Accelerating strategic change through action learning

Jon Younger, René Sorensen, Christine Cleemann, Aaron Younger, Allan Freed and Sanne Moller

Abstract

Purpose – The purpose of this paper is to describe how a leading global company used action-learning based leadership development to accelerate strategic culture change.

Design/methodology/approach – It describes the need for change, and the methodology and approach by which the initiative, Impact, generated significant benefits.

Findings – The initiative led to financial benefit, as well as measurable gains in customer centricity, collaboration, and innovation. It was also a powerful experience for participants in their journey as commercial leaders.

Originality/value – Impact was created using comprehensive customer feedback and its delivery involved key customers.

Keywords Strategy, Leadership, Talent, Development, Action learning, Change management

Paper type Case study

Over the past three years, commercial leaders of a top 25 global logistics company partnered with human resources and the authors to create Impact, an innovative leadership development, culture change and business innovation laboratory for sales and operations managers and high performing professionals. Now beginning its third year, Impact has generated strong industry interest, resulted in significant measurable financial gains, assessed and penetrated profitable new business areas, reinforced its relationships with key strategic customers, and accelerated the development of outstanding young talents from China to Chile. This paper examines Impact, assesses its early financial and operational results, and discusses its application to other companies and industries.

Why Impact?

The global logistics industry is growing and changing. Not long ago, logistics was seen as a means of reducing shipping costs and not much else. Times have changed and as supply chain management has grown to a trillion dollar business, companies are turning to logistics firms for help in a variety of innovative ways, from initiatives aimed at reducing the firm’s carbon footprint to the use of “big data” to predict problems and anticipate unforeseen circumstances.

The firm is a division of one of the largest shipping companies, with revenues approaching 4 billion dollars USD, over 10,000 employees and 200 commercial offices. The firm was formed as an independent division in 2009, and the leadership team quickly identified the growth potential of shifting from a more traditional cost orientation to a focus on customer centricity: deepening relationships with its most strategic customers and expanding its strategic customer base.

Impact was intended to further the firm’s brand aspirations of passion for customers, dedication to service quality, energized people and differentiation. These brand aspirations
are consistent with customer expectations; as can be seen by a recent study (McKinsey & Co., 2010) describing the top priorities of supply chain executives and the shift from cost to service and quality (see Figure 1).

**Architecting Impact**

Impact is an action learning program that was intended to be an intensive and demanding experience for participants. It incorporates interaction with significant customer and company executives, teamwork and case review, applying practical tools and frameworks, developmental feedback and coaching, and action learning project work on a significant business opportunity.

Planning for Impact began, appropriately, with interviews of many of its most demanding global customers, usually the supply chain head. Questions explored expectations of the firm, capabilities that give competitive advantage – now and in the future, behavioral competencies they would like to see, and strengths and areas of improvement of customer facing professionals.

Customer interviews were highly supportive of Impact; in fact, several supply chain heads agreed to speak at Impact workshops. The feedback, not always gently offered, was a powerful addition to the Impact experience. For example, as one senior supply chain executive put it bluntly in his talk with the group: “Do you know me? My company? Why we hired you and not another firm? Why we’ve expanded our relationship? What keeps us working with you? What would cause us to leave you? If you do not, you need to.”

Through the interviews, the following six design factors were crucial to the Impact experience:

**Customer insight**

A consistent interview theme is the importance of deep customer knowledge. Impact kicks off the first of three workshops with a customer visit, and each workshop devotes significant time to customers. A supply chain leader of a customer company speaks at each workshop. Time is also given to sharing insights on common global customers and regional and industry customer trends.

**Customer partnership: behaving the brand**

A key goal for Impact was building a shared vision of the customer experience. Gallup calls it “behaving the brand,” and in a recent article (Williams, 2012) pointed out that only 40 percent of employees: “know what my company stands for and what makes our brand(s) different from our competitors.” Murphy (2012) describes what companies expect from logistics outsourcing partners, and our interviews were fully consistent: be engaged and
committed; keep promises; anticipate problems; provide innovative solutions that help them be more successful; regularly review the relationship and what's gone well or badly; and take prompt action to make improvements consistent with the brand.

