GO

Great People. Great Organizations. Great Results.

DDI 2015 Vol. 13, No. 1

VF's Global Take on Talent

The apparel and footwear giant is taking action to execute multiple global talent initiatives.

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ReadySet...GO

The Glut. That's what I like to call it. The overwhelming quantity of information we are deluged with every day. Whether it's the non-stop stream of emails we receive, the text updates we get on our phones, or even what we learn in conversations with others, leaders today have more information coming at them than they can possibly consume and manage.

When it lacks the proper context, assessment data can sometimes feel like an information glut. That's one reason I am so proud of Leader3 Ready®, DDI's new virtual leadership assessment for mid-level leaders and emerging executives. Leader3 Ready®'s interactive deliverables offer business-relevant, actionable intelligence to inform talent and business decisions.

From its realistic assessment immersion that can be customized to the organization's needs and personalized to individual career interests, to its holistic, synthesized view of the individual, to how it catapults leaders further into their development path, there's never been anything quite like Leader3 Ready®. I'm excited for you to read more about this breakthrough solution on page 15.

There's a lot more here that I'm excited for you to read, as well, including a story on the actions VF Corporation is taking to strengthen its global talent management initiatives.

You can also see findings from *The Global Leadership Forecast 2014/2015*, which was co-sponsored by DDI and The Conference Board, and check out why Bill Byham believes retirement is poised to become a critical talent issue.

No glut here. This is information that can make you smarter.

Enjoy!

Audrey Smith, Ph.D.
Senior Vice President,
Talent Diagnostic Solutions

To view a video of Audrey Smith discussing Leader3 Ready® visit www.ddiworld.com/GO/mag

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ABOUT DDI

DDI is one of the top talent management consultancies. Forty-five years ago, we pioneered the field; today we remain its chief innovator.

We help companies transform the way they hire, promote, and develop their leaders and workforce. The outcome? People ready to instigate, understand, and execute business strategy, and address challenges head-on.

Our clients are some of the most successful companies on earth. They're Fortune 500s and multinationals, doing business across a vast array of industries. We serve clients from 42 DDI-owned or closely affiliated offices.

The principles and skills we teach don't just make people better employees, they are at the heart of what makes for happier and more fulfilled human beings—better family members, better neighbors, better friends.

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FEATURES

DEPARTMENTS

VF's "BRAND" NEW APPROACH TO GLOBAL TALENT

Ron Lawrence and his team have brought vision—and action—to remaking the global apparel giant's talent management function.

When Ron Lawrence joined VF Corporation in 2006 as vice president, organization development and HR corporate services, he didn't see it as a career move. Arriving from a major financial services company, he saw it as the beginning of a journey.

Although VF was already a global apparel and footwear powerhouse with a portfolio of more than 30 popular brands, including The North Face®, Vans®, Timberland®, Wrangler®, Lee®, Nautica®, and JanSport®, Lawrence quickly spotted areas in the talent management space where the company could improve.

"One of the first things I noticed when I arrived was that there was no consistency across the brands, no common language. Each brand pretty much functioned on its own," he recalls, speaking by phone from his office at VF's worldwide headquarters in Greensboro, North Carolina. "Everything was being done in pockets, not looking across the entire enterprise, and many of the brands and business units thought of themselves as their own mid-sized company rather than as part of a global corporation."

Even with the disconnects and silos, Lawrence saw VF, with its 59,000 employees around the world, as a talent-driven organization with the potential to become even stronger.

"Even though VF was doing some great things, the full potential was not being realized," he says.

For the past eight years, through a deliberate combination of vision, strategic thinking, strong HR partnering, and, most of all, action, Lawrence and his team have been working to help VF realize that full potential.

"TALENT IS FUEL"

To get a big-picture view of what was going on throughout VF, one of the first things Lawrence did was conduct a thorough needs assessment. He talked to people to find out what was working and where there were improvement opportunities, and looked at the talent capability to determine what types of skills and competencies VF needed to develop. He also took a hard look at the talent management processes and practices in place.

Based on his findings, he set as a top priority the integration of a consistent performance management process and a leadership development initiative across the global enterprise. To kick-start the initiative, he created a 12-quarter "plan on a page" not only to bring consistency to training and assessment, but also to pursue an enterprise talent agenda. The comprehensive yet succinct plan outlined an HR mission, an organizational development vision and mission, and strategic goals.

VF's North American talent management team: **Front row** (left to right): Sheila Carmichael, Ron Lawrence, Ruth Kennedy, Mara Fischer. **Back row**: Lisa Caldwell, Kim Hilton, Tina Martin, Kristin Elliott, Debra Bussey.

"If we were going to drive our talent the same way we drive our business, we needed to devote the same level of attention to planning and review," says Lawrence. "Our C-suite accepted this as a matter of course, recognizing that 'talent is fuel' and that mentoring and coaching are critical."

While he had the full support of VF's senior leadership, Lawrence admits that addressing the needs of a global workforce and developing a common culture wasn't easy.

"The biggest challenge was, and is, involving all constituencies in the process in a way that they feel they've been able to contribute and that they've been heard," says Lawrence. "We had to consider what was happening in many different geographies and talk through things before setting an enterprise process. We learned that rushing or being too directive actually slows things.

"Our strategy had to be accessible and clear so everyone could understand where they were going and that they needed to drive real results—and all of our initiatives had to keep bringing them back to it," he says. "We enlisted good partners like DDI to leverage the synergies out of everything that we all knew."

Lawrence emphasizes that developing and leveraging a common culture across the organization was needed to "maximize impact, deliver excellent solutions, and have a best-in-class performance culture," and also to empower VF to execute across its global business strategy.

MULTIPLE STEPS FORWARD

One of the first steps in establishing a common culture was achieving a common performance management process, which included a shared competency model that would allow everyone to use the same behavioral descriptions in assessing talent and contribution.

"DDI helped us with this, and its unique ability to teach us how to communicate our changes and educate our people across cultures was essential to the process," recalls Lawrence.

VF also implemented bi-annual talent reviews at multiple levels to help reinforce the importance of talent to the organization. In addition to VF's senior executives, participants in VF's Senior Talent Assessment Review (STAR) meetings include business unit presidents, an OD director, and VPs of HR.

"We've held these meetings to the point of being obsessive—they've never been cancelled," says Lawrence, with pride. "This drives commitment and keeps the conversation alive and breathing." Meeting agendas include assessment, succession planning, a state-of-the-talent update, and review and monitoring of tracking methods.

In 2007, Lawrence says, VF implemented a global associate survey to get a meaningful view of associates' perceptions of the organization and assess engagement levels. "We consistently use the surveys, offered in 22 languages, to keep cadence and allow for meaningful, timely measures that feed into action plans. We benchmark the results with other leading companies, and rigorously pursue improvement. Things break down when you don't tie the action plan to business—when you don't hold people accountable."

In the same year VF introduced more organizational development tools and practices, including a curriculum for middle managers, an executive coaching program, and a diversity initiative. To help advance the implementation of the performance management process, also in 2007, Lawrence brought Ruth Kennedy aboard at VF as senior director of organization development. He emphasizes that Kennedy was instrumental in making the process a success.

"We met some resistance at first, so communication was essential, as we had to make associates understand why having a common language was necessary and beneficial," says Kennedy, of one of the major hurdles she helped tackle at VF. "This took some perseverance and patience and really did not materialize until everyone lived through the first year. Every member of the HR leadership team read the DDI book, *Realizing the Promise of Performance Management*, which, through its numerous case studies, offered a common understanding of performance management through which VF could work to drive full implementation of its process.

DESTINATION: MAXIMIZING PERFORMANCE

Throughout 2009, VF continued to build on what was in place and added an executive seminar targeting subjects like innovation, brand management, and leading in a global organization. VF programs are routinely constructed around the common competency model created with DDI. Key domains are leadership, business management, interpersonal skills, and personal attributes. Competencies also are separated by roles across the organization, allowing people to see the company's goals and how they cascade down to them personally and to their business unit.

"It became habit and discipline in our system," says Kennedy. "We're moving processes out toward the businesses so they can leverage them."

