Financial Services Company

A 5 year parternship resulting in real Culture Change

Learning as Leadership Case Study

"We don't hold the mirror to each other," the President & CEO told his senior staff in the fall of 2005. "In good times, we were able to get away with it, but the market is tightening. If we don't start having the difficult conversations with each other, we're not going to survive."

Some of his staff nodded in agreement, others looked stoically unconvinced. A $265 million, 1000 employee, publicly traded company specializing in debt collection, they had been the top performing NASDAQ stock in 2003, capping a long run of successful growth. All the executives agreed that fierce competition was making the purchase of debt portfolios more expensive, but for most of them, tighter margins didn't necessarily dictate change in how they operated internally.

A $265 million, 1000 employee, publicly traded, top performing NASDAQ *stock*

The CEO, however, was worried. They needed to reduce the cost of their operations while increasing their capacity to collect consumer debt – and he didn't think his team was ready to pull it off in the current marketplace. He himself had been recently promoted to CEO, and many of those in the middle of the organization were new to their jobs, including the COO. One member of the executive team was steadfastly refuting feedback that he wasn't strategically anticipating their future business needs. The CFO and COO didn't respect each other, and although they maintained appearances, the CFO refused to provide any meaningful help to the COO. Their departments operated in silos, disrupting workflow and limiting either side from enhancing performance with new initiatives. In addition, the organization had two start-up business units with aggressive growth objectives, unproven leaders and uncertain business models.

The first obstacle, the CEO realized, was that as an organization they weren't even talking about these problems openly. Few issues came out in staff meetings where they could be addressed. Instead, different cliques had formed, the members of each complaining amongst themselves about the incompetence and ulterior motives of the others. The CEO had seen this in previous organizations, he knew it wasn't unique to his organization. And yet, despite his best intentions, he sensed that even he was propagating the strife. For example, he realized he reinforced an 'in' group vs. 'out' group clash by making key business decisions with only a small set of advisors – but he had been burned too many times by confidential information showing up in the rumor mill to feel safe disclosing anything important to the larger team.

On recommendation of his CFO, the CEO engaged Learning as Leadership (LaL) to help his company forge a culture that rewarded people who modeled collaboration and transparently worked to improve and acknowledged performance gaps. His senior executive team, along with key vice presidents, participated in LaL's 4-Mastery leadership development program over a two-year period.

In the beginning, it was a challenge for the team to even name their unproductive dynamics without falling into them. As team members finally put their candid thoughts on the table, the CEO realized that key elements of the in-depth 360° feedback LaL had provided for him were pivotal factors in the team's dysfunctions. Confident and smart, he often knew the right answer before anyone else on his team had a chance to come to their own realizations, and he loved debating contrary views into submission. This dominance had served him well as he rose to top positions in his career. Although he had intellectually known that he, too, would need to look in the mirror, he was confronted for the first time with the discomfort of seeing how his sarcasm and need to be right shut down dialogue in the team and caused people to fear his judgment. A culture of transparency required that people feel safe enough to be honest, and he saw how subtly yet powerfully he was undermining his team's willingness to take risks: "I hadn't realized how many of my shortcomings as a leader impacted the organization. I knew I needed to grow as a person in order to grow the company."

As the Executive team challenged each other over the next year, most members felt grateful and excited about the increased candor. A few of them, however, did not feel aligned with the team-building changes, opting instead to leave the company. Sad to see them go, the CEO also sensed that he needed to get the right players on the team if they were going to overhaul the culture.

The progress the team made was both satisfying and eye opening. Key members of the Executive team began realizing just how widespread interpersonal and inter-departmental warfare was lower down in the company – and they wanted a way to address it. As the Senior Vice President of Human Resources put it, "We decided that if we only worked with the senior team, we wouldn't be able to make big enough change. We needed to bring this same collaborative honesty to the next levels of the organization so that people's relationships were enhancing business performance, not hampering it." Partnering with the internal HR organization, they formed a cross-functional team with LaL to more specifically define culture-change goals for the broader organization and then rolled out WeLead, LaL's in-house leadership development program for middle management to cascade the changes down into the organization. The team forged 3 key cultural priorities:

Develop a culture of transparency for learning and development.

A key LaL learning for senior leaders had been how unacknowledged anxieties generated unwanted behaviors. They realized that the fear of appearing incompetent was rampant in the culture. Leaders across the company shied away from asking for help, admitting weaknesses and performance gaps, and tended to be defensive in large group settings. In their complex and dynamic environment, with so many new leaders in stretch roles, success depended on a much higher level of candor.

Remove silos and "Us v. Them" dynamics.

The improved relationships between the members of the executive team trickled down into the organization, and yet senior management sensed that some departments were still more invested in their grievances than they were in collaborating with other parts of the organization. One conflict in particular was high profile and detrimental to the business growth goals. Strategic Initiatives (SI) was supposed to develop new business ideas then pass them to Operations to implement. The hand off process between these two groups of high-achievers was broken. SI was sure that they knew best how to anticipate industry trends; Operations accused SI of not understanding the business and generating useless proposals in a vacuum. Operation's 'not invented here' mindset ensured that SI initiatives were doomed from the start. The resulting bad blood was symptomatic of other conflicts in the organization.

