

LEADER SHIP EXCEL LENCE

EFFECTIVE LEADERSHIP

IN TIMES OF CHANGE

STAUFEN.

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1. INTRODUCTION

In times of fast and even disruptive change, an organization's ability to adapt is an absolute success factor. Strategies, structures and processes form the basis for managing change. But without effective leadership and a corporate culture that embraces a pioneering spirit and individual responsibility, nobody can look to the future with confidence. Along with the development and qualification of employees, leadership and culture form the inner program with which an organization can face change.

Those who create a shared vision, build a trustful team spirit, establish communication channels and know the employees including their strengths and weaknesses, will handle tomorrow's challenges well.

2. WHO WANTS TO LEAD MUST MOVE!

The economy is going through a time of rapid change, and as a result the requirements and responsibilities of leaders have evolved dramatically. More than ever, leaders must not only fulfill their management tasks, but also show leadership on a personal level. They need to make space for new ideas without throwing proven processes overboard.

In this case, leadership means to intelligently weigh and decide between preserving and changing. This capability – called ambidexterity – means organizations are able to deal with innovation and markets of tomorrow, while ensuring that it does not lose sight of its current operational excellence.

It is key to accept these challenges, and to develop the according strategies, structures and processes. Unique selling propositions, core competencies and success factors of the past must be combined with new growth opportunities, innovations and business models.

Change processes across all levels of a company have the effect that today's leadership is forced to continuously reflect and legitimate itself in order to develop even better, more competitive products and services. It boils down to the question of how to lead effectively and with impact. What is important: in complex matters such as the

interaction and cooperation among people, in teams and within an entire organization, there are no fast and simple patent solutions!

There is no right or wrong. Oftentimes, the only correct assessment is: "It depends". Even though the supposed solutions already exist, these are based on a narrow view, that does not consider all interdependencies and the full complexity. Here, we deliberately use the word "interdependencies" and not the term "causes". Thinking in terms of causalities simply misses the mark here. Instead, we must see the entire system from a bird's eye perspective in order to find a holistic approach.

3. FOR YOUR ORIENTATION

A new leadership philosophy is proclaimed in ever shorter intervals. To give you guidance, here is a brief definition of some important terms:

Lean Leadership: An approach coined by Dr. Jeffrey Liker and Staufen AG for leadership within the context of a Lean Transformation. Lean Leaders drive a sustainable Lean Transformation based on excellent leadership, thereby striving towards top performance along the value stream.

Policy deployment through Hoshin Kanri increases everyone's understanding of how the value stream is improved. These targets form the basis for continuous improvement (CIP/KATA). The daily Shop Floor Management ensures sustainable results. As a mentor, a Lean Leader aims to continuously increase the team's problem solving and improvement skills.

Agile Leadership: When shifting from a hierarchic to an agile organization, leaders play a significant role. They themselves need to transform from being a technical expert to becoming an actual leader. In an agile context, this primarily involves conveying the "big picture", creating the right preconditions and developing employees. Technical capabilities are moved to where decisions are made best and most quickly: in cross-functional teams.

Digital Leadership: Digital transformation has direct consequences on management level, because they must convey and drive the transformation process, assess technical opportunities, and create new business models.

Managing digital diversity means integrating various digital lifestyles into a company's workforce. Leading virtual teams with digital tools makes the need for the staff's consistent presence a thing of the past. Data and information are the raw material of the present and the future. The challenge here is to proactively utilize this valuable asset in decision-making and steering processes.

New Work: The term originates from the social philosopher Frithjof Bergmann, who developed the concept of New Work in the mid-1970s. Bergmann is particularly concerned with the purpose of work, but also with values such as freedom and independence. Bergmann's definition of New Work is very generic, and accordingly states: New Work is work that a person really wants to do. Today, New Work is an umbrella term used to describe a variety of mostly alternative work models and collaboration forms.

4. THE STAUFEN LEADERSHIP FRAMEWORK

The framework created by Staufen offers a holistic view on leadership.

