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Leadership Lessons from Downsized Corporate America

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"With incentive regulation accomplished, we could concentrate on the business growth strategies. But none of our strategies could be achieved with the company culture in place after the breakup. So I had to focus on the culture first. The operating companies had an implementation mentality. They did not understand the initiative, innovation, risks and accountability necessary to meet our business goals. Managers were held accountable for implementation of a process or practice exactly as it was written, not for the end result. Managers simply could not imagine rewriting a process even if they knew a better one. In a large business, the most important determinant of success is the effectiveness of millions of day-to-day interactions between human beings. If those contacts are contentious, turf-oriented, and parochial, the company will flounder, bureaucracies will grow, and internal competition will be rampant."

—Raymond Smith, Chief Executive Officer of Bell Atlantic

WE ARE at a major crossroads in the development of our future military leaders. It is called "downsizing," and we need to be concerned with the impact it will have on our Army. This article discusses some of the preliminary findings of a current study on corporate change and its potential implications for the Army.

I have had the unique opportunity to work with American corporations that recently underwent significant change. They found themselves having to restructure because of outside influences. For most, that restructuring has been in cutting costs and firing people—corporate downsizing. For all of them, it has been painful. Some have

not survived, many are still struggling and some are far better now than before—but all carry scars of costly decisions and emotional dilemmas.

Many corporate downsizing lessons are of direct value to the Army as it takes on a reduction in force. To date, 64 civilian corporations representing over 400 companies have been studied through in-depth, executive-level interviews. The initial results are significant, time sensitive and applicable to us. Examined in terms of leadership development requirements for our downsized Army, these lessons quickly focus on the organizational issues of mentorship and culture change and the employee issues of empowerment and survivor care.

Emerging Lessons Learned

Mentorship. Mentorship is a process in which an individual is guided through a developmental plan designed to rapidly move him to the executive, decision-making level. Gaining key experience at different critical corporate ladder nodes is the objective. It is more than the recognition of excellent work or simple job succession and replacement identification. Mentorship is the earmarking and nurturing of future corporate captains. The challenge is that the more a company downsizes, the greater the need to protect its leader development program from the natural tendency to cut low near-term benefit programs. A company's focus may be myopic; immediate cost cutting overrides future investments as one is confronted with the need to downsize.

The initial research's viewpoint was that a system of mentoring would be assumed within any modern corporation. That is no longer a

strong belief. Each company did have its own program of identifying potential, but the degree to which the programs are endorsed and actually carried out varies greatly.

In downsizing, it becomes critical that the organization recognizes how its executives need to be developed. The greater the number of companies and the more homogeneous the final product or service within the industry, the lesser the need for formal mentorship.

The more unique the service offered and the smaller the industry, the greater the need for a mentorship program. The more unique the company, the less likely there will be executive lateral movement into the company, and the more likely it will consider executive talent as a "we grow our own." Given the fact that the Army is within this description, it should have a highly formalized mentorship program. The challenge is that the past ways of developing leaders through more structured methods may not be available because of staff and funding cuts. New approaches are in order.

The most successfully downsized corporations offer a solution called "Task Force Analysis." A task force is seen as a temporary grouping, at corporate level, of key individuals tasked to solve a problem or develop new market opportunities. These individuals are brought in from subordinate operating units, presented a mission and a time limit and quickly go to work. The leader of the group is not necessarily the most senior or the most technically qualified. The leader is selected because of his "leadership" abilities in moving the task force to completion.

The significance of such an approach is that it provides answers to many downsizing issues. It increases a networking and team-building environment, shortcuts bureaucratic demands, drastically cuts decision making and implementation times and minimizes the inherently expensive large standing staff. Additionally, and of key note within the topic of mentorship, it provides a very effective approach to selective leader training. The task force experience in a downsized corporation becomes the train-

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ing classroom for the "fast track" leader. For the Army, it is a proven method that can be employed to help educate our future leaders in successfully functioning within a downsized force.

Cultural Changes. In the movie "Other People's Money," Gregory Peck as Jorgey, the chief executive officer of a small New England business, gives an emotional speech in an attempt to save his company. He talks about its history as a family business, the need to hang together, the ugliness of people trying to change the company and his commitment to ensuring lifelong jobs for his employees. Great speech, but then Danny DeVito, as Larry "the Liquidator" Garfield, has the floor. His comment is "Amen. Where I come from we are taught to say 'Amen' after a prayer, and that's what you just heard—a prayer for a miracle." Jorgenson, a super individual, had failed to keep his company competitive within the current environment. The company had failed to change its culture with the changing times.