**Teamwork and collaboration on behalf of customers**

Behaving the brand combines individual employee engagement and effective teamwork within and across units. Employee-customer-profit chain research (Rucci et al., 1998) showed that engaged employees lead to customer perceptions of greater and higher service quality. Impact participants learn the importance of engaging employees and customers in driving financial results (Harter et al., 2004), and practical skills and tools to do so. Team experiences, business case analyses and simulations teach participants how to assess and reinforce employee engagement and build effective teams. Understanding the phases of team development (Tuckman, 1965) and the qualities of an effective team (Katzenbach and Smith, 1993) help participants to assess their team’s “current” state and build the plan for “future” improvement.

**Leadership**

Customers expect leadership from their service provider – leadership in customer insight, a laser focus on service excellence and innovation, the ability to attract and retain top talent, and ensuring a high level of teamwork and continuing improvement. Impact provides participants with a common framework and research base for leadership called the leadership code (Ulrich et al., 2008) (see Figure 2).

The following elements of the leadership code were modeled by the firm’s executives as speakers and coaches in each of the three Impact workshops. The opportunity for these young future leaders to spend real time in candid discussion with executive team members was a significant addition to the initiative.

- **Strategists shape the future.** Where is your company headed? Leaders set out a vision for the organization that describes how their organization will grow and create value for customers and stakeholders. They clarify organization needs, build the plan, and work effectively with others to ensure commitment and engagement to the desired future.

- **Executors make things happen.** A goal without a plan for attainment depends on hope. Effective leaders are executors. They translate strategy into action for the team and put systems in place that ensure organization members are moving together and in the right direction. They focus on getting things done, and ensure that what is important is measured and managed.

- **Talent managers engage today’s talent.** Leaders that optimize today’s talent are effective talent managers. They understand the skills required to meet goals, manage employees’ performance, coach and develop, and ensure employees are well informed and engaged.

**Figure 2** The leadership code
■ Human capital developers build the next generation. Effective leaders must also be developers of the next generation. Human capital developers ensure effective workforce plans are in place and that the organization is positioned to attract talented employees, identify and develop future leaders, and align people systems (e.g. reward) with the achievements that matter most.

■ Personal proficiency. Leaders are learners. They learn from their successes and from failures, and reinforce the importance of being effective models of behavior in their organizations. Effective leaders inspire loyalty and goodwill in others because they act with integrity and trust, and demonstrate courage and conviction. They take care of their health, physically and emotionally.

Profitable product and service innovation
Innovation is the hard work of regularly reviewing the value a firm creates for its customers and other stakeholders, and creates new ways of adding value. In Impact, participants learn the innovation cycle, as follows:

■ Assess current capability through internal and customer feedback.
■ Benchmark vs both direct and indirect or newly emerging competitors.
■ Define the gap.
■ Set priorities for improvement and develop new tools and methods to create value.
■ Pilot, review and make required organizational, system and training changes.

Innovation is about change, and Impact participants learn how to deal with the challenges of leading and managing change.

System efficacy and alignment
Finally, customers prefer consistency and predictability to heroism. HR plays a critical role in ensuring that people are assessed, developed, and rewarded in ways that make “behaving the brand” real (Huselid, 1995; Pfeffer, 1998; Ulrich et al., 2009). Participants learn a clear framework for evaluating their team or organization and identify the people systems required to fully support alignment and capability growth, and define clear priorities and plans for improvement.

The structure of Impact and action learning
Impact is structured as a series of three workshops over a nine-month period, with action learning as a critical element (see Figure 3). Commercial leaders were asked to suggest proposals for action learning projects and top management made final selections. Regional commercial leaders coached the teams and provided resource support when necessary. Criteria for action learning projects were as follows:

■ important, financially and strategically;
■ realistically achievable;
■ clear objective;
■ sponsor; and
■ not so urgent that we cut short the time.
Thus, for example, one team focused on identifying prospects for new business development in a growing segment of the chemicals industry. Another team was organized to assess prospects for a profitable trade line between Africa and India. A third looked at opportunities in the charitable and philanthropic area.