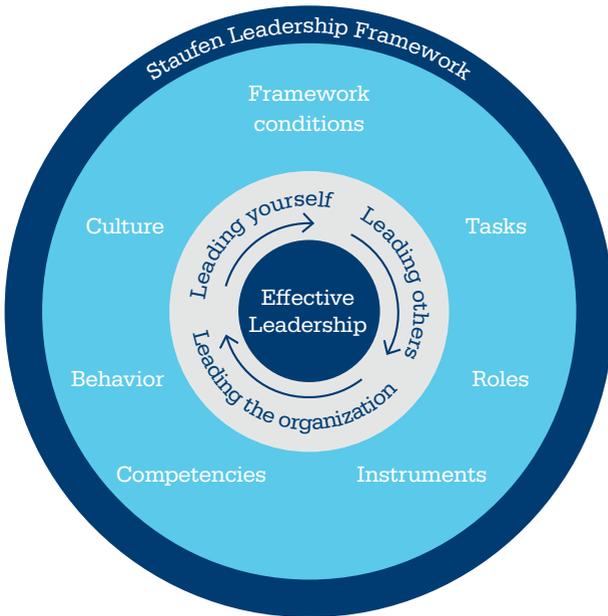


Figure 1: Staufen Leadership Framework

4.1 EFFECTIVE LEADERSHIP

The core of the framework is formed by our view on “effective leadership”. This is independent of trends and specific challenges within society or industries.

Our view on workforce motivation is based on the Theory Y by Douglas McGregor, in which individuals strive for self-fulfillment and success. The role of leadership is to create conditions under which employees can bring in their full potential and experience how effective their actions are. As a result, employees gain a deep understanding for the actual purpose of their tasks – identification grows throughout the entire company.

This allows a culture to evolve in which employees enjoy assuming responsibility, develop personal initiative and bring in their own creativity. Effective leadership in this sense makes it possible for employees to be focused on clear targets and creates a climate of cooperation and trust. The consequence for leadership: it’s a professional service that allows people to do the best possible work for the customer. A key leadership aspect in this process is to enable employees through the mentor-mentee principle together with an attitude characterized by appreciation and commitment.

As a mediator between market requirements and corporate targets on the one hand and internal structures and processes on the other hand, leaders support staff in their search for ideal customer solutions.

This occurs as an interplay on three levels, which act upon and with each other:

- Leading yourself with a focus on self-reflection
- Leading others with a focus on communication
- Leading the organization with a focus on decision-making

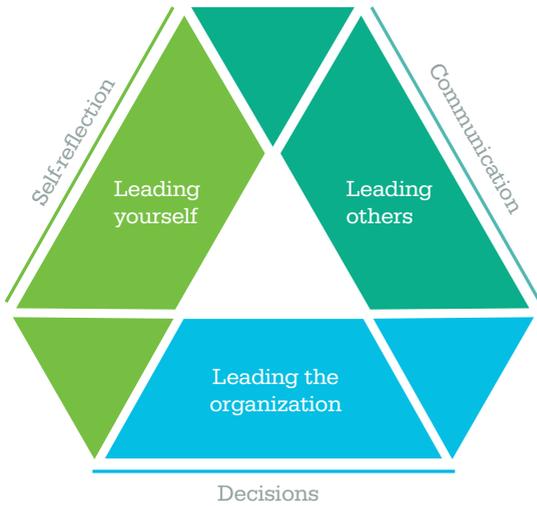


Figure 2: Three levels of effective leadership

Leading yourself

Those who want to lead others, must first be able to lead themselves.

Reflecting on oneself: Self-reflection about the effect created within oneself, among others and within the organization is an important prerequisite for personal development. The best instrument for achieving this is to receive feedback, either at regular intervals or after specific situations. This allows a leader to recognize blind spots in communication and behavior patterns. What it requires is an open mind, an interest in learning and willingness to change.