What Garfield was saying is that change is a part of the business world. As such, an organization needs to change in order to keep pace with its market. When a company fails to change, it will find itself quickly distanced from its market goals. If a company, or the Army, views "change" as alien and something that must be fought, then economic and emotional conflicts are inevitable. Standing still is simply that. The Army needs to recognize that change is a part of our world.

Care is required not to delegate downsizing implementation to a functional (finance, personnel, and so on) staff. The result will be a false focus on increased internal efficiencies. . . . The focus must go beyond functional expertise in order to successfully implement change. Managerial traits focus on the efficiencies of the operation. They seldom support the total movement and commitment of the organization. A successfully downsized effort is leader driven.

“Row harder,” a term used by one of the corporations interviewed, provides a great mental picture. It is a classic situation where employees are fired in a cost-cutting move, but the structure remains. Row harder places us aboard a great war ship. We look around to see some empty seats as the captain tells us the sad news about the newly dismissed shipmates. He tells us we need to show more teamwork and that we just have to row harder. Why? Because we have the same large boat and the same logistics aboard. What happens? We go slower, get more winded and frustrated, and the ship takes on water and goes down. Unless action is taken to educate and rededicate, the past ways of doing business will still be tried. Frustration, fatigue and failure come from a row harder mentality. We must question the value added from each process and restructure ourselves and our organization to do better. Leaders of our downsized Army must understand this concept. They must be in the forefront of the restructuring of the “ship” and the retraining of the “crews.”

Wess Roberts, in his book *Leadership Secrets of Attila the Hun*, gives us a clear orientation for leaders in a downsized Army: “Huns should be taught to focus on opportunities rather than problems.” As long as change is seen as an obstacle, all that flows from it will also be obstacles. As such, we will stop to lament and consider and wish we were back in the “good old days.” Those days were not that good and are gone. What is needed is a view that change is

natural and provides us opportunities for positive growth and better days.

Two related lessons from the research are clear. First, downsizing must be leader led. Care is required not to delegate downsizing implementation to a functional (finance, personnel, and so on) staff. The result will be a false focus on increased internal efficiencies. Increased performance, a leader type of concern, will be secondary. The focus must go beyond functional expertise in order to successfully implement change. Managerial traits focus on the efficiencies of the operation. They seldom support the total movement and commitment of the organization. A successfully downsized effort is leader driven. It goes beyond internal cost efficiencies to an orientation on market and long-term performance. Leadership, not management, is the critical element of a downsized army.

The second related cultural change issue is that the failure to respond to change, moreover, to be a part of it, is high. Simply put, trading water never wins the race. Doing nothing does cost us in time, money and opportunities. The result is that later, far more is expended to correct the problem as the problem grows in size and severity. Downsized military leadership needs to be one of decisiveness and speed.

Emerging Human Resources Lessons Learned

Empowerment. At the start of the research the term “empowerment” was used to describe one of the anticipated positive fallouts of downsizing. At first, it was glossed over as just another word for the Army’s “powering down” to subordinate leaders. It provides a clear authority to leadership positions already tagged with certain responsibilities.

As the Army refined this concept, “accountability” was added to responsibility and authority, making these three terms equal parts of any leader position. Further, the extent of powering down was linked with mission success—powering down to the lowest leader level capable of fulfilling the mission. It focuses on a recognized



1st Armored Division Staff

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leader position, and it provides the tools needed to successfully accomplish the job. Empowerment, an important part of successful downsizing, is significantly different and is essential in successful downsized leadership. It is the organizational expansion of leadership. Its focus is on redefining staff and managerial positions. Empowerment adds a new facet to the current responsibilities of a position; it is the expansion of decision making within the structure.

This difference has many significant aspects. First, empowerment means the loosening of centralized control. The challenge is that this relationship of empowerment and increased decentralization is not always in sync. The existence of pockets of "resistance" to the release of authority and the inherent power of that resistance are frequent observations made by the downsizing organization. Although solutions vary, they do have one thing in common. Em-

powerment is a top-driven action requiring executive commitment and guidance.

It cannot be assumed that the action of conferring authority, responsibility and authority to a position will automatically lead to enlightened decision making and increased organizational performance. The key lesson is that constructive empowerment requires training the new decision makers and redefining responsibilities, relationships and work flows. That is a key lesson. This implies that there are additional expenses in money, time and effort in order to properly prepare the organization for increased employee empowerment as a part of downsizing.

