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Horizontal Leadership

by

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When Robert Gordon took over as CEO and managing director of Dairy Farmers, an Australia-based milk and value-added dairy company, he knew that his new assignment would not be a cakewalk.

Within Australia's fast-moving, competitive dairy industry, production was declining, international farm gate milk prices were skyrocketing to historic highs, and global fuel costs were soaring.

Added to the hostile external atmosphere, the company's operating expenses were unsustainable. There was unnecessary product proliferation and too much complexity. Each company function operated as a stand-alone silo. Bottom line: It was time for radical change.

Gordon's first task was to think through what kind of organization would best enable Dairy Farmers of Australia to meet both its near-term challenges and those further over the horizon. "As I reviewed our situation," he reflected, "I was convinced that our best bet—indeed, our **only** bet—was to go horizontal."

Gordon was very clear about what he meant by going horizontal: "From my vantage, a horizontal organization means moving to an organization in which everyone operates according to a clearly defined set of decision-making protocols, where people understand what they are accountable for and then own the results. It means moving to an action- and results-driven workforce at every level—not one that waits around for instructions or trips over functional boundaries. It means giving employees the opportunity and skills to decide who needs to be involved in solving problems and making decisions, dividing responsibilities, then stepping aside to allow people to implement."

For Gordon and his team, the horizontal vision, with high-performing teams on every level, converted into an increase in organizational brain power and performance. It upped speed to market, provided greater ownership of results, put the focus on the business and its customers, and reduced "hang time" for decisions. As Gordon relates, "The silos have been replaced by cross-functional business teams for each of our categories. Each team is accountable for the profitability of its category and operates fairly autonomously. They report back to the executive team periodically; they bring us into the loop when they have significant resource-allocation issues or need additional substantive funding. Otherwise, they are responsible for executing the strategy that we set together, and so far they're doing a fine job."

Three years later, Dairy Farmers had seen a dramatic turnaround. It had become significantly leaner: reducing its product portfolio by more than one third, closing 4 of 15 sites and 17 distribution depots, and divesting non-core businesses. The company exited 2007 leading the growth rate in every retail market in which it participates and consequently improving market share in every category.

As great as the potential benefits of moving to a horizontal leadership model may be, it poses formidable challenges. Fear of change and widespread initiative fatigue make the *status quo* very

seductive. When Paul Michaels became president of Mars Incorporated, he knew that the company needed to achieve far greater growth and financial return. But he faced internal organizational challenges every bit as daunting as those he faced in the marketplace. The top team at Mars was siloed and replete with unspoken agendas. Members didn't see the benefit of working as a team; they were only concerned with the success of their own region.

Like Gordon, Michaels believed that the horizontal model represented the best bet for the future. To drive his horizontal vision through his organization, he first created a burning platform for the change, which centered on business issues; he then shrewdly hooked his vision into Mars's core values. "Mars has five guiding principles," he explains, "one of which is efficiency, and high-performing teams are by far the most efficient way of operating. Without going through the process of creating high-performing teams, you may eventually get the same results, but it will take much longer, and you will make a lot of mistakes along the way. By using this process, teams quickly begin having authentic conversations, in real time: dealing with issues and not dancing around them. You see the impact quickly; people either step up or opt out. It becomes very evident where your issues are, who your players are, what you need to do to change the shape of the business. This model can speed up progress in these areas by years."

Michaels had been creating great business teams, within a horizontal organizational setting, for years. His colleagues were well aware that in previous positions at Mars he had moved brand teams and the Americas team to the horizontal model. He had willingly given those teams more responsibility and power, so his new team knew he was coming from a place of respect for company values—and a solid track record of results.

Beyond creating a sense of urgency for change, Michaels' solution was to take his team through an "alignment"—an essential step in the transformation process to a horizontal organization made up of high-performing teams. This is where the leader/visionary evolves into the leader/architect.

When an organization is properly aligned, its parts move in sync to achieve results. There is a straight line of sight that goes from the organization's strategy to its customers. Scarce human, financial, and capital resources are deployed along that line of sight, so value gets created and added quickly, consistently, and cost effectively. This makes the aligned organization fiercely competitive and an ultimate high-performance entity. And you can't have an aligned organization without aligned teams.

For an organization to raise its level of performance every team, on every level, must be aligned, or in sync, in **five key areas**:

- Business strategy
- Business deliverables coming from the strategy
- Roles and responsibilities at individual and business unit or functional levels
- Protocols, or ground rules, for decision making and conflict resolution
- Business/interpersonal relationships

A team alignment is an opportunity for collective deep-think and reevaluation and for the leader and his or her team to establish the blueprint for high performance.

In Michaels' case, his team spent two intensive days in heated discussions about what they needed to accomplish, who was responsible for what, and who had the authority to make which decisions. They called one another out on unacceptable interpersonal behavior: failure to share information, lack of follow-through, riding roughshod over others, unilateral decision making,

backbiting, and subterfuge. Michaels made it clear that he expected to be treated like every other member of the team. He wanted direct feedback and insisted on being held accountable for commitments and results. By the end of the two days, Michaels' team was on its way to becoming a high-performing entity.

Michaels believes that, as painful as some of the encounters were, the alignment served to quickly enroll the team in his vision. Some managers immediately went back and aligned their own team after the top team was aligned; others were more reticent but eventually saw the value of replicating the team model within their operation. A few people opted out: They were not equipped to play horizontally.

Michaels had relatively little difficulty getting his senior team to buy into his vision of a horizontal organization made up of empowered teams. His direct reports understood the business case for growth and profitability. They also understood—if not before the alignment, then certainly after it—why he felt that going horizontal was the best way forward. But enrolling executives at the regional levels was more challenging. Michaels believes that this was because the regions were inwardly focused and concerned with day-to-day operations rather than longer-term business issues. A corporate burning platform is not always a hot seller regionally. The members of Michaels' team set about opening up a dialog with their direct reports around issues such as whether or not their area was growing in share, how profitable it was, what the future was likely to hold, and so on. The next logical step: suggest a horizontal solution. Now that Michaels' team sees the power of working horizontally, they are passing the torch to colleagues. Their goal: a great organization, made up of great teams, on every level.

High-performance, horizontal leaders like Gordon and Michaels understand the power of leveraging resources. In this new leadership approach, every team, beginning with top management, acts as a mini board of directors that “owns” business results.

Horizontal leadership is not for the faint of heart. It favors “distributive power”: putting power and authority in the hands of teams and their members—provided the conditions are right, the ground rules in place, and the players sufficiently evolved to deliver maximum payoff. It redefines accountability to include team members holding one another and their leader accountable for results. It encourages direct, transparent feedback from the members of the team to one another and to the leader. And it requires leaders with the ego strength to nurture a team of leaders.

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