LEADERS AS TEACHERS—AND LEARNERS

Two of VF's anchoring beliefs are Leaders Teach Leadership and Leaders Learn Best by Doing. "If you're going to be a Major League Baseball player, you're first going to play in a lot of minor league games," Lawrence says. "There's a lot we can do to accelerate you, but it's up to you to take the field every day and play the game."

To provide leaders with this kind of development opportunity, Lawrence and his team drastically modified the VF Leadership Institute (VFLI), an offsite program now in its 11th year, in which senior executives are tasked with solving a business case problem.

> We've just deliberately, thoughtfully, and steadily implemented good practices across the talent spectrum.

"VFLI helps our leaders learn to lead from within a group of other smart, driven individuals. The differentiators we want in our leaders are humility, a sense of being a team player, and a really strong drive for results," says Lawrence.

VF also runs a global assessment program, Leadership Essentials Acceleration Process (LEAP), the VF-customization of DDI's acceleration centers. These centers gauge leader readiness for senior leadership roles and identify development needs for individuals who aspire to move into senior-level positions. VF also launched a leadership development initiative for entry-level associates and above called Leadership Excellence and Development (LEAD). "The programs help them determine what type of mentoring or coaching they need at various turns and what they see for their own career and development," says Kennedy. "They return to the competency model to determine where to leverage what's already there rather than create something totally new."

Since 2008, the company has achieved tremendous success and amassed numerous accolades. With annual revenues that now exceed $11 billion, VF has solidified its standing as a Fortune 250 company. In 2013, VF rolled out its "17x17" strategy through which the company aspires to reach the $17 billion annual revenue mark by 2017.

VF was ranked 17th in *Human Resource Executive's* most recent list of "Most Admired for HR" and has been repeatedly listed as one of *Fortune*'s "Top Companies for Leaders" and *Chief Executive's* "Best Companies for Leaders," with VF advancing its ranking and standing with each appearance on this latter list.

"What we've done here at VF has been a journey. We've just deliberately, thoughtfully, and steadily implemented good practices across the talent spectrum, doing the right things with the right people at the right time.

"So much of success in business is just being disciplined about what you do. Be methodical, but there's so much good work that academics, consultancies, and other great companies have done that points the way. There's still room to be creative and have fun, of course, but a few good ideas, discipline, and talented people can take you a long way."

Visit www.ddiworld.com/GO to view videos of Ron Lawrence talking about VF Corporation's talent initiatives, and to learn more about DDI's executive assessment, competency management, and performance management solutions.

HOW TO. . .
GAIN AN OUTSIDE PERSPECTIVE

While continuing to integrate performance management and leadership development across VF, Ron Lawrence is always ready to learn new things and benefit from outside perspectives. An excellent example of his commitment to learning from the outside is VF's Organization Development Advisory Council (ODAC), which Lawrence launched. Here are some of the reasons why Lawrence sees the council as valuable:

A "Non-VF" view. For each ODAC meeting, Lawrence invites six to eight heads of OD, talent, and HR, and one or two leaders in academia for a day of best-practice sharing. The group offers a diversity of viewpoints, but Lawrence points out that they all share one thing in common—they all provide non-VF viewpoints. "The fact that they bring to the table different lenses and, for the most part, different business perspectives, makes what they share really useful to us."

Honest feedback. "We tell these leaders what we're doing, how we're doing it, and what's working, and we ask them what they'd do differently," says Lawrence. These discussions, he says, give VF valuable input on its talent agenda.

Great advice for a modest investment. Lawrence is proud of the invaluable information he has received from the ODAC, but he also is impressed by the extent to which his colleagues from other companies are willing to share their time and insights. "It's amazing how many people in good companies will give you the benefit of their consulting experience for virtually nothing but a plane ticket and a few good meals! As HR and OD contributors, we are lucky to work in a profession in which so many talented people are willing to give of themselves. It is both humbling and inspiring."

BIG NUMBERS. BIG INSIGHTS.

The Global Leadership Forecast 2014 | 2015 draws on data from more than 13,000 leaders and 1,500 HR executives worldwide to reveal important insights on talent management.

By Evan Sinar, Ph.D., and Richard S. Wellins, Ph.D.

Figure 1: The Global Leadership Forecast 2014 | 2015 Demographics

Our recently released *Global Leadership Forecast 2014 | 2015* is the seventh report since DDI began this research in 1999. This current report—a joint effort between DDI and The Conference Board—includes survey responses from 13,124 leaders; 1,528 global human resource executives; and 2,031 participating organizations.

The record-breaking size of the participant pool (Figure 1) gave us sufficient sample sizes so that we could look at our findings from many points of view. We were able to dissect findings based on diverse perspectives that cut across HR professionals and leaders, four levels of leadership, gender, 48 countries (all regions), 32 major industry categories, and multinationals versus local corporations.

THERE'S NEVER BEEN ANYTHING LIKE IT.

This article highlights just some of the many insights we uncovered during our in-depth analysis of the global survey data. The questions we will examine here include those related to leader readiness for critical challenges, the skills leaders need to navigate an uncertain environment, the benefits of gender diversity, the changing role of HR, and the challenges of identifying and retaining high-potential leaders.

To view all of the findings from the *Global Leadership Forecast 2014 | 2015* and download a copy of the study report, Ready-Now Leaders: Meeting Tomorrow's Business Challenges, visit www.ddiworld.com/GO/mag.

ARE LEADERS READY FOR CRITICAL CHALLENGES?

As part of our partnership with The Conference Board, we built questions into the Global Leadership Forecast surveys that tied to The Conference Board CEO Challenge®. In the most recent CEO Challenge more than 1,000 respondents indicated that human capital remains their top challenge. Additionally, when asked about the strategies to address the human capital challenge, four of the top 10 strategies CEOs selected are focused on leadership: improve leadership development programs, enhance the effectiveness of senior management teams, improve the effectiveness of frontline supervisors and managers, and improve succession planning.

The Global Leadership Forecast asked leaders to assess their own readiness to execute on tasks related to these challenges. Their self-assessments are sobering (Figure 2). For instance, never were more than 50 percent "very prepared" to address any of the challenges (see illustration at left). In fact, in the human capital challenge, only 27 percent of leaders reported they were "very prepared" to be the kind of leader that creates an optimal workplace where employees deliver their very best. HR leaders' appraisal was even more harsh: Only nine percent indicated their leaders were "very ready" to address the human capital challenge.

ARE LEADERS ALIGNED WITH THE DEMANDS OF A VUCA WORLD?

We also looked at leader alignment with the challenging "VUCA" environment in which organizations today must operate. A VUCA world is one that is volatile, uncertain, complex, and ambiguous. The Global Leadership Forecast measured leader readiness in four key areas (from these we created an overall VUCA index):

- Anticipating and reacting to the nature and speed of change.
- Acting decisively without always having clear direction and certainty.
- Navigating through complexity, chaos, and confusion.
- Maintaining effectiveness despite constant surprises and a lack of predictability.

Less than two-thirds of leaders said they were either "highly confident" or "very confident" in their ability to meet the four VUCA challenges. This less-than-encouraging view (Figure 3) was echoed by about a third of HR professionals, who rated their leaders as incapable of meeting the challenges of volatility (40 percent), uncertainty (32 percent), complexity (36 percent), and ambiguity (31 percent). Only about 18 percent identified their leaders as "very capable."

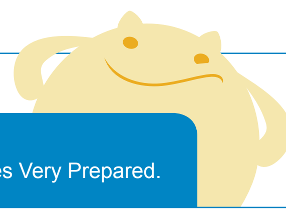


Figure 2: CEOs' Top Challenges
The Conference Board CEO Challenges—Percent of Leaders Considering Themselves Very Prepared.