Remain resilient and balanced: Initially, the term “Mindfulness” may sound a bit esoteric. However, in practice, mindfulness has a high impact on individual and on organizational level. Being mindful when dealing with your own health and needs, helps leaders during times of high pressure, which inevitably come with the leadership role and which usually must be mastered over a long period of time.

Setting priorities: Oftentimes, managers swing back and forth between various operational and strategic responsibilities. What is important? What is urgent? Prioritizing and sorting of tasks makes it easier to reach set goals.

Leading others

Leading others means keeping an eye on individual players and the game as a whole. Through a dialog about individual and team contributions a sense of understanding and purpose flourishes.

Being empathetic: Empathy is fundamental to the ability to lead. This means the ability to recognize, understand and relate to emotions, thoughts, motives of an individual as well as their personality and character traits.

Organizing teams: In agile, customer-oriented organizations, leadership is increasingly distributed to teams and individual roles. Here, leadership is part of a role and not of a hierarchic position. Leaders must have the capability to organize project teams and networks, to integrate the customer perspective and to give feedback. They provide the framework and resources that make self-organized teams possible in the first place. So, leaders are more catalyst than they are captain.

Creating free space: Without free space, without delegating tasks and responsibility, neither the individual employee nor the team can develop further. A proven means of empowering others is “to lead by questions”, not “to lead by giving solutions”. A manager should not be the “Hero of the Day”, who attempts to tackle all problems alone. Today, it is important for companies to increase team performance. This requires that there is plenty of leeway to allow team members to bring in their own ideas and experience.

Leading the organization

An organization cannot survive without impulse for development – not without appealing ideas for the future in regard to products, technologies, markets and the organization itself. Here, leaders must uphold a conscious balance act between stability and change.

Expanding the view: No organization should be preoccupied with only itself. Management needs to look beyond the limits of its own boundaries. It is the responsibility of leaders to recognize internal perfor-

mance gaps and dynamic developments in the environment and make them workable for the organization. Leaders proactively observe the organization. As a result, they encourage internal learning processes and increase performance.

Ensure decision-making: Core purpose of leadership is to establish the organization's decision-making capabilities and to make decisions. To do this, leaders mediate between corporate goals and individual contributions towards these goals. Within their team, leaders represent decisions made at executive level and express relevant positions of the team in return.

Facilitate cooperation: Agile, self-organized structures require that leaders are adaptable in their roles and are highly communicative. This ensures cooperation among members within the organization and with interface partners. It is important to validate the alignment of the formed teams with the corporate vision and to ensure their suitability for solving the customer's problems. The teams must organize themselves accordingly, renew or dissolve themselves so they can focus on other, new ideas and product solutions.

4.2 SEVEN ELEMENTS OF LEADERSHIP

The second level of the framework is formed by seven elements. The seven elements of leadership are to be shaped in accordance to specific contexts and the maturity level of an organization.

With regard to leadership, there are different options for each context-specific situation of a company. The actual as well as the desired target state need to be considered.

All elements build upon each other and reinforce each other. Where continuity is lacking, they obstruct one another or may become dysfunctional.

Once transparency is established relating to the initial situation of the seven elements, pointing out deficits is not the main objective. More importantly, the elements are meant to show potential options describing the way forward – the so-called target picture for transformation.

1. Framework conditions

Management creates framework conditions and structures, in which staff members are able to collaborate in the best possible way and with a clearly defined, common focus. Therefore, a company's purpose (the "why, how, what") is clearly formulated and challenged on a regular basis.

The important framework conditions for effective leadership are:

- Long-term vision with appeal and attraction for all employees and stakeholders
- Clear strategic focus, broken down to value streams, functional areas and which is known among the leadership team and employees alike
- Systematic development and alignment of targets throughout the entire company on both a horizontal and vertical level
- Structures and models of collaboration, which provide best possible support for everybody to fulfill their tasks
- Firmly anchored encouragement of cooperation and collaboration as a means to maximize the effectiveness of the organization
- Established open spaces and communication formats, that allow for common reflection and deceleration, to remain responsive to continuous change
- Pay and incentive models that encourage collaboration

In the future, these framework conditions will increasingly be developed and designed in collaboration with employees.

