2019 Year-End Reflection

Management Debt

This year, I have been reflecting on the negative impact leaders can have on their businesses. The long-term health of the business is hurt due to its leadership's lack of decision making or delay in making decisions that need to be made. We often find this to be quite prevalent across many levels of leadership within organizations. This leadership failure negatively impacts culture and morale, and in some cases, mortgages the future of the company.

I experienced one company that had an employee at a high level in the organization (reporting to the top person) that was known to be a tyrant and a poor leader. He commonly left a wake of destruction in every area he worked within the company. There was a great deal of fear and frustration that could be directly attributed to this directionally incorrect leader. For us, the problem was that our continuous improvement initiatives were being stifled by this employee. This was simply not acceptable for the culture nor for the business. When discussing this situation with the top leader, he agreed fully with the situation but was hesitant to make the tough call on an organizational change. He stated that it could take months to replace the employee and perhaps the next person would not be a great fit either. He had known about this problem for years but failed to make any change. Finally, after years of delays, he terminated this leader's employment and saw an immediate surge in productivity and morale with an acceleration of improvement efforts. This was without a replacement! We witnessed better results with no one in that leadership role. So, why the years of tolerating cancerous leadership? Unfortunately, this example of management debt is quite common even in financially successful companies.

The opposite of this form of management debt is to focus heavily on one's team and the performance of each individual on that team. A leader should personally own the development of each person and the teamwork within one's sphere of influence. Each person should know your perception of their performance to a communicated performance standard (skills and behaviors). This can only occur if you are constantly evaluating and communicating performance. It really boils down to respect for people. It is respectful to let people know how they are doing, even if it isn't up to expectations. It is also respectful to the rest of the team to constantly be managing performance and making the tough call when someone refuses to adjust performance accordingly. Not doing this requires the remainder of the team to cope with someone who weighs them down. We find this to be quite disrespectful.

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Another form of disrespect for people comes with not fully valuing the performance of the best performers. A great sign of this is when a high performer resigns and then a counteroffer is made to keep them in the organization. Think about what this says to the person. Their perspective is, "You didn't care enough about me or value my performance enough to pay me sufficiently for my contribution, but now that I'm leaving, you're willing to 'do the right thing?'" It is so much better to really understand the contribution of all employees, regularly recognize and reward their process and result, and ensure that their pay is aligned with their merit. So, why do we see this not getting done in so many organizations? Again, management debt causes our highest performers to feel under-valued. It is exacerbated when we're not making the tough call on poor performers, which the high performer could perceive as over-valuing those lower caliber performers.

Although the situations noted above are some of the most egregious forms of management debt, there are also financial situations that can cause management debt. We were working with a leader that recently was promoted to the General Manager of a large plant within their multi-site organization. The site already had the highest level of financial success of all the sites, so his job was to continue this while steadily improving further. He was shocked to find numerous debts that were about to come due.

The previous leader had accumulated over $5M worth of excess and obsolete material. It needed to be scrapped, but that would impact the bottom line negatively, so he simply allowed it to accumulate. When the new leader finally scrapped out this excess and obsolete material, he received numerous questions from corporate about why he wasn't as "successful" as his predecessor.

The site was significantly under-invested in infrastructure and equipment. The previous leader had cut maintenance and capital spending annually. After years of under-funding at this site, the consequences were starting to surface. It required a significant increase in spending for years to overcome this previous decision. Corporate wanted to know why he was spending so much money when his predecessor was able to maintain the site without this level of spending. What they failed to realize is the management debt accumulated through under-funding.

As we close out 2019 and look forward to 2020, it is our hope that companies embrace the continuous improvement principles that allow them to *be* good rather than simply *look* good, to be process centered to truly know *how* the results are being achieved, and to demonstrate respect for people in all situations.

Has your organization been accumulating management debt? Our consultants specialize in reversing the ill-effects of this deadly leadership practice. For a non-obligation introduction meeting, please contact Paul Eakle at paul.eakle@driveinc.com or 865-323-3491.