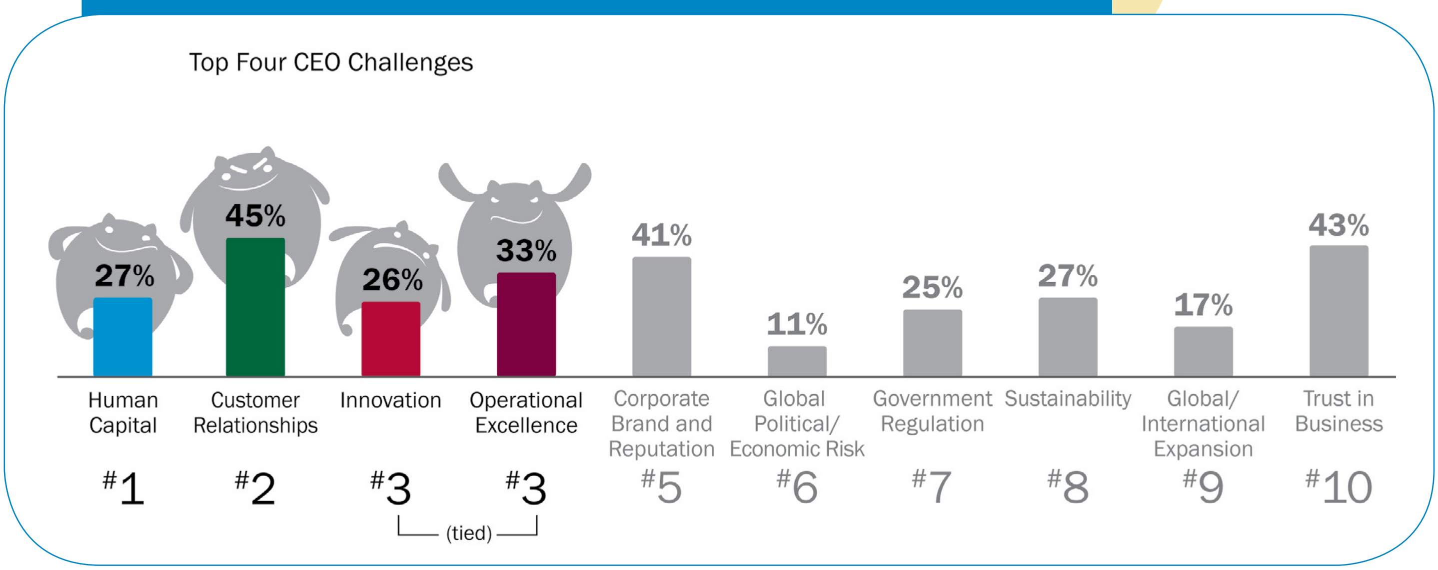
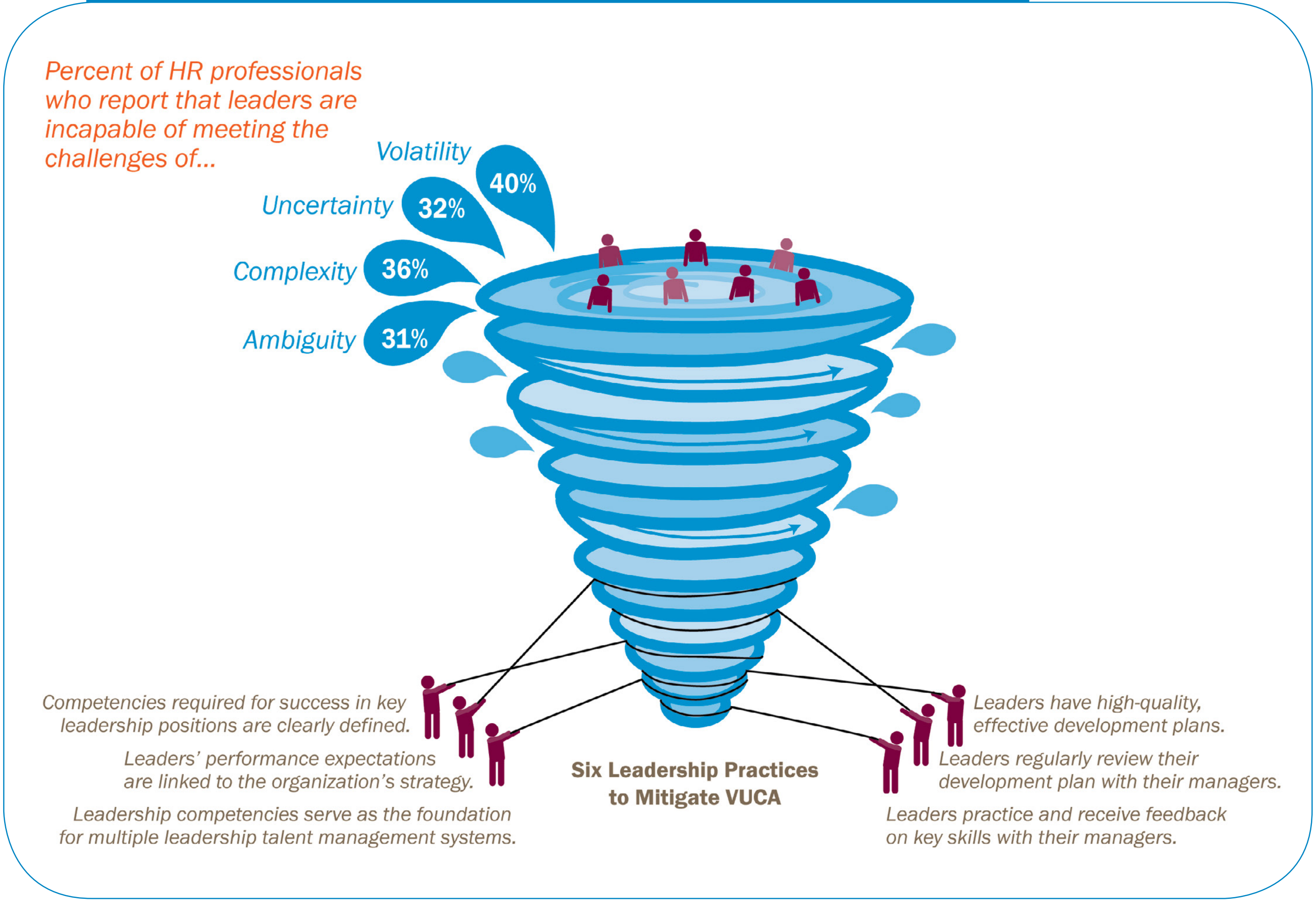


Figure 3: Working Within the VUCA Vortex
Leaders Need More Preparation to Face VUCA Challenges.



Our research also found that organizations whose leaders have high VUCA capability (those with higher indices) are 3.5 times more likely than organizations with low VUCA capability to have a strong leadership bench. The results also showed that VUCA capability links to financial results. The top 20 percent of organizations performing well financially are three times more likely to have VUCA-capable leaders (as compared with the bottom 20 percent).