2. Tasks

Every leader must ask themselves the key question “What are my actual tasks?” in order to find balance and focus in their daily routine. What is important here is to have the right mix of management, leadership and specialist tasks. At any time, leaders must know what their responsibility is with respect to these tasks and the best possible way to fulfill them. This increases the overall effectiveness within the team as well as the leader’s own work.

Leaders must align their tasks with the benefit of the customer in mind, with a view towards the future and coordinate them with all necessary interface partners. Doing so creates a dynamic portfolio of tasks, which has an impact on the entire company and is not only geared on individual interests. This focus is crucial for a company's ability to innovate, change and renew itself.

3. Roles and Leadership Styles

Effective leadership in a dynamic and complex environment requires that leaders have an expanded role consciousness. In hierarchically structured organizations, managers assume complete control for all decisions. This is still how it is in many companies today. Here the typical role is that of a disciplinary supervisor. Typically, this status is founded on technical expertise and years of experience.

Companies are increasingly subject to complex influences, which need to be handled well. This requires quick decision-making and rapid intervention. Managers are not able to fully oversee this on their own. Subsequently, all employees need to act self-responsibly and often cannot wait for decisions by a central authority.

This also means that leaders must be willing to delegate responsibility and at the same time build a relationship of trust. This open-minded attitude is especially crucial for successfully leading younger employees of the X, Y and Z generations and acknowledging their values and expectations. So, leadership does not have just one role, but in fact several roles in which it must be flexible. Yet, this is not a free pass for acting, on the contrary – only those who are authentic will be viewed as credible.

4. Instruments

Instruments, tools and methods support leaders in their daily work. However, they are not a means to an end, but need to provide added value and benefit.

There are several tools that can be used to support cross-functional collaboration and communication, while others create transparency and commitment, such as visualization and key figures. Supplementing this are digital tools such as apps, dashboards and collaboration tools.

The use of these instruments is not arbitrary. Training and mentoring are necessary to be able to apply them with routine and in a reliable fashion. All in all, leaders should have access to instruments on three levels: For leading yourself, techniques for self-reflection and tools for time management are important. To lead others, target agreements, feedback techniques and key figures are helpful. In order to lead the organization, strategic goals must be measured, visualized and actively worked on, for example through Hoshin Kanri or OKR (Objectives and Key Results).

5. Competencies

These days, being a good strategist and lone decision-maker is simply not enough. The increased demands relating to the adaptability and development of companies mean that the competencies needed for effective leadership also increase in terms of quality and quantity. To master this, leaders must continuously develop themselves, learn new skills and most certainly also “unlearn” some negative patterns.

In this day and age, managers can no longer achieve everything on their own, instead a team effort is necessary. Leaders now require not only technical knowledge, but increasingly their social skills play an important role. This entails the ability to listen to others, to understand them and to mediate between various interests of all parties involved. Leaders must face this challenge and consciously assume a learning role for the purpose of their own advancement and that of their teams.

6. Behavior

Every leader is under continuous scrutiny by employees and colleagues. Observable behavior is evaluated and related to underlying values, views and attitudes.

Leaders are well advised to actively make use of this continuous observation: with self-reflection, constructive feedback and by comparing their self-image with the external image. Written corporate values and leadership guidelines can provide orientation and guidance. This allows the leadership coalition to be an example for consistent and reliable behavior.

7. Corporate Culture

Culture can be compared to the shadow of action. It is always the direct result of what is happening within a company, how people deal with one another and what example management is setting.

In respect to the external view, organizations ask themselves: How are we perceived from the outside? Why does our company not appeal to the younger generation? How can we actively develop our corporate culture without losing our own identity and forgetting previous

successes? What becomes clear from the inside perspective, is that daily behavior needs to be starting point for change: How do we as a team come out of fixed patterns such as blaming, throwing obstacles in each other's way and micro-management?

