Advancing manufacturing leadership

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Transforming a manufacturer's performance usually means changing its culture—and that means its leaders must change how they lead.

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Few manufacturing organizations undertake a transformation with the goal of changing their own culture. Their focus is on the transformation itself: an intense, organization-wide program to boost both performance and organizational health.[1] But once they start realizing benefits, they want to keep achieving it. They quickly realize that the new ways of working are so different that making them stick is impossible without a cultural change.

That means the leaders will need to change themselves.

The transition is not easy. As with everyone else in the organization, leaders will need to know not only what they need do differently, but why changing their behavior matters—not just to the organization's success, but to their own. Moreover, almost by definition leaders have more years of old

habits to unlearn. As a result, most will need meaningful support over an extended period of time to master this new way of leading.

That support will typically take the form of an integrated learning journey that builds their understanding, conviction, and ability to lead in a new way. The investment that leadership transformation requires is therefore substantial. But without it, an organization risks losing the continuous-improvement momentum that was the crucial reason for changing in the first place.

So what must leaders change?

Three essential, fundamental **behavioral shifts** illustrate the challenge of building everyday leadership, with each representing a profound break from the typical way that large organizations have long encouraged leaders to behave (exhibit).

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1   Michael Bucy, Stephen Hall, and Doug Yakola, "Transformation with a capital *T*," *McKinsey Quarterly*, November 2016, McKinsey.com.

Exhibit. Three fundamental behavior shifts are essential for leaders.

From	To
1. Providing the right answer	1. Asking the right questions
2. Looking for immediate fixes	2. Digging for root causes
3. Setting general goals for everyone to follow	3. Connecting the organization's goals to individuals' work

The first is **asking questions rather than giving answers.** It reflects three foundations of lean manufacturing: that everyone, at every level, should build new capabilities; that the people closest to a problem generally understand it best; and that one of a leader's primary responsibilities is to provide effective coaching to their teams. Yet leaders often see their main value to the organization as providing answers—indeed, some may think that's what coaching means. Learning how to listen, reflect, and trust in the team on the ground takes practice and time, but ultimately some of the most successful leaders let go of the idea that they should be at the center of problem solving. One senior executive at a large US company told us that she was willing to let her team try their ideas out—"so long as I'm there to give them the guidance they'll need to get to the real solution." She eventually realized that her questions were more valuable than her answers, but it took coaching and repetition for her to get there.

The second shift, **digging for root causes of problems** rather than looking for quick fixes, recognizes that when problems aren't fully solved they inevitably return—creating still more waste that the organization could have avoided. But the discipline and time required for root-cause problem solving are demanding for busy leaders, who may be tempted to redirect the effort toward taking actions with more immediate payoffs. As a utility construction-and-maintenance supervisor put it, "Every minute that my team isn't working

on their service calls is work that they aren't getting rewarded for." But demonstrating what it means to eliminate a problem rather than paper it over is an essential form of role modeling. And one that the utility now incorporates into everyone's performance-development plans, so that frontline staff and managers are recognized for solving problems and leaders are recognizing for building people's problem-solving capabilities.

The third behavior involves **connecting the future to today**—not by making grand pronouncements, but by translating the organization's purpose and business objectives into practical targets that people can work toward each day. That constant cycle requires more than simply setting targets: it requires leaders to understand and explain how their people's work contributes to the organization's ambitions. And they must understand their people's goals as well, recognizing that work is more engaging when it has meaning to the individual. One senior vice president noted that "Seeing that our people really wanted to be proud of what they were doing for our customers was really eye-opening for a lot of our managers. They realized that they could explain our new way of working not only as making a better product but also as creating more ways for to do right by our customers. Reaching this point was hard but worth it."

Indeed, the challenge is to make these feel second-nature to leaders who have spent entire careers leading very differently.

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How to build better leaders

Building understanding and conviction is a personal journey for each individual leader. That said, several experiences can help leaders both envision the future and harness the will and skill to change.

Understanding the need to change

Many organizations use external or internal go-and-sees to help leaders see the potential of a transformed organization and how it differs from their current environment. However, these visits often focus only on the behavioral shifts that are happening at the front line, when an even more critical step is to help senior leaders understand how and why they must change their own behavior in order to sustain and amplify the change they want to see. One transformed company now initiates every executive-learning journey with a diagnostic on its current leadership performance, providing an evidence-based analysis to show leaders how well they are setting direction, solving problems, and developing team members. This builds a much greater conviction among the leaders to use the new management concepts in addressing problems in their own work.

Helping leaders learn

Once leaders are ready to change, they will need support to build the skills and capabilities required of successful leaders. Most organizations develop structured leadership learning programs to address this need. Adult learners typically retain roughly 10 percent of what they learn in lectures but two-thirds of what they learn by doing, so it is important that these programs include a mix of learning experiences. One organization has therefore developed a structured learning program for leaders at all levels, from frontline supervisors to top executives, incorporating prework, group learning sessions, and fieldwork supported by experienced internal coaches. Another offers senior leaders access to a coaching pair—one with technical expertise and another with an executive coaching background—who work in tandem to support each leader through on-the-job coaching in priority areas.

Building a supporting infrastructure

Once leaders have made the initial steps toward leading in a new way, organizations must put the infrastructure in place to continually reinforce this behavior. The idea is to create transparency into whether leaders are spending their time in a way that is aligned with desired principles and behaviors. Additionally, organizations often need to adjust their formal talent system, particularly competency models, performance ratings, leadership-development programs, compensation, and promotions, to ensure that they are rewarding desired leader behaviors.

Standard performance indicators remain important for meeting practical business targets. But over time, behavioral indicators—such as how well leaders develop their people—are what

enable the business to make good decisions about what its targets should be. With the view that ideal behaviors drive ideal results, a large conglomerate restructured its performance-management process such that 51 percent of a leader's annual evaluation is informed by behavioral elements. This same company implemented a monthly all-employee pulse survey to understand whether every employee was receiving the agreed standard of two hours of one-on-one coaching each month, and whether it was meaningful. The results of this survey are now regularly discussed in monthly management meetings.

Following good examples

Finally, to sustain their new behaviors, leaders should see their role models behaving differently too. In a large organization, the CEO is an obvious focal point, but not every CEO will adopt the new behaviors right away. Indeed, as important as the CEO's support is, a recent McKinsey survey underscored that the real differentiator in successful transformations is the engagement of line managers and frontline employees, not the CEO.[2]

Instead, leaders may find their role models in many places—among their own senior leaders or teammates who are going through the same transition, in a frontline leader of an early management-system deployment, or among their external network. While each individual leader will need to connect with role models who are personally inspiring, organizations can increase the likelihood of a match by identifying, supporting, and celebrating potential role models.

Practically, this can take many forms—asking leaders who are embracing the new form of leadership to participate in town halls or leadership panels, investing in senior leaders early to tap into their formal influence, including great leadership stories in company communications. One North American company has pushed this idea even further by initiating leadership-transformation deployments at the vice president and director levels. These leaders learn to apply the core concepts to their own work before cascading down within their organizations. As a result, the leaders are already role models for supporting broader transformation.

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Leading an organization through an extraordinary change takes more than simply telling people what to change. It means embodying that change in a way that few leaders have been trained to do. But learning how creates an organization that can keep evolving and improving over time.

2   "The people power of transformations," February 2017, McKinsey.com.