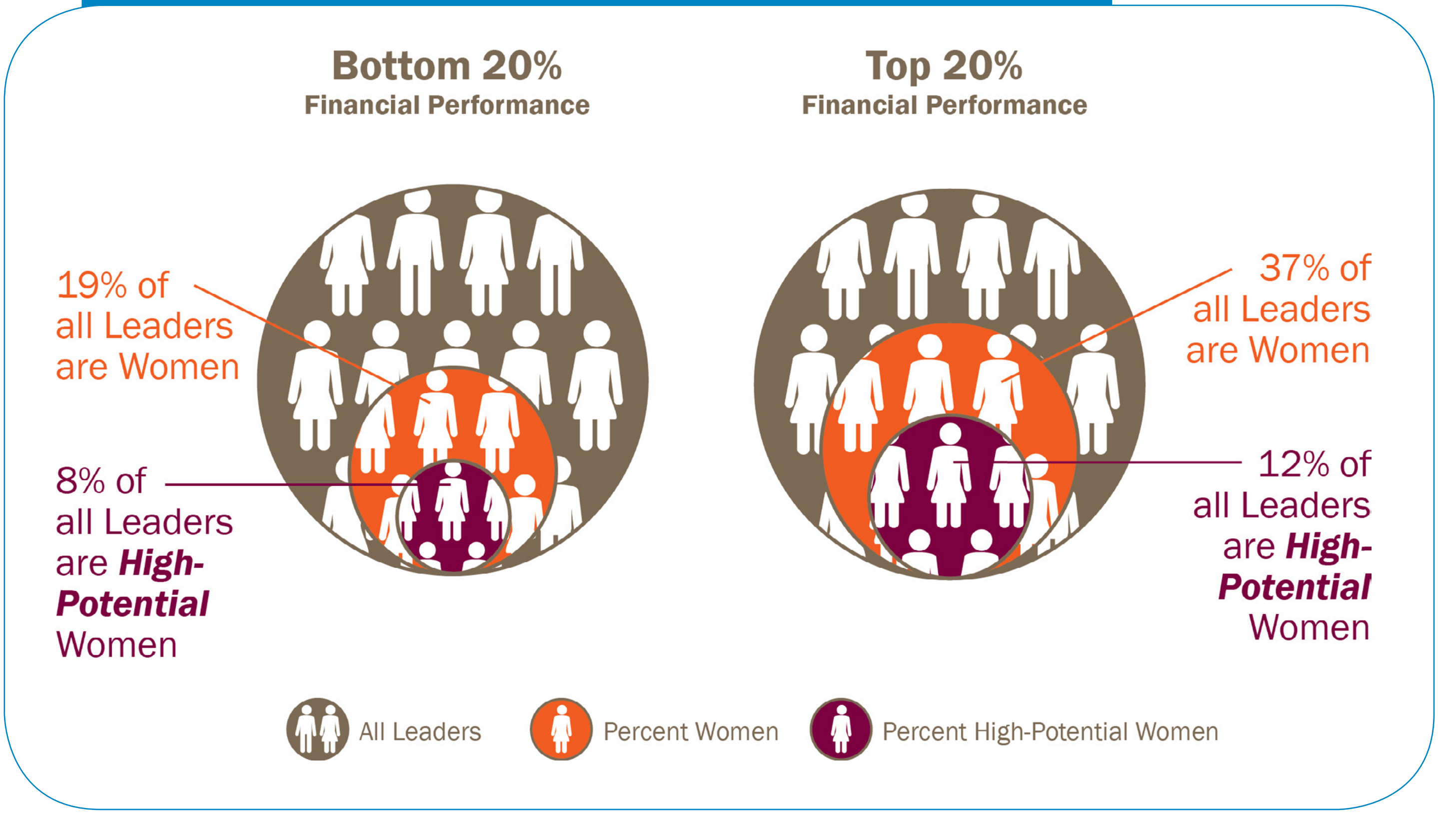
So which skills are most important for leader preparedness? The Global Leadership Forecast identified the top four skills that, when practiced effectively, had the greatest impact on leader preparedness and confidence for addressing the challenges of VUCA:

- Managing and introducing change—As expected, this expertise was the strongest predictor of a leader's confidence when faced with VUCA.
- Building consensus and commitment—This killer combination is critical for eliminating discord and misunderstanding.
- Inspiring others toward a challenging future vision—To induce others to act leaders must first be inspired themselves.
- Leading across generations—This skill is key to forging a shared purpose despite diverse employee viewpoints and motivations.

DOES GENDER DIVERSITY MAKES GOOD $ENSE? (HINT: YES!)

The numbers are in. Our study found that organizations with higher percentages of women leaders consistently perform better financially. When women account for 30 to 40 percent of leadership roles, gender diversity dividends really add up. Examining the difference between top and bottom financial performers, we found that organizations

Figure 4: Gender Diversity Pays Off
Organizations with Better Financial Performance Have More Women in Leadership Roles.



in the top 20 percent counted 37 percent of their leaders as women; among organizations in the bottom 20 percent, only 19 percent of leaders were women (Figure 4). The same trend emerges when we look at high-performing women: Organizations in the top 20 (vs. bottom 20) percent for financial performance had a statistically significantly higher percentage of high-potential women.

With respect to leadership skills or the ability to handle management and business challenges, we found no significant differences between the men and women in our study. However, where the sexes diverged was in their respective confidence levels as leaders. Men considered themselves more effective as leaders, as evidenced by how highly they rated their leadership skills and ability to tackle management and business challenges (Figure 5).

Women, on the other hand, were less likely to rate themselves as highly effective leaders (vs. their peers), to have international assignments under their belts, to lead across geographies or countries, and most significantly, to lead geographically dispersed teams (a big opportunity gap). Missing out on these key developmental opportunities makes a difference: Leaders who had access to these global and more visible leadership experiences were far more likely to be promoted and advance more rapidly.

IS HR AHEAD OF THE GAME?

Further change is afoot. Over the years, we've seen HR grow and transition from an administrative "reactor" to a business "partner." The former is largely a tactical, compliance-related role; the latter a junior seat at the business table. Our data confirms this change: Today, 60 percent of our HR sample classified themselves as "partners" (Figure 6).

While this is quite an improvement from two decades ago, it's time to raise the bar once more. Only one in four HR respondents reported participating early in strategic planning. The other three were either not involved, or asked to develop talent plans after the strategic planning process. With the role of human capital management expected to change more in the next five years than it's morphed in the past 30, HR must evolve or become irrelevant. It's time for "partners" to become "anticipators."

Anticipators are always looking around the corner to see what is coming next. They work proactively with their business colleagues to predict future talent gaps and find ways to close them. According to the Global Leadership Forecast, fewer than two in 10 place themselves in the anticipator category.

WHAT ELSE IS THERE TO KNOW?

The findings from the Global Leadership Forecast 2014|2015 that we have featured here are just the beginning. The full *Ready-Now Leaders* report offers the full range of findings and insights we uncovered and also presents a Leadership Development Roadmap that answers key questions on the path to organizational success.

Visit www.ddiworld.com/GLF to access more study findings, view a video overview, and download the full report.

download

Evan Sinar, Ph.D., is DDI's chief scientist. Connect with @EvanSinar on Twitter.

Richard S. Wellins, Ph.D., is senior vice president at DDI and co-author of a forthcoming book on the challenges of transitioning into a leadership role. Connect with @RichWellins on Twitter.

Figure 5: What Are the Gender Differences?

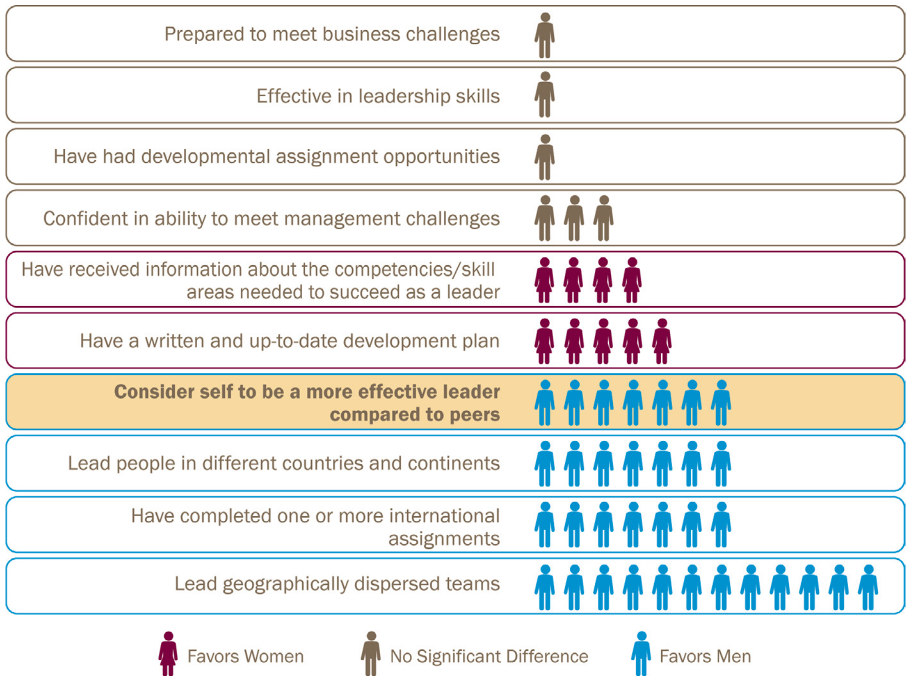
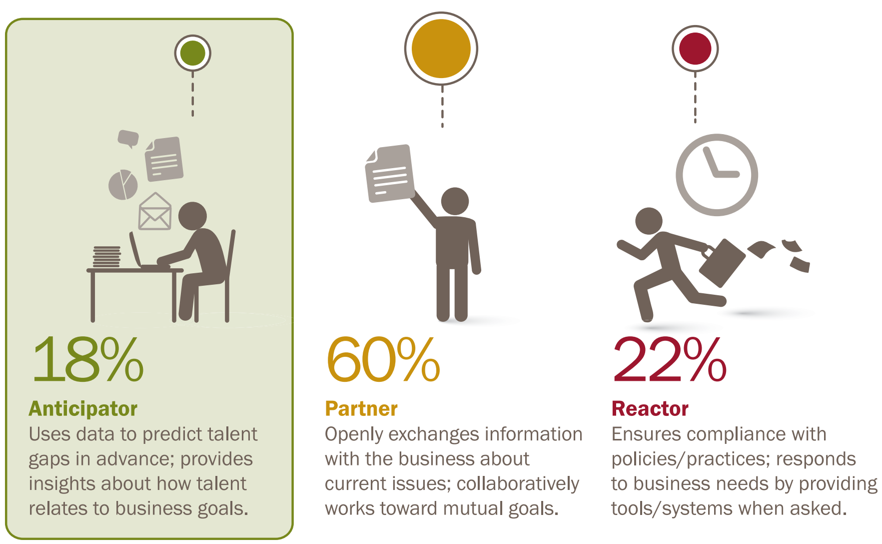