Cultural change is a challenge for everyone involved. It implies that everyone is forced to leave their comfort zone. In order for change to have a positive effect, leaders must create a protected space that allows for learning. This is where employees will have the opportunity to experiment and test new ideas without risk. If this is not available, they will be left uncertain about the impacts on their future work, which can result in blocking the desired transformation.

Security, trust and a clear purpose for the organization play a central role. What must be underlined in addition to communication is a positive failure culture. Because during a phase of change, processes tend to be less stable for a certain amount of time. Everyone must feel certain that errors are recognized, corrected objectively and remain without personal consequences.

5. LEADERSHIP IN PRACTICE

5.1 COACHING FOR TOP MANAGEMENT

The demands on leadership roles are increasing. One particular feature of grown dynamics: The direction an executive needs to take in terms of development is not immediately clear. This is why Staufen offers systemic coaching for leaders on all levels. Coaching starts with an initial interview, in which the need for support is determined and trust is established between coach and coachee. The topics discussed in this clarification phase relate to the need for action on three levels: leading yourself, leading others and leading the organization.

Coaching can take place at a neutral location outside of the company. What is crucial is a deep process of self-reflection, so leaders can fulfill their role in more targeted manner and can define it in clearer terms. By giving attention to one's own resources and potential, a leader becomes more aware and can leverage them more effectively. As a result, the coachee is able to effectively meet the increased demands on the leadership role.

5.2 LEADERSHIP WITHIN AGILE CONTEXT

In the medium to long term, more and more companies will evolve to become agile network organizations, in which employees will mostly work in a self-organized manner on the basis of shared goals. This organizational design is supplemented with the inclusion of customer and competitor perspectives.

An example: A German automotive manufacturer counters disruptive changes in the industry and the resulting requirements by building an agile organization. Goal of an engineering department was to improve service to internal customers in terms of reliability, quality, adherence to deadlines and budgets. Aim was to gradually move away from a traditional matrix hierarchy towards an agile circle model. In the future more focus should be placed on bottom-up, self-initiated and interdisciplinary work.

To increase acceptance for this concept among management and employees, the company initially changed selected pilot processes. This way the effectiveness and potential of agile methods and mindset could be experienced. This change process was accompanied by regular coaching and open space communication.

The result: The response capability and flexibility of the department increased as did the effectiveness and efficiency in process work. Processes were significantly shortened by reducing control and coordination efforts. In the end, leaders delegated responsibility and decision-making to the teams. The role of executives has changed significantly: Today they ensure that friction in the organization is minimized and employees are supported to work more efficiently.

5.3 QUALIFYING PLANT MANAGERS WORLDWIDE

A global technology company set the goal to promote entrepreneurial thinking among its 200 plant managers. Based on the firm conviction that diversity creates added value, the training groups were intentionally mixed by business sectors, region and age group. During the one-year program, the participants traveled to other locations to learn from colleagues and to exchange experiences.

In three modules, the plant managers learned strategies, were introduced to instruments and worked on case studies. Lessons learned were then applied to improve their own locations. In addition to self-reflection and learning from others, the training also focused on Operational Excellence, HSE (Health, Safety, Environment), Supply Chain Management, Financial KPIs and Compliance.

Leadership and change played a central role in all training modules. To increase the training's impact, the participants worked on individual roadmaps and supported each other through collegial coaching. Top Management, in their role as mentor, was also actively involved, ensuring the pursuit of the roadmap after the training program.

5.4 SHOP FLOOR MANAGEMENT: COMMUNICATION AND PROBLEM SOLVING

An aviation company does business in a volatile high-growth market. New technologies and increasing demand ensure full order books. Moreover, the demands of the customers are growing: They require highest precision, a zero-defect strategy and absolute adherence to deadlines. The company is clearly committed to its sites in Germany, which is why it focuses on work processes that are competitive and can meet challenges of the future.

To this end, the company introduced Shop Floor Management with the intention of manufacturing and administrative processes to be more efficient. Because there had been several attempts to increase efficiency in the past, one task stood out in the forefront: gain the trust of staff members for a new and improved approach. The overall goal was to anchor the results sustainably and to achieve measurable impact on key performance indicators.

