Simpson is a director in McKinsey’s Toronto office. Copyright © 2011 McKinsey & Company. All rights reserved.