Figure 6: Evolving HR From Partner to Anticipator
How Do HR Professionals Contribute to Business?



How is HR Perceived by Business Leaders?

DDI asked more than 400 departmental heads in organizations across Europe about their perceptions of their colleagues in HR. Their responses, and the conclusions we can draw from them, are detailed in the white paper, "Lessons for HR from the People Who Pay For It." It offers information HR professionals should heed as they seek ways to become a more collaborative and valuable partner to business leaders.

Download the white paper at www.ddiworld.com/GO/mag.

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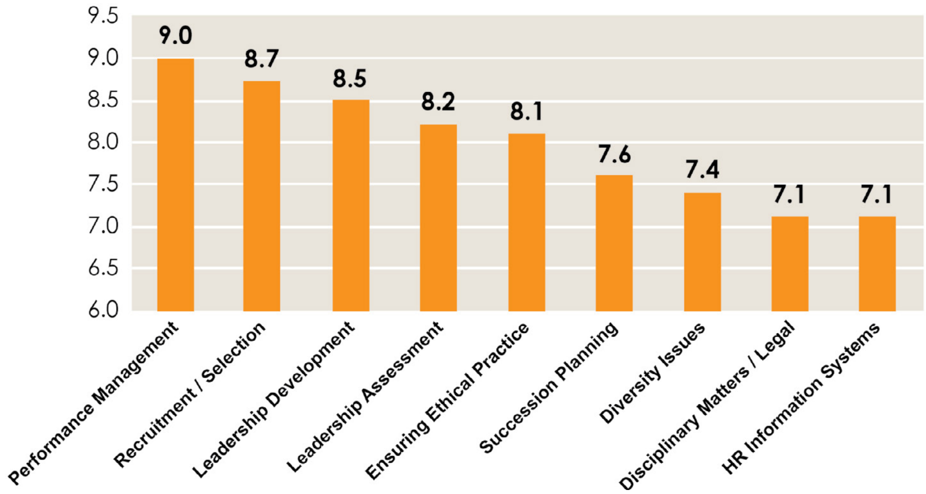
Percent of senior leaders and department heads who felt the best HR person they worked with connected HR programs to business strategy.

Source: "Lessons for HR from the People Who Pay for It."



Performance Management Adds the Biggest Strategic Value

Using a 10-point scale (with 10 being the highest rating), respondents rated performance management, recruitment and selection, and leadership development as the top HR activities that add strategic value to the organization. HR information systems are seen as least useful.

What Would Business Leaders Do Differently?

The message sent by business leaders is loud and clear: HR professionals need to get closer to the business. When asked what they would do if appointed HR Director for a day, 60 percent of business leaders say they would invest in building internal management relationships.

KEY

A = Invest in building internal management relationships

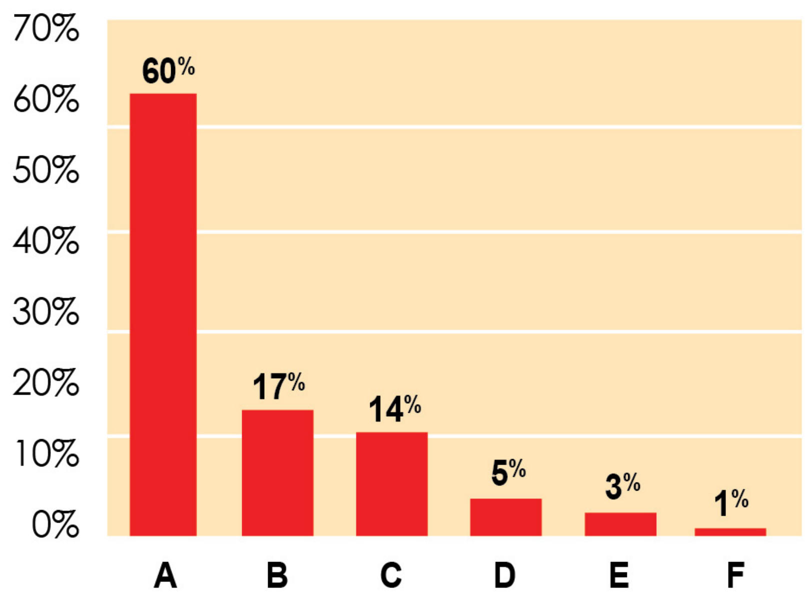
B = Increase investment in leadership development

C = Improve effectiveness of the recruitment process

D = Demonstrate that HR does make a difference

E = Scrap HR

F = Other



WHAT'S GOING ON

Congratulations ATD Best-in-Class Winners!

Six DDI clients were among the winners when the Association for Talent Development (formerly ASTD) announced its 2014 list of Very BEST Learning Organizations in October. They include Tech Mahindra, IBM, Valvoline Instant Oil Change, Ryan, UPS, and USAA. Congratulations to these worthy organizations!

The BEST Awards recognize organizations that demonstrate enterprise-wide success as a result of employee learning and development. Award winners must demonstrate that they are excellent in many aspects of the learning function:

Learning has an enterprise-wide role—involving the executive team, creating solutions to business issues, and setting organizational strategy.

Learning has value in the organization's culture—learning opportunities for employees, C-level involvement, learning for growth of the organization, and innovation.

Learning links to individual and organizational performance—alignment with the business, efficiency, measurement of the effectiveness of learning, and success with non-training solutions for business needs.

Introducing Leader3 Ready®

Assessment Designed for Your Mid-Level Leaders to Emerging Executives

"Leader3 Ready is a breakthrough virtual mid-level leader assessment enabling precision identification of your highest-performing leaders with the greatest potential for success in a next-level role." *– **Laci Loew** , vice president and principal analyst, talent management, Brandon Hall Group*

Leader3 Ready® is DDI's realistic, virtual assessment solution that makes it easy to get the talent intelligence you need. Identify, select, and develop the right mid-level leaders to emerging executives and prepare them for the role they're in today—and the role you'll need them to step up to tomorrow.

What Leader3 Ready® will do for your organization:

- Deliver intelligence to inform talent and business decisions.
- Provide a realistic and engaging assessment that mirrors an actual job role.
- Synthesize behavioral, motivational, experiential, and personality data into a holistic look at your leaders' capabilities.
- Use your business drivers and language to customize the business context.
- Report on readiness of your mid-level to do things like drive product innovation, enhance the brand, or increase revenue production.
- Launch participants on their own development path with credible data and insights, easy-to-interpret individual reports, and expert development guidance.