Teams typically were five to seven participants, including multiple roles, regional affiliations, and experience levels. Action learning projects were designed to reinforce and supplement the leadership development and culture change, as well as create measurable financial and strategic value for the firm, develop an expanded offering to current customers and attract new strategic customers in key areas.

**The impact of Impact**

Impact had the following three fundamental goals:

1. Accelerate the cultural changes (behaving the brand, teamwork and collaboration, integration and alignment of HR systems) required for the firm to achieve its strategic growth objectives.

2. Generate measurable profitable growth through innovation through the action learning projects.

3. Accelerate the development and retention of future leaders.

**Accelerate cultural changes**

There is strong anecdotal evidence for the impact of Impact on cultural and organizational change. The firm reports that Impact has helped to trigger change bottom-up by creating an increased commercial mindset among participants. As hoped, they have begun to drive change in their home region and country and their leaders have begun to see change in behavior and mindset:

- **Impact participant.** “After the first module in India I went back, and said to my boss what we are doing is wrong . . . we are actually a perfect example of an operational procedural company instead of a customer centric company, and he actually listened.”

- **Participant.** “I think there are things that I perceive in a different way. Not really that I change what I do every day, but in terms of mindset. I think it helps me to have right direction into what a commercial leader should be, so that also directs me in my daily activities.”

Although the program had a robust influence on participants, Impact's efficacy in driving cultural change is limited. This seems to reflect the law of small numbers; not enough participants have attended to create a cultural “tipping point.” A survey of first cohort participants found that they had difficulty driving the customer mindset and behavior in their home organization.

**Generate measurable profitable growth through action learning**

In all, over the two years we have led Impact, 12 action-learning projects have been completed. Ten of these projects received approval to go forward; where possible, team members have continued to work on their projects through piloting and implementation. Moreover, several of the projects included piloting and early business development that produced revenue gains.

When we assess the bottom line contribution of Impact, it is significant. Without mentioning the specific action learning topics, Table I indicates both potential (short term) and realized revenue gains from a sub-set of the projects:

**Accelerate the development and retention of future leaders**

Impact had a significant positive influence on the leadership development of participants. Based on feedback from participants the program seems to have accelerated individual development within the following three areas in particular:

1. **Ownership of firm strategy.** Impact participants reported a stronger understanding of the strategy and its intentions and implications in a number of important areas:
   - What world-class customer partnership looks like.
   - How the firm must act to reinforce its cultural and strategic journey.
   - What is required from future commercial leaders.
   - Why internal collaboration between sales and operations, and between different offices and regions, is so important to firm performance and customer loyalty.

2. It is important to mention that, for this firm as for many others, management had invested considerable energy in developing, refining and communicating the strategy. Impact provided a deeper opportunity for these future and current leaders to understand its implications in far greater specificity, and to identify what they personally needed to do differently in future.

3. **Personal development.** As implied above, many of the participants describe a personal journey of reflection and development focused on what it means to be a strategic commercial leader, whether with or without formal responsibility. Another measure of development is participant promotion following their involvement in the program. The data are fairly bullish (Table II).

   Unsurprisingly, the more recent cohort had fewer promotions than 2011 given the short time horizon. Among 2011 participants, two thirds of participants were either promoted or their roles were expanded.

4. **Tools and frameworks.** Participants also commented extensively on the value of new tools and frameworks to apply in their daily work.

<table>
<thead>
<tr>
<th>Table I</th>
<th>Financial impact of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project</strong></td>
<td><strong>Potential revenues (estimated)</strong></td>
</tr>
<tr>
<td>Food</td>
<td>1.2M USD</td>
</tr>
<tr>
<td>NAM</td>
<td>200K USD</td>
</tr>
<tr>
<td>Non-profit</td>
<td>1.5M USD</td>
</tr>
<tr>
<td>Children’s</td>
<td>3M USD</td>
</tr>
<tr>
<td>Trade Lane I</td>
<td>1.5M USD</td>
</tr>
</tbody>
</table>
Top performers targeted by competitors

It was difficult for Impact to meaningfully impact retention. In part, this is because the company has been successful in keeping top people despite aggressive efforts by competitors to recruit strong performers. Overall, Impact has matched the firm’s overall retention data, but has not improved on the retention of high performers; in fact, some 2011 participants left for significant promotions at competitor firms. Overall, it seems the firm has been targeted as a “leader feeder” for the industry (Ulrich and Smallwood, 2003) that will likely increase short-term attrition. However, over the longer term, if sustainable, being seen by the industry as a developer of talent will help the firm to attract excellent future commercial leaders.