Improve level and frequency of feedback and critique of ideas.

The desire to appear competent at all costs and the inter-departmental ill will meant that there were few, if any, safe forums to grapple neutrally with tough business decisions. No one wanted to suffer the humiliation of being wrong, least of all in front of colleagues they didn't trust. People came to meetings fervently advocating their opinions, quick to disparage different perspectives. Team members were often defensive, so constructive feedback was either withheld or provided in 'gotcha' mode. The Executive team was concerned that too many key decisions were determined by biased emotion and the loudest voice.

Measuring cultural change is by no means scientific, and as the top 50 leaders in the company strove to practice the tools learned with LaL, the CEO wondered how to measure his organization's progress. "Sometimes I'd hear a positive anecdote or participate in a meeting and feel greatly encouraged. At other times, old behaviors or tensions would flare up in the organization, and I'd wonder, 'is it really possible to transform a culture?!'" A confluence of events, however, showed the CEO undeniably that the company had dramatically changed for the better.

Sometimes I'd wonder, "is it really possible to transform a culture?!"

The CEO

Based on some soul-searching and a number of conversations with the Board, the CEO and his team decided that some difficult decisions needed to be made to position the company for the future. In a three-week window, they shut down one of their under-performing business lines, let that group's SVP go, laid off 30% of their call-center workforce, and negotiate a buyout of a joint venture based in India. The decisiveness with which the CEO and his team executed on these changes was itself dramatically different than just a few years earlier, when hard decisions could languish indefinitely, to everyone's consternation.
More challenging was the implementation. Enacting such a significant reduction in force could deeply destabilize and demoralize the workforce. How they communicated the plan, listened to people's reactions, and provided a vision forward would greatly influence whether the remaining employees were happy and focused or angry and afraid—too preoccupied to do their jobs. The CEO also knew that a small cadre of leaders could not handle something this large by themselves, so he and the VP of HR involved 40 leaders across the company to plan and execute the layoff. The SVP of Operations recalls "We didn't do it the way we used to—a few people in a room making the decision, then telling everyone else, 'don't give me your advice or suggestions, just do it this way.' Because we had checked our egos at the door, we were able to engage many perspectives without getting bogged down in side agendas."

To the CEO's astonishment, there was not a single breach of confidentiality, and the lay off unfolded exactly as HR had planned. Not that it was easy. The team used principles learned with LaL and practiced being present, vulnerable and empathetic. "I walked the floor while people were packing their boxes and leaving," said the SVP of Operations, "Some people were really angry – others, you could see the fear on their faces. I had no idea what to say, but I went out there and I listened. I was human. I don't think it would have occurred to me to do that before."

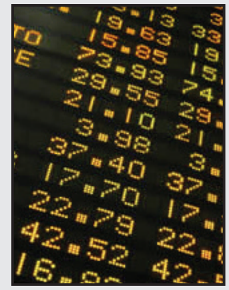
Many people – both those who stayed and those who left – commented on how their leader's empathy and caring created a very different experience for people. The SVP of HR remarked, "The people who were let go thanked us for how we did it. Our attrition rate post-RIF is actually lower than before.

Industry average for call-centers is a 75-100% annual attrition. Ours is less than 10%." The company's advisor from Lee Hecht Harrison, which consults on thousands of lay-offs across the country every year, proclaimed this "one of the best lay-offs we've ever seen."

The CEO sensed that a corner had been irrevocably turned. A cross-functional team returned to LaL's Shared Mastery seminar to further streamline the most important operational functions, and another 30 leaders started a second in-house WeLead program. The entire top level of the company focused in on making this growing sense of alignment their new baseline. Life wasn't perfect in the organization: people still had performance issues and Us vs. Them conflicts would resurface occasionally – but now there was the trust, skill and language to deal with situations directly. In particular, the CEO and others saw important shifts in their core business. According to the CFO, "We began making much better decisions. We'd made some significant mistakes a few years back buying unprofitable portfolios, largely because we weren't really listening to each other."

As the CEO summed it up: "When a lot of smart colleagues all stopped vying to be the smartest person in the room, we began learning from each other and leveraging our different perspectives to the company's benefit." Just as many of their competitors were struggling during the implosion of financial markets in the fall of 2008, the company's collections and profits were breaking through to new levels and an Employee Engagement survey indicated double digit improvements over five years prior, to best-in-class status.

The CFO recaps the company's progress



Since 2005, the top 20 leaders have gone through the executive program and we have cascaded the methodology down to another 100 or so. In that time, we've experienced significant results:

- As a company, we have made incredible financial progress. Our revenues, cash flows and profits have more than doubled and our stock price, over the last year, outperformed our competitors and the S&P 500 by more than three times.

- As individuals, we have shifted from needing to be right to finding the right answer, no matter who came up with it.

- We have open dialogues about what has hindered our ability to collaborate and how we can do things differently.

- Instead of viewing feedback as something that is dreaded and feared, we welcome it as a positive, learning opportunity.

And finally, our work with LaL allowed us to focus on the things that mattered to grow our business profitably and not waste our time and efforts on turf warfare and interpersonal struggles.

Mastery 4

360° Feedback

we lead