Visit www.ddiworld.com/L3 to learn more about Leader3 Ready® and request a demo.

IM: ExL℠ Industrial Content Now Available

Now available for DDI's Interaction Management®: Exceptional Leaders Series (IM: ExL℠) is new industrial-specific content that highlights situations and challenges that are common in industrial work environments. The new content includes:

+ **Videos**—New videos feature scenarios set in factories, mines, warehouses, and other similar settings.
+ **Course Journals**—Skill practices reflect situations leaders in manufacturing and industrial organizations face. Some examples, such as demonstrating the Key Principles, have been revised to be more relevant for industrial leaders.
+ **Facilitator Guide**—Each course has an Industrial facilitator guide that aligns with the video and course journals.
+ **Facilitator CD-ROM**—In addition to the Administrative content, CD-ROMs have been updated to include industrial video scripts, industry-specific Knowledge Checks, and Development Accelerators. The facilitator slides also reflect industrial content and settings with updated graphics.
+ **Interaction Skills Simulation**—Leaders can practice their skills with a new version of the simulation. Visit www.ddiworld.com/sims/cls to explore the simulations.

Visit www.ddiworld.com/GO to learn more about the available industrial content for IM: ExL℠.

COFFEE ON THE GO WITH

ROBERT SAFIAN

The editor and managing director of Fast Company *on why being "fast" is about more than speed.*

After its launch in 1995, *Fast Company* quickly carved out a niche as a decidedly different business magazine. Its optimistic tone and emphasis on telling interesting stories about people who launch starts-up, champion innovation, and challenge and transform traditional organizational cultures, struck—and continues to strike—a chord with readers hungry for a different take on business and the world of work.

Robert Safian, *Fast Company's* editor and managing director, spoke with *GO* about what makes a company "fast," how some large organizations are faster than small ones, and why getting fired might not be a bad thing.

GO: Why do you think *Fast Company* continues to resonate with people after 20 years?

SAFIAN: I think there's a constituency of businesspeople who at the end of the day wants to judge whether their day is a success based on more than whether their bank account is bigger. They hope their bank account is bigger, right? That's why we work. But there's satisfaction and motivation to be derived from feeling that my work today made the world a little bit of a better place, that there was some creativity added, and that there was some impact added in a larger way. And we at *Fast Company* believe that there are businesspeople who think of themselves that way, and that group is growing in size. Our job is to talk to those people, encourage them, and try to recruit more people to accept that viewpoint.

GO: To read the magazine, the content on your website, and the various e-newsletters, like *Co.Exist* and *Co.Design*, is to feel like you're part of a community. That seems like it's been a big part of *Fast Company's* success.

SAFIAN: Our content is as much about inspiration as it is about the information. It's about getting people to feel like they're not alone in their battles to advance their business and the mission of their business, and it can be very hard to do those things because there are a lot of things that get in the way. We want to activate that passionate community. We also don't kid ourselves that everyone who reads our content is as passionate as that core group of people, but having that core passionate audience is really important.

GO: So, what does it mean for a company to be "fast?"

SAFIAN: Fast means creative and innovative and progressive—those are the words we use internally but it's not something that I can reduce to a handful of rules or bullet points. It's an aspirational term and it's also a process. It's not like you're fast once and you're done, not like you're innovative once and you're done. It's much more about a mindset.

One of the things I did when I arrived at *Fast Company* in 2007 was I sat with the staff and I said let's rate these companies on a scale of one to 10, 10 being the fastest and one the least fast, and I'd throw out company names—Google, Apple, GE, or IBM. It was an exercise we did to get ourselves to try to articulate internally what we mean by fast. One of the things we learned was that we tended to underappreciate bigger companies almost by default. If they were bigger, we thought, they couldn't also be fast. I think that false assumption was something we've tried to focus on and address. We recognize that talking about only small start-ups does not provide a real look at the landscape of innovation and change. So, we try to be sort of business-size agnostic about it. After all, there are plenty of small companies that are not particularly progressive.

GO: Do you find that fast companies know they're fast?

SAFIAN: When I meet with people from companies, I'll often ask them if they believe their company is a fast company and almost no one says yes. The ones who seem to be most convinced that their companies are not fast are the CEOs. I think that's because the CEOs are the ones who are most conscious of the things that they wish they could get done in their organization but can't, and because they are frustrated by that reality they aren't willing to give themselves that label.

GO: What defines the individuals whose stories you tell in the magazine?

SAFIAN: We try to identify those people who are in the trenches and are trying to make change happen without getting a lot of attention for it. We do that because we want to elevate those stories within those organizations, and we hope those organizations respond. It's also because we want to be able to speak to our readers who feel like they're in the same spot, and to let them know they're not alone and to help them recognize there are other people out there fighting the same fight.

A secondary message is that if you fight that good fight and the folks you work for don't appreciate it, there are others out there who will, and there will be a job for you somewhere else.

When I'm talking to people who are trying to drive change in their organizations, sometimes they worry they're going to get fired, and that's not a foolish worry. These things happen. But I also believe that in the long run those folks are better off. They'll find a boss who appreciates what they're doing, and they'll be able to do more and have more impact.

GO: Is the accelerating pace of change a barrier to people taking responsibility for the direction of their companies or their jobs?

SAFIAN: I think there are pockets, there are places, there are people who want to say, "Oh my gosh, change is so hard." But from my point of view, I think the winners are the ones who look at change and say "Wow, this is fun. This is going to be great." And then they think about how they can step into that change to make themselves part of it.

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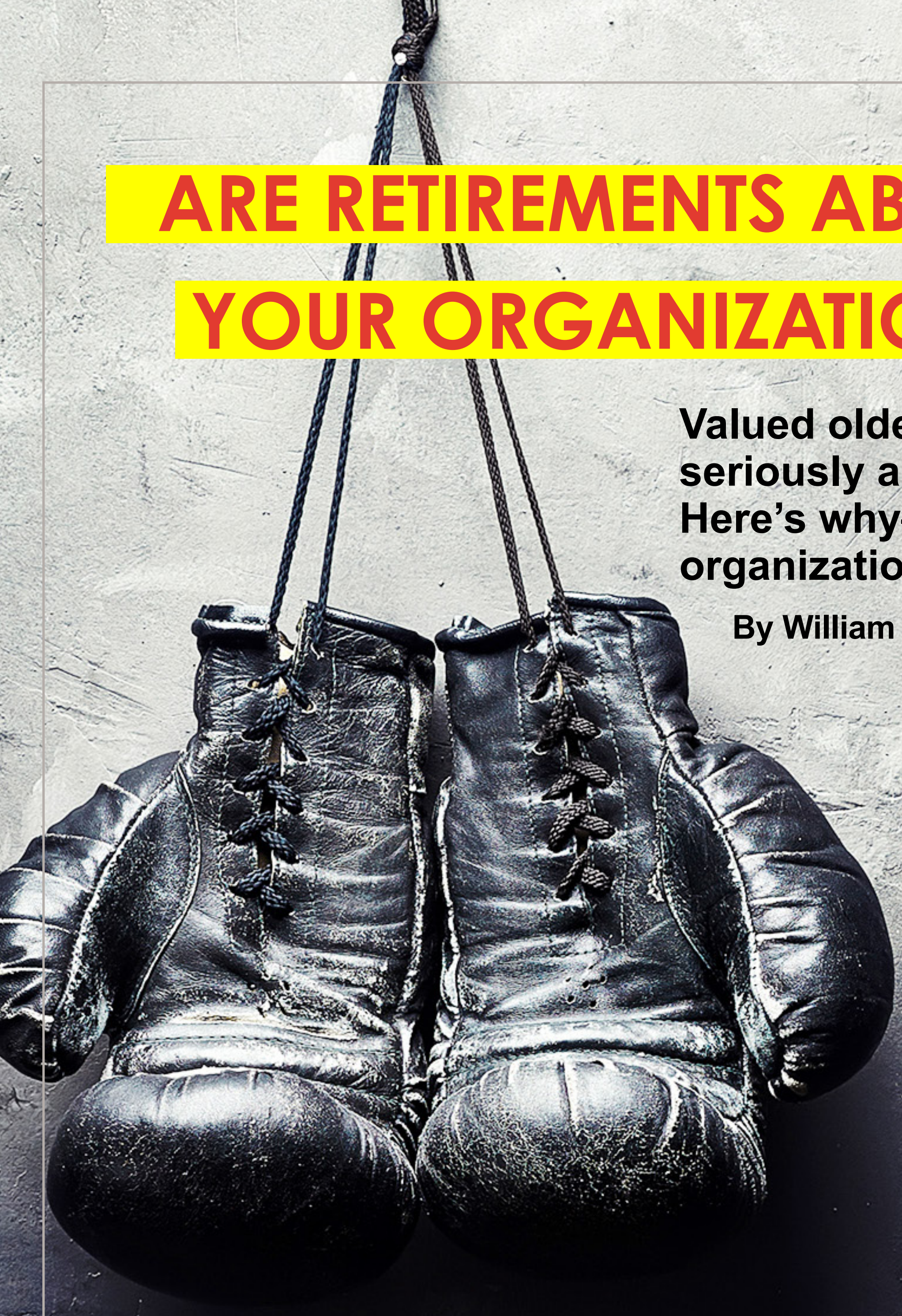
ARE RETIREMENTS ABOUT TO HIT YOUR ORGANIZATION HARD?