Better communication now generates a clearer dialog in everyday business: at the start of the workday, leaders exchange information and ideas with employees on all levels. This ensures a smooth exchange of information about important changes, and complex processes in manufacturing and maintenance can be broken down into transparent steps. Nowadays, employees are informed earlier and in

more detail. Consequently, decisions are made faster and at the appropriate level.

The new exchange of information reinforces on-site problem solving, reduces late plan changes and increases transparency along the value stream. And since Shop Floor Management was developed in close conjunction with the staff, multipliers from within the company can continue to develop the leadership approach.

5.5 ORGANIZATION ALONG THE VALUE STREAM

Complicated decision-making processes, insufficient cooperation and long response times – these are indicators for a poor organizational design. Companies should spend more time on these types of questions, as can be seen in the following example. A global market leader with more than 2,000 employees had experienced strong international growth for 15 years. Processing these international orders, however, became increasingly complex and ultimately led to serious issues, since the company's structures and culture had not kept up with corporate growth. The result: major problems, for example in meeting delivery deadlines.

It was also clear that in order to continue delivering excellent quality and consistently meet deadlines, fundamental changes were necessary – a complete overhaul, in fact. New and more efficient workflows, as well as a comprehensive change process, including corporate culture, would be introduced in all areas of the company. Reorganizing the company based on value streams meant removing functional

divisions – order entry, engineering, procurement, assembly, and logistics are now all aligned with the value stream. Departmental thinking and typical issues in interface management become things of the past.

The result: At the start of the transformation, the average lead time was about 3.5 months, but the actual process time equaled two weeks. The remaining weeks were spent responding to questions, clarifying issues as well as idle time. Two years after starting the transformation, the lead time has been reduced by a third!

6. THE TRANSFORMATION PROCESS

At the start of the transformation, the directional transformative power within an organization is evaluated (Fig. 3). The extent of the joint sponsorship is critical to the success of a sustainable transformation.

Three types of “social energy” are required for real change:

1. Away-from energy

Is there an appropriate problem awareness among those involved and those affected?

2. Towards energy

Are the target picture and ambition clearly defined and accepted by everyone?

3. Implementation energy

Is there a clear path differentiated by:

- Do we know what we want to preserve and keep,
- Do we know what we want to leave behind us and discontinue, and
- Do we know which new things we want to add, and which competencies are needed

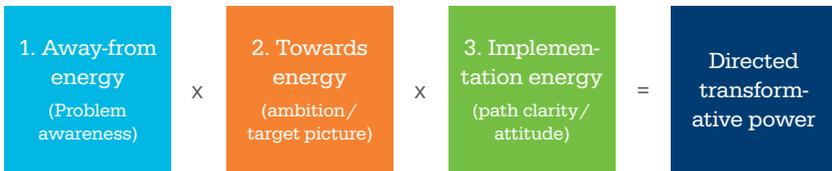


Figure 3: Directed transformative power

The course of the transformation process

The path compass (Fig. 4) bundles energy, creates clarity and aligns the transformative power. Success factors and the seven leadership elements explained earlier are set out in a roadmap. The roadmap visualizes the time scale. Because one thing is clear: fundamental changes need time – not weeks or months, but years.

