



**Wysowl Pty Ltd**

ACN 010 677 022

18 Miller Street  
Ph: Intl+ 61 7 3359 9918  
Mob: Intl+ 61 407 149 966  
[john@wysowl.com.au](mailto:john@wysowl.com.au)  
[www.wysowl.com.au](http://www.wysowl.com.au)

**Wysowl Pty Ltd**  
**Newsletter Number 30**  
*May 2013*

## **WHAT IS THE VALUE OF LEADERSHIP?**

### **INTRODUCTION**

When Mr. Seymour Cray, the father of supercomputing, left Control Data, it is a safe bet that the financial reports did not indicate that a few years later Control Data, then the only producer of super-computers in the world, would not even be in the business, and that Cray Research would soon dominate the market. Perhaps it registered a drop in research costs. How do we measure the financial impact of a Seymour Cray?

When Steve Jobs left Apple Computers in 1985 after a power struggle with the board, what information system or financial report in the company suggested that within ten years the business would be on the verge of bankruptcy? Jobs returned to Apple, and in two years pulled it back from the brink of bankruptcy into profitability. By the time he died in 2011 Apple was the most valuable publically traded company in the world. What pay and bonuses did the board get paid in 1985? Why?

### **GIANTS AMONG MEN**

Not everyone can be giants like Cray and Jobs, but we have all seen how one man, in the right position, can transform a business or an operation. Some examples follow.

### **FREIGHT TRAIN**

About twenty years ago I met a young man who managed a telecommunications facility perched on a mountaintop near Hobart in Tasmania. He was concerned that new technology recently launched overseas would render his entire operation redundant. The new technology could be controlled remotely, and was easily set up in an unmanned station. It seemed that as soon as the new equipment could be demonstrated to be reliable, he and his staff would be out of a job. The staff of the existing station felt as if they were sitting on a railway line, watching a freight train bearing down on them. Given that the corporation they worked for was in the process of reducing manning levels, it was a genuine concern.

Few people were as yet aware of the new technology, but that would soon change. Our young manager soon realised that he could sit on his mountaintop and wait for the freight train to hit him, or he could automate the operation and walk off it.

It took courage, determination and a little vision, but this young man created a plan that would automate his station and yet protect the employment of everyone willing to move to new jobs. He presented his plan to management, which was accepted. He was not alone. Other stations faced the same dilemma. As far as I know this young man was the only manager who deliberately automated his station and walked off it. The others were run down by the freight train. The difference was leadership ... and a big element of the leadership displayed was courage. Not many managers have the courage to face their people and explain why automating their station and making themselves redundant was the best possible outcome. One did.

### **A WEEK CAN BE A LONG TIME**

In early 2012 a large mining company sent a newly recruited senior process control expert to one of its largest operations. For some time, process plant performance had been sub-optimal. At the site the causes of this were thought to be technical issues and the highly variable ore.

In a week this process control man had increased tonnes throughput at milling by about 9%, or about \$50 million per year. No capital was spent fixing the technical issues. No stockpiles were built to blend out the variation in the ore; although both these types of issues did need to be addressed. What he did was to re-tune the control system for milling. In the previous six months several people external to the site had noticed the cycling patterns in the mill, and had concluded that poor process control was likely a chief culprit; but knowing a problem exists and knowing what to do to fix it are two very different things.

Technical issues *did* exist; the ore *was* highly variable and problematic; but neither of these was the major issue. What might have happened if our process control expert had never been recruited; or had been sent to another site? What did the information and financial systems indicate when he was recruited? What value should we place on a single bright, introspective technical man who has the ability to work with people as well as with instruments and machines?

So far as I know, he received no bonus for this work, but one is inclined to wonder if someone else did.

### **PROMOTION ON MERIT**

Several years ago I participated in a project to revolutionise the performance of a large plant. The project leader was a man (who we will call Ralph) who combined solid technical and design expertise with good people skills. The project was hugely successful. In the space of a few months this plant became an industry benchmark in terms of both product quality and profitability.

The other outcome was that one of Ralph's bosses was promoted.

Ralph did not mind, because his boss promoted him as well and gave him a wider scope. In his next project he successfully identified why another plant was underperforming. Then he was sent to yet another plant that used a new technology but which could not produce product to specifications despite the best efforts of all the managers and technical folk involved. The costs that attended this failure were very ugly. Ralph taught himself the new technology, fixed the process and the control issues and made the plant profitable.

His boss got promoted again.

Ralph continued to work his magic, and his boss got promoted again.

Of course, this could not go on forever and a few years later his boss was unemployed. How could we have known at the time who was responsible for these transformations and deserved the promotions, and who did not? Do we need to know?

### **IS THE NEED LEADERSHIP OR TECHNICAL SKILLS?**

At a large mining operation in a developing nation the mining rate had dropped by about 25%. A preliminary study indicated that poor drill and blast work was resulting in both slow dig rates and unnecessary damage to machines.