Second, empowerment supports the success of long-term staff reductions. If a staff reduction is initiated without decentralization and increased empowerment, there will be a tendency to continue to act within old ways. This will lead

Empowerment supports the success of long-term staff reductions. If a staff reduction is initiated without decentralization and increased empowerment, there will be a tendency to continue to act within old ways. This will lead to a rebuilding of the staff to past levels in order to respond to past demands. What is needed is a breaking of the old staff structure paradigms.

to a rebuilding of the staff to past levels in order to respond to past demands. What is needed is a breaking of the old staff structure paradigms. Staff reductions are best executed through layer deletions. Empowerment ensures this by redefining the decision-making sequence and providing to more people the ability to act with authority and without dependency on old staff layers. Is this practical for the Army? Yes, but it will take strong and up-to-date leadership to do it.

In a traditional hierarchical organization, empowerment is reluctantly given, at times too little and too late, as a part of a decentralized move. One cannot assume that the delegation of decision making will automatically be in the direction of empowerment. It may very well follow an easier flow—that of upward delegation. This is common when new training and job redefining have not been properly done and staff reductions have been on a piecemeal basis. The lesson is that empowerment is an essential part of downsizing but requires a well-thought-out plan of action.

Finally, empowerment encourages cross-functional teamwork essential in quality management improvement. With reduced staff layers and increased decentralization, individuals now empowered in decision making will seek information across functional boundaries. With the absence of old staff layers, the empowered person finds himself having to cross over and coordinate with others as a part of decision making. This movement enhances teamwork, efficiency and overall performance.

Empowerment does not make a leader, but it

does provide for the opportunity for better leadership. It moves a job position from being one of a managerial control of resources to that of decision making. The corporate lessons on empowerment stress that it is the source of quality management, product excellence and long-term performance; it is also an impossible move to make without significant cultural change to the corporation.

Survivor Care. The bottom line of downsizing is that there are fewer employees. It is clearly recognized that recently fired employees—the nonsurvivors—are faced with numerous problems, and the company can provide timely transition assistance. What is not as quickly recognized, but is being surfaced as the most important downsizing issue, is that the company must place focus on the caring of the remaining employees—the survivors. Four survivor lessons arise from the research interviews.

First, are employee communications and commitment. It is key that the employees, before any corporate change, understand how the corporation is affected by economic conditions. Too often the corporation is viewed as the pivotal center of all economic woes that batter upon the employees' lives. This cultural belief, at times encouraged by the corporations themselves, is a situation in which the fate of the employee and his family are solely linked to, and are assumed to be the total responsibility of the corporation. This must be changed. The employees must learn the realities of their economy and how global market conditions, as well as other outside influences, impact upon the company, forcing it, in turn, to constantly adjust itself in order to survive. This is a long-term proposition and very difficult to execute once downsizing begins. Nevertheless, it is an essential cultural change. "Evolutionary, not revolutionary" is the phrase aptly stated by one corporation when looking at this lesson learned.

What we are finding out is that employees can very well understand the realities of life and are dealing with economic challenges in their everyday decisions outside of the workplace. Many corporations, though, have viewed the

employee as not interested in or not capable of dealing with the harsh turmoil of the outside economic world. Although that may have been the case some time ago, the clear lesson cited by the corporations is the opposite. The more informed the employees are on economic conditions and issues, the more they understand the need for corporate flexibility and change. The focus must be on employee education and participation; for example, leaders need to better understand and communicate to the soldiers the impact that national security decisions have upon the Army.

The second survivor issue is that of performance appraisal. It is easier to implement change if the change is based on a "level field" concept of equity and performance evaluation. One-time special appraisals and order of merit lists for termination selection are sure methods to employee mistrust and corporate problems. If a system is in place, then as the need to downsize comes, there will have already been an initial sorting out of options by of all employees. "Footlocker" counseling, written performance appraisals and evaluation support forms increase in a downsized army.

The third survivor care issue is the corporation's core values. These must be appropriate, clearly defined, recognized and followed. These values, such as loyalty, sense of worth, recognition for contribution, just pay, dignity and trust, are seen as properties that cannot be treaded upon without consequence. When the downsizing process crosses over any of these, there is a high risk of employees seeing such actions as a breach of faith by the corporation. The solution is to recognize what the core values are and to shape those values over time to be in consonance with the market actions of the corporation. Corporate actions and corporate values need to be in sync. Translated—our actions need to follow from our past communications. Actions, not words, will judge the leader's commitment to the Army's values and overall culture.

The fourth survivor issue is the recognition that downsizing causes a complete break of trust



A 2d Armored Division soldier on his track's intercom.