Valued older workers are thinking seriously about retirement again. Here's why—and what your organization can do about it.

By William C. Byham, Ph.D.

Late in the last decade, many valued older workers were getting ready to head for the doors and into the golden years of retirement. Most organizations weren't prepared—they didn't have qualified people ready to step into soon-to-be-vacated critical roles, and they had no viable retirement management strategy. What happened next—a deep recession, declining stock portfolio values, soaring health care costs—reset the retirement clock for many, allowing organizations to delay facing a potentially major talent crisis. But now, retirement is again poised to become a serious problem for many organizations in the U.S.

As economic conditions have improved to the point where a greater number of older workers are again finding retirement both appealing and viable, the question to consider is whether or not your organization has "ready-now" replacements. If your organization is like most, the answer is no.

There are steps you can take, however, to manage the loss of valued people to retirement and buy more time to find or develop replacements for key positions.

WHAT'S CHANGED?

Consider the plight of those who were at or near retirement age during the recession: They watched helplessly as the value of their stock portfolios dropped 30 percent or more in a matter of weeks. They did the math and quickly determined their lifestyle in retirement wasn't going to be what they'd hoped.

Rising health care costs also gave them pause. Workers who didn't have a company-paid health care plan that would carry over into retirement were scared of what might happen if they got sick. They knew personally, or had heard of, people with illnesses whose medical bills were financially crippling, and how even the best health care plans didn't cover all of the costs.

For many, though, especially those in good health, the decision to postpone retirement wasn't just an economic one. Many liked their work and their colleagues, so they decided to continue working.

Now, however, there are five factors that stand to create dramatic increases in the number of retirements:

1. **The stock market has rebounded.** The Dow Jones Industrial Average hit record highs in 2014, finally reclaiming the valuation that was lost during the recession. Other markets, including the NASDAQ, also have bounced back. As many investment portfolios are healthy again, many older workers feel that they can be financially secure in retirement.

2. **Inflation remains low.** At the end of 2014, the U.S. inflation rate was below 1.5 percent. It has hovered at about two percent or lower since 2012. This adds further to older workers' confidence that they will have a sufficient retirement nest egg.

3. **The new health care regulations.** The Affordable Care Act, which provides for coverage in case of catastrophic health events and ensures the availability of insurance for people of any age, regardless of pre-existing illnesses, is giving older workers peace of mind that health care won't be a financial drain on them in retirement.

4. **Those who delayed retirement are older now.** People who were age 65 when the recession hit are now in their early 70s and may see retirement as a more attractive option than they did before.

5. **Part-time employment options are plentiful.** The unemployment rate is at its lowest level since the recession, and there seems to be a multitude of available jobs for highly trained, highly skilled people who may want to continue working—but not full-time. There also are options for older workers wishing to work full-time but to do something different from the job they currently hold.

THE RISK FOR EMPLOYERS

When valued workers retire, a great deal of talent, knowledge, and experience walks out the door. But organizations don't have to just stand by and watch it happen. What's needed is a sound, systematic approach—a retirement management system—that anticipates retirements, prepares people to step into key roles, and, where needed, makes accommodations to keep specific people in the fold (e.g., in part-time or modified roles) until replacements can be developed.

Retirements aren't bad for an organization, of course. When workers retire, more opportunities are created within the organization for younger employees to step up and grow. It also provides the chance to bring in fresh thinking. Retirements are only bad when organizations are unprepared and must fill critical roles with people who either aren't ready or aren't a good fit.

GET READY TO MANAGE RETIREMENT!

A retirement management system is the best approach to guard against the huge potential consequences of losing valued workers with unique skills, knowledge, or connections that are important to the organization—and not having appropriate replacements. Many organizations try their hand at retirement management at the very top levels, but few organizations have a systematic retirement management program targeting those few people at all levels whose retirements will cause the greatest disruption.

Such a system covers the following steps:

1. **Identifying the jobs where there's the greatest risk.** While the departure of senior managers or executives may have the most visible impact, the retirement of valued lower-level workers is also a concern. These valued workers may have scientific, technical, or specialized skillsets that make them difficult to quickly replace. You need to identify these people, assess the risk and time associated with replacing them, and then be willing to work with them to buy more time for replacements to be hired or developed. This typically won't be a large number of people; just the few whose departures would create the greatest headaches for the organization.

2. **Find ways to postpone or redefine retirement for key workers.** Once you have identified the workers you want to keep, you need to open a line of communication with them about their future. These conversations are critical because not everyone will have the same plans or needs. While some may be determined to retire and stop working, others may prefer to be part-time. Still others may wish to keep working full-time for a while longer, but have their jobs change to incorporate new tasks or responsibilities.

   It's the individuals who want to continue working that you will want to engage to see if you can make a deal that is mutually beneficial to them and to the organization. As you are striving to buy more time for the organization to identify or prepare replacements, you might need to get creative in what you are offering these older workers.

   Some ideas might include:

   - Offering additional vacation time.
   - Allowing them to work remotely.
   - Creating a new role in a different part of the company where they can apply their experience and skills to new challenges and with new clients.
   - Paying for them to attend professional conferences or other work-related events that would provide travel opportunities.
   - Establishing a formal mentoring relationship, where the workers take an active role in training their replacements.

   Special accommodations such as these may run up against existing HR policies, as they would only be offered to a select few individuals. But these are special people whose potential loss poses a significant risk to the organization. And while discretion is warranted in making these arrangements, the fact that a few individuals would be singled out for special treatment shouldn't be a reason not to consider creative options.

3. **Review and revisit regularly.** Special arrangements you make with retirement-age workers should be short-term deals—no more than two to three years—as you are applying a temporary "patch" rather than fixing the problem permanently. You'll want to review these arrangements regularly to make sure the organization is holding up its end of the bargain and also to confirm the older workers are performing as expected (these workers should continue to be covered by your performance management process).

Despite the logic of identifying and finding creative ways to keep valued older workers, too few organizations in the U.S. have an effective retirement management system. There are a few that are seeing the problems and possibilities of a surge of retirements and are being proactive, but these organizations are few and far between. For everyone else, the time to get serious about retirement management—to know the extent of the risk and to take action—is right now. The clock is ticking!

William C. Byham, Ph.D., is DDI's chairman and the author of 23 books, including 70: The New 50: Retirement Management: Retaining the Energy and Expertise of Experienced Employees. Visit www.ddiworld.com/GO/mag for ordering information.

THERE'S A PROCESS FOR THAT: EMBRACING THE PEOPLE SIDE OF LEAN

In manufacturing, ineffective workplace interactions are the 9th form of waste—one that can be eliminated!

By James Clevenger, Ph.D.

Looking for lean? Despite manufacturers' good faith initiatives to identify and eliminate elusive waste, they fail to recognize a source that's in plain sight: ineffective workplace interactions.