In general, we found that using Impact as a singular retention tool was not a robust strategy. The firm found that, while the invitation to attend Impact was taken as good recognition, and participants clearly experienced great value from their involvement, it is not robust as a retention tool on its own.

Strengthening strategic customer relationships

An important objective was to use customer engagement in Impact to reinforce strategic customer relationships and customer knowledge of the firm’s efforts to invest in improving customer satisfaction. Inviting customers to participate met this goal and feedback from participating customers shows customers strongly enjoyed the mutual learning opportunity, and were duly impressed by the commitment demonstrated by Impact. Comments included: “I felt very good, definitely connected, and saw how many participants were reaching out to me afterwards” and “you see people thinking, wanting to engage.”

The future of Impact

What is the future of Impact? First and foremost, there is a future. The logistics firm is now engaged in the third round of the initiative. Other companies, intrigued by the process and results of Impact, are considering or beginning similar efforts.

In future work, the authors plan to investigate if some companies and industries are more likely than others to gain the full value of initiatives they have begun to see for this firm in the logistics industry? How robustly transferable is Impact to other industries, and what must be done to ensure transferability.

We see significant potential benefit for those companies and industries that require a pronounced change in strategy, culture, mindset and leadership. Future work will help more clearly identify where Impact is most likely to have […] Impact!

References


Table II: Accelerated opportunity

<table>
<thead>
<tr>
<th>Cohort</th>
<th>Same role (%)</th>
<th>Same role, expanded scope (%)</th>
<th>New role, larger scope (%)</th>
<th>New position, not larger scope (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>26</td>
<td>19</td>
<td>46</td>
<td>7</td>
</tr>
<tr>
<td>2012</td>
<td>51</td>
<td>11</td>
<td>30</td>
<td>8</td>
</tr>
</tbody>
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About the authors

Jon Younger is Partner Emeritus at the RBL Group, and built the firm’s strategic HR practice. He consults extensively for RBL Group with executive teams on HR strategy, change leadership and talent development. He has co-authored four books and many book chapters and articles, and teaches in the executive education faculties of the University of Michigan and Indian School of Business. His PhD is from the University of Toronto. Jon Younger is the corresponding author and can be contacted at: jyounger@rbl.net

René Sorenson heads training and capability for Maersk Tankers based in Copenhagen. He held a similar position in Damco, where he was part of building the HR function and ran a number of organizational development initiatives, including Impact. Before joining Maersk, he was an officer in the Danish army, with roles in leadership, training and development.

Christine Cleemann, PhD, is a faculty partner of The RBL Group and Assistant Professor of HR strategy at the Copenhagen Business School, where she teaches HR Business Impact, Talent Management and Self-leadership Practices. She has co-authored book chapters and articles and works extensively as a consultant and educator in both private and public organizations.

Aaron Younger is currently an organization development executive for Philip Morris International Asia, based in Hong Kong. He was previously a consultant in the talent and organization practice of Accenture, and a senior consultant at RBL Group. He has co-authored articles in the Washington Post and Strategic HR Review. He graduated from the University of Colorado, Boulder.

Allan Freed is a principal consultant with the RBL Group based in Edinburgh, and focused on helping European HR organizations create business value through talent, culture and leadership. He works with a large number of leading European firms in a variety of industries and recently co-authored a chapter in Global HR Competencies. He holds a degree in Business from the University of Stirling.

Sanne Moller is an industrial PhD fellow at Copenhagen Business School. Her research focuses on strategic HR and talent management. She is also a consultant for A.P. Moller-Maersk on talent management. Prior to her PhD research, she worked with a wide range of HR practices in European and global settings. She has a Master’s degree in International Business and HR.

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