The mine manager agreed to replace his technically competent drill and blast superintendent with a man who was a “dirt boss”; who was a miner but who lacked expertise in drill and blast, where he was a novice. Our dirt boss hesitated initially because of his lack of technical skills. Nevertheless, the mine manager impressed on him that the pressing and immediate need was to drill to design, every time and to ensure routine maintenance (etc) was undertaken. This required leadership skills, as opposed to technical competence. The following month the dirt boss became the superintendent of drill and blast. He recruited the assistance of the mine’s business improvement expert and set to work.

In the next six months dig rates and tonnes mined rose by 40%.

The missing ingredient was not technical in nature; it was leadership. The new drill and blast superintendent discovered that he could call on very good technical people when such expertise was needed, and that not being possessed of these skills himself was not a barrier. Most managers have plenty of technical expertise available when it is needed.

Far more operations suffer from a lack of leadership than from a lack of technical expertise. Nevertheless, when recruiting a new plant manager or similar, technical expertise is normally the first requirement candidates must exhibit to be considered. The second is long experience in the industry.

### **THE ANSWER IS IN THE WORK!**

The Nashua Corporation in Nashua, New Hampshire, was a Fortune 500 company that conducted a variety of businesses. Its core enterprises were photofinishing, manufacture and sale of coated products such as thermo-sensitive paper and adhesive tapes, computer product manufacture (primarily computer disks), office supplies including photocopiers, toners, fax paper, and remanufactured laser printer cartridges. Nashua had the number one market share in the United States, Canada, and the United Kingdom.

Bill Conway joined Nashua Corporation as an industrial engineer following his naval service. He was elected President of Nashua Corporation in 1969 and was named Chairman in 1979. While Chairman, Bill became the first CEO of a Fortune 500 company to work directly with Dr. W. Edwards Deming. In the late 1970s and early 1980s, Conway implemented a four day course for all Nashua employees in which Deming's ideas were discussed and introduced. Bill then terminated bonus incentives for managers, which he and Deming criticized as being counterproductive. Instead, Nashua introduced profit sharing. The implementation of Deming's ideas at Nashua led to quality improvement, sales increases, cost reductions, profit improvement and a solid financial situation.

One of Bill’s favourite axioms was, *“The answer is in the work! If you don’t change the way the work is done, you change nothing.”* When a distressed management team is seen calling for even more reports and more data, Bill’s axiom immediately comes to mind. More reports and more data are unlikely to do little more than confuse the issue as managers slip into data overload. The solution is not management; it is leadership; it is changing the way we do the work, or changing the work itself.

In April 1983, Bill left Nashua after a struggle with the board. He became a consultant. At the time the Nashua name was recognised around the world. In Australia it was best known for its photocopiers. Now almost nobody recognises the name. The business was acquired by Cenveo in 2009. What future did Nashua lose when Bill Conway left?

### **CHANGE FROM WITHIN**

It is not always necessary to recruit new leaders to transform a business. Sometimes the leaders we need are already in the business. Geoff Ward started work at Sola Optical Australia as an apprentice optical technician. In time he was elevated to the position of Manufacturing Manager with responsibility for 600 people whose jobs were at risk because of cost and quality pressures.

Geoff's paper on the transformation he created to become the benchmark is available at my website, newsletter #7, so much detail can be omitted here. Suffice to say that his greatest contributions were courage and leadership. He developed a new operating philosophy, drew a line in the sand and drove towards the future, fully committing himself to the new approach. Eighteen months later he was the envy of manufacturing managers of lens plants everywhere. He had created great quality and productivity and put the business on a sound financial footing. Ten years later, this factory was still the benchmark.

### **A METALLURGICAL METAMORPHOSIS**

In 1995 Western Mining Corporation (WMC) recruited Peter Smith from the Queensland coal mines to become Resident Manager of Leinster Nickel Operations (LNO). At the time, LNO was struggling. As 1995 progressed, there was nothing in the information systems that suggested that Peter Smith was about to perform some business magik.

LNO had a long history of unsatisfactory performance. Part of the reason for this was the difficult and highly variable mineralogy of the ore itself. Recovery of nickel from the ore was low when compared to similar operations, costs were high and tonnage output was less than satisfactory.

There were those who cited the new Resident Manager's lack of experience in hard rock operations such as Leinster and who doubted his ability to successfully manage the business, let alone improve its productivity and profitability. However, Peter was the first to recognise that the primary underlying problem at the metallurgical plant was instability, a concept very few metallurgists and engineers understand well.

Apart from Leinster's operational difficulties, the metallurgical plant was without a manager. Rather than having the position filled with anyone other than a manager who was a capable leader and who had a sound understanding of variation and systems thinking, it was left vacant whilst the search for a suitable candidate continued. When the senior metallurgists could not, or would not put a focus on creating stable operations, Peter moved his office to the plant and directed operations himself.