Survivors exist during voluntary severance actions, as well as during involuntary changes. There is a tendency to look only at termination events as times that may cause the need to care for survivors. Whether voluntary or not, change impacts on those that remain within the organization, as well as those that do not. The corporation needs to understand that survivor care is an issue during any type of organizational change. The key is that people do not hold steady in thought and view while the company is changing.

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between the employees and the organization. This is generally recognized between the company and those to be fired, but the research shows that it is a major point to employees who survive the reduction in force. It is a vital lesson learned in survivor care. Too often, the company assumes that the traumas of being fired are limited to only those that are actually fired—not true. The company must not assume that the bond between the company and the surviving employees is still intact; it is not. The firm needs to develop a program that enforces the core value bonds during periods of change, while the employees must understand that change is a part of market survival.

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Three research findings in the area of nonsurvivors deserve discussion. First, the actual firing needs to be fast and deep. A key comment throughout the research was to avoid drawing out the downsizing. Disaster is almost certain when an organization opts for a phased process or one which represents a “Chinese dripping

water” torture method. Employees want both shoes to drop so that it can end. Likewise, any employee reduction error must be on the side of cutting too deep rather than too little. The organization will better function with a large cut than a shallow slice. Additionally, the focus needs to be on reducing employees numbers, not employee benefits. Survivors should be able to focus on a new workplace with greater challenges, speed, excitement and rewards. “Lightening the load” for this new adventure is understood far more than the cutting out of benefits to those who remain, especially when enhanced severance packets are used to help cull out employees. The lesson is simple—protect the benefits while decisively moving in on employee reductions. The follow-on lesson is that the new organization needs to actually be better off in focus and reward than before, not worse.

The second issue is that nonsurvivor care must be placed into the hands of a third party. The use of an independent outplacement agency is essential. Those fired go through an emotional sequence that is better done outside the workplace. The focus must be on an honest self-appraisal followed by a full-time personal commitment to find new employment. In-house services slow this process down and negatively impact upon those still in the organization. Outplacement services need to be outside the organization and conducted by a neutral agency. Survivors expect the organization to be fair with those fired; “fairness” means being evenhanded, treating people with dignity and providing a transition team as part of a more-than-minimum severance package. It does not mean that the organization must guarantee jobs to those fired at the expense of the welfare of those selected to be part of the “new winning team.”

False hope is one of the most damaging aspects of this part of downsizing. It is inadvertently done by management in an attempt to reduce the pain and shock of termination. Two approaches are common. The first is the offering of part-time reemployment to fired employees. Whether promises are made about bringing the

person back full time, the action of maintaining some sort of connection with the company implies a hope that it could happen. The second approach is through an outright promise of bringing a person back or through continuing conversations over time with the fired employee. Both the company, with its survivors, and the nonsurvivor himself, need to move on. Actions that do not cleanly sever the tie do not help either party.

The key is to ensure the dignity and independence of the person. Do not paint employees into a corner; they need to be, and feel as though they were, a part of the decision-making process. Employees must understand to what degree they are at risk and what plausible options remain for them. For those at risk, the best options are found in "sweetened" severance offers. The corporate consensus on dealing with nonsurvivors is to focus on the risk recognition, option development and swift movement from the company. Speed is added to the process by placing time limits on options and having the value of the options reduced over time, ending with involuntary severance with the lowest benefits.

A Call for Leadership. Every successfully downsized corporation found itself having to clearly define its purpose for existence. Essentially, it was to satisfy a need of a group of people—to provide a service or product in response to a customer's need. When one drifts away from satisfying a need of the customer, the organization starts to lose purpose.

The corporate research is ongoing, but the emerging lessons are clear and applicable to us. I did not translate each corporate issue into an

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Army lesson to be learned. I think it is best to let the reader do this. Army cultural change and core value recognition, survivor care and involvement, empowerment and situational task force orientation, and customer awareness and market focus, all provide thoughtful issues for consideration. This research is important in that it underscores the need for the Army to reexamine its culture and to focus on a strategy which has clearly defined its values, integrated change within its process and is geared to being a viable organization. The research is providing us the ability to learn from others and to better prepare ourselves.

It is not so much that the Army is going through a major restructuring that is important; rather, it is the recognition that change, in and of itself, is a part of organizational well being. However, change, by nature, is disruptive. Our new call for leadership is one in which we seek those who are able to integrate change into their sphere of influence. Proper leadership allows one to understand and work with it so that it is internalized within the organization. **MR**

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