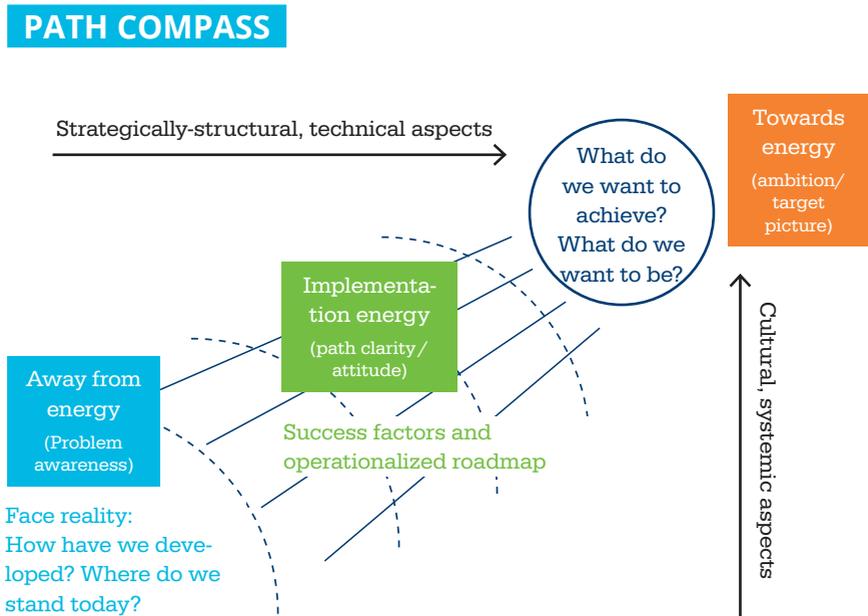


Figure 4: Path compass for transformation (in cooperation with Andy Duke GmbH)

Generally, organizations have experience with continuous improvement processes. They are used to constantly put business processes to the test, to analyze them and, where necessary, make them more effective and more efficient. These improvements can be planned and structured based on milestones.

Change processes are subject to a different logic. There is no generally valid, scientifically based model for a successful transformation, nor are there any patent solutions or standard methods. Ultimately, it is about finding a course of action that matches both the inner and external context in addition to the organizational culture. Where necessary, the means and methods applied must be dynamically adapted.

The systemic intervention loop

Classic planning based on a waterfall principle simply does not work for change. In order to properly address the complex interdependencies within a transformation process, systemic thinking and the use of a systemic intervention loop is inevitable:

- The initial starting point is based on observations and perceptions.
- Then reactions, interactions, patterns and relationships are recognized.
- Building on this, hypotheses – assumptions about the system hiding behind the patterns – are formed
- Based on the hypotheses, interventions, solutions and next steps are planned and implemented.
- The implementation is followed by an observation of the effect: What has changed? What is effective? What not so much?
- These findings serve as input for the next intervention loop.

7. CONCLUSION

We believe that inside every company, there is an even better one.

Especially in times of rapidly changing conditions, the adaptability of organizations is a vital ingredient for long term success. Many companies have recognized that a key to adaptability is to continuously develop their leadership and corporate culture. Those that do this successfully become more attractive to customers and employees.

In terms of adaptability, the speed with which organizations can respond to changes is key. Implementing an agile organization is therefore an important factor. This requires leaders to acquire new skills and competencies. And a broader understanding of roles: In addition to visionary and decision makers, today's leaders must also act as mentors. The empowerment and development of employees is a central task and sought-after core competence.

THE STAUFEN LEADERSHIP FRAMEWORK OFFERS A HOLISTIC VIEW ON LEADERSHIP.

THE PATH COMPASS DESCRIBES THE TRANSFORMATION BETWEEN THE INITIAL SITUATION AND TARGET PICTURE.

The path compass brings leaders and employees towards a new understanding of leadership and an evolved corporate culture. Cultural change is not an end in itself, but rather the basis for competitive differentiation and lasting entrepreneurial success. Because a performance-promoting and appreciative company culture with motivated employees is the prerequisite for high added value and satisfied customers.

An integrated approach consisting of consulting, training and coaching forms a starting point for sustainable change. The targeted implementation of new structures, processes and collaboration models ensures optimal framework conditions. Training and coaching lead to growing competencies and an observable change in behavior.

In all of this, we see our role as sparring partner and guide: Sparring partner in creating a powerful target picture. Through our unique combination of specialist consulting and organizational development, STAUFEN.AG guides organizations through their successful transformation.

STUDIES AND WHITE PAPERS

All Staufen AG studies can be found online at www.staufen.ag/studien



INSIDE EVERY COMPANY THERE IS AN EVEN BETTER ONE

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