There's potential waste in every manager-team member interaction. Whether they are formal (team meetings, coaching and performance discussions, etc.) or informal (e.g., phone calls, emails, instant messages, and hallway/elevator conversations) interactions—they are all critical to the day-to-day operations of manufacturing groups.

And, when these interactions don't go well or aren't effective, they can multiply the negative impact of the familiar eight forms of waste manufacturers are most familiar with: defects, overproduction, downtime, underutilized skills, transportation, inventory, motion (e.g., bending, lifting, reaching), and over-processing. By failing to view interaction inefficiency in the same light, organizations fail to meet an essential objective of lean: continuous improvement.

For this reason, we've dubbed ineffective interactions the "ninth form of waste." Learning to recognize and eliminate it can significantly reduce the other eight forms.

Therefore, if we are serious about eliminating waste, we must give equal consideration to the "softer" side of production, i.e., "the people side of lean." It's time to shift the focus from leaders' technical skills to those that allow them to manage their interactions and their teams effectively.

Trend research shows that the manufacturing industry is hit the hardest by the gap in these soft skills—and industry leaders are painfully aware of the issue. According to Accenture's 2013 Global Manufacturing Study, 35 percent of manufacturers report having a "significant" skills gap at the supervisory level, while 20 percent acknowledge a significant gap at the operational level.

While improving poor leader-team member interactions may sound simple, it can be as challenging as eliminating any of the other forms of waste. One reason: Despite recognition of a soft skills gap, organizations are just waking up to the "people side of lean"; they haven't yet realized that ineffective interactions are the root cause of much of the waste they've mistakenly attributed to other sources. Unlike, for example, the cause-and-effect relationship between defective products and reduced profit margins, the connection between ineffective interactions and the bottom line isn't as readily apparent.

The other major reason is that leaders don't recognize their personal contributions to waste generation. Perhaps a legacy from the "command and control" era that once defined manufacturing, many leaders follow a simple, one-way communication style of telling people what they need to do, without showing much concern for how their messages are received. It's perhaps counterintuitive that two-way communications—which take more time and consider the needs of the participants—are actually more efficient, and don't create waste. Leaders who take the communication shortcut of "telling" without demonstrating respect, clarifying understanding, or seeking employee input also cut off opportunities to strengthen employee commitment, solve problems more quickly, and build stronger team capability.

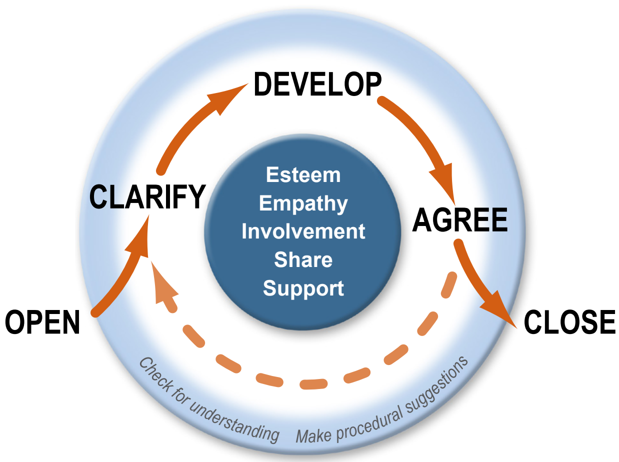
STANDARDIZING THE OPERATING PROCEDURE

So what do we do with an organization full of leaders comfortable with their own interaction styles, but who are contributing to costly waste?

The first step toward eliminating the ninth form of waste is to treat an interaction as you would any other manufacturing process: You must standardize the workforce interaction. Like delivery, extraction, fabrication, transportation, etc., the interaction process can be systematized into a repeatable, predictable process that reduces variability. Once the process is established, it can be applied to any type of interaction.

We propose the Interaction Essentials℠ as the proven process for standardizing workforce interactions.

Figure 1: The Interaction Essentials℠



The Interaction Essentials℠ (Figure 1) provide a framework for satisfying the two critical components of effective interactions: the practical and personal needs of the participating parties. This standardized approach includes the Interaction Guidelines: five steps that target the practical needs of participants by guiding the structure of the conversation. These steps—Open, Clarify, Develop, Agree, and Close—comprise a process that progresses from the beginning of the interaction, through the engagement of participants, to the resolution.

Personal needs, meanwhile, are met through the application of a set of Key Principles (center of Figure 1). The Key Principles guide how participants interact with one another during the conversation, and focus on fostering esteem, empathy, involvement, sharing, and support. Meeting personal needs addresses one of the foundational elements of lean: respect for employees. And, the consistent and effective application of the Key Principles builds trust—another fundamental element of successful lean operations. Managers can learn how to utilize these principles at each of the five steps to ensure positive interactions.

Two additional process elements—checking for understanding and making procedural suggestions—help sustain the interaction.

THE INTERACTION ESSENTIALS AT WORK

Through the use of the Interaction Essentials, interactions such as giving performance feedback, seeking suggestions, or setting performance goals can be standardized, and the waste generated by missing a step or violating a Key Principle can be eliminated.

For example, if a manager skips the "open" step (and fails to explain the purpose and importance of the discussion), the conversation has no context. Likewise, if he or she doesn't "clarify" essential background information, there's no guarantee participants are on the same page. Our research shows that 85 percent of frontline leaders don't clarify before moving on to discuss an issue.

Also, when leaders fail to seek and listen to team members' input, they cannot effectively "develop" a course of action. They miss getting great ideas from others and can fail to identify the root cause of the problem they're trying to solve. An alarming 94 percent of frontline leaders rely on their own ideas, rather than involving the people closest to the work—their employees.

Figure 2: Example of a Leader Employing the Interaction Essentials

INTERACTION GUIDELINES	KEY PRINCIPLES
OPEN: Describe purpose and importance *The purpose of our discussion is to plan how we will implement the new process for your work station. This is important to keep you safe and productive.*	**Empathy:** *I know it was distressing for you to work with a potential safety issue.*
CLARIFY: Seek and share information, issues, concerns about the situation *What can you tell me about the issue?*	**Share:** *When I first started working on the line early in my career, it was an adjusment for me to always be thinking about working safely with equipment like this. I remember how anxious I felt.*
DEVELOP: Solicit and discuss ideas and needed support *What ideas do you have for how and when we can address this?*	**Esteem:** *I was impressed with how you coached our new team member. He was able to become proficient and avoid the safety issue much more quickly because of your help.* **Involvement:** *Which option would be your first choice?*
AGREE: Specify actions and steps to track progress *So, we've agreed that I will contact maintenance to schedule them to work with you on Friday. I'll join you for a test on Monday.*	**Support:** *I can give that task to another team member so you have enough time to work with maintenance.*
CLOSE: Summarize and express confidence *I think your plan will work very well.*	**Esteem:** *I appreciate the thought you put into this and your willingness to try a new approach.*

Finally, when leaders skip over the "agree" and "close" parts of the process and fail to review the WHOs, WHATs, and WHENs of next steps, there can be no commitment and, consequently, no action. Just think about all the meetings you've walked out of, unsure of what was decided and what action items were assigned to whom.

Now that we've explored the components of the Interaction Essentials, let's listen to what they might "sound" like in action. Figure 2 offers excerpts of a supervisor's use of the Key Principles throughout the steps of the Interaction Guidelines in a workplace interaction with an employee.

The Interaction Essentials are effective at eliminating the ninth form of waste whether used by leaders to address teams or interact with individual employees. And, no matter how difficult a particular coaching or feedback situation may be, leaders can use the Key Principles to demonstrate respect—a tenet of lean leadership.

This example is just one illustration of the importance of using one Key Principle with one employee in a single situation. Just imagine the waste-eliminating and productivity-generating power of a management team well-versed in the Interaction Essentials!

See page 12 for more information on available Industrial Content for DDI's IM: ExL℠ leadership development system.

To learn more about The People Side of Lean and the Interaction Essentials, visit www.ddiworld.com/GO/mag

James Clevenger, Ph.D., is strategic account manager for DDI. He works with manufacturing organizations to drive lean principles.

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