The results were almost immediate. The plant stabilised quite quickly, except for the occasional breakdown. Recovery of nickel from the ore rose significantly. Production costs fell and tonnage throughput rose. For the first time in many years the operation was performing well above forecasts. The results showed that reduced variation led not only to improved quality, but also to higher output and lower costs, just as Little's Law predicts.

Many people contributed in various ways, but the breakthrough was created when the plant was stabilised. A fifty million dollar per year metamorphosis had been precipitated at Leinster. It is worth remembering that this metamorphosis occurred in the processing plant; that the potential for this improvement had long existed and that when the transformation came it was occasioned by a miner who was a leader, not by a technically competent person.

## CONCLUSION

None of the above is new. Every reader will recall from their school years the arrival of a new teacher who dramatically improved class performance, or demolished it ... so why do we grade and rank the students?

Most readers have experienced the arrival of an outstanding leader or technical person who has revolutionised the business or the operation, but how many corporations know how to identify good leaders, let alone recruit them? In our recruiting systems technical excellence and long experience trumps good leadership in nearly every case. As a consequence we see many managers who know everything there is to know about their business, except how to improve it.

In 2007-2008 I decided to test this hypothesis. I applied for eighty jobs; most were for production manager, plant manager and business improvement manager positions. Nearly all were large and medium sized businesses. Some readers work for companies to which I sent applications.

I enlisted the assistance of a recruitment specialist (read head-hunter) to fine tune my applications and CV, and to target likely employers. He was confident at least a couple of good jobs with a reasonably high salary would be offered at short order.

My prediction was that I would get very few interviews in corporations. I was wrong. I got none. Many if not most, did not respond at all, not even to acknowledge receipt of the application. My head-hunter followed up many of the potential employers in an effort to understand why I seemed to be unemployable. He discovered that the filters that HR and recruiting agencies use knocked me out of the competition at the first screen. The lack of a degree and/or long experience in their industry was enough to reject my application at the outset. This included mining, metallurgical, pharmaceutical and petrochemical industries, where I have spent much of the past 30 years.

Readers are free to draw their own conclusions. Mine is that none of these HR departments and recruitment agencies were interested in applicants who were not possessed of a degree and/or extensive experience in their industry, and sometimes in a specific technology. My recruitment specialist drew the same conclusion. He was certain that my ideal job was as a plant manager. He recognised that getting such a job might be difficult, but reckoned my background was such that it would be simple to find me a job in a business improvement type of position. Not so. If one was not possessed of the requisite qualifications or experience, no amount of success as a consultant or in any other field was taken into account. In this way businesses inoculate themselves against change, perhaps unwittingly. Nevertheless, if we don't change recruitment practices, how do we recruit better leaders?

As I look around my clients I see many bemoaning the lack of good leaders. They know of the need, and some have made this clear to their HR departments, but one must wonder how many excellent leaders their recruiting system reject at the first or second hurdle.

In other clients I see good leaders being driven out of the business. I worked with two young metallurgists who did first class work in a large mining company. They made a habit of dramatically improving productivity. Three years later one had bought a trawler and was catching prawns; the other had bought a caravan park in the Kimberly region. Both cited being strangled by corporate politics and the lack of leadership as the reasons for leaving.

If corporations continue to recruit technically solid, experienced people who know everything about their business except how to improve it and who are not good leaders, they are likely to continue to have the same problems. If they drive away the young Turks who

already work for them and who have the potential to transform the business, things will stay the same.

I'll close with a quote from an excellent paper on leadership written by the CEO of a client company:

*As a group, we fear failure, we love harmony, and we live in a world apart. From these three roots has grown a whole thicket of dysfunctional characteristics that directly threaten our growth and our future.*

*The deep fear of failure in our culture engenders an aversion to risk, which in turn manifests itself as indecisiveness, paralysis by analysis, and a penchant for passing the buck. It also works to suppress the flow of bad news that may foretell of failure to come. And, most damaging of all, it causes us to move quickly past any failure that does occur, burying it, along with all that may be learned from it.*

*Our love of harmony – in many ways a reflection of our positive tradition of caring for each other – nonetheless has toxic side effects and a negative synergy when compounded with the fear of failure. It urges us to avoid confrontation and healthy debate. It drives us to mimic consensus where none really exists. And it makes us shun the mavericks who want a better answer or who see a different way. Thus we inoculate ourselves against uncomfortable questions and, all too often, great opportunities.*

In closing, this CEO says:

*I do not underestimate how difficult it will be for us to change the habits and the behavior of our old culture. This essay can only be the roughest sort of guide. It would be very easy for the organization to duck down and let this new annoying obligation too pass us by.*

*It will take full acceptance – not of every claim and comment, for this is a living document, the product of ongoing dialogue, but of the thrust and general outline of my case.*

*It will take visible, concrete action – small steps that signal big changes – on the part of everyone in leadership*

*It will take deep personal commitment by those assigned to leadership roles to truly fill the part and lead.*

*It will take direct teaching, face to face, one on one, until everyone understands that we have left the old safe harbor and are bound for a new place.*

*But we must make it happen. Our future depends on it.*