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LEADERSHIP IN MANUFACTURING

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Technologies of the Year:

Alcan, IBM,
Manhattan Associates,
Parametric Technology Corp.
and Step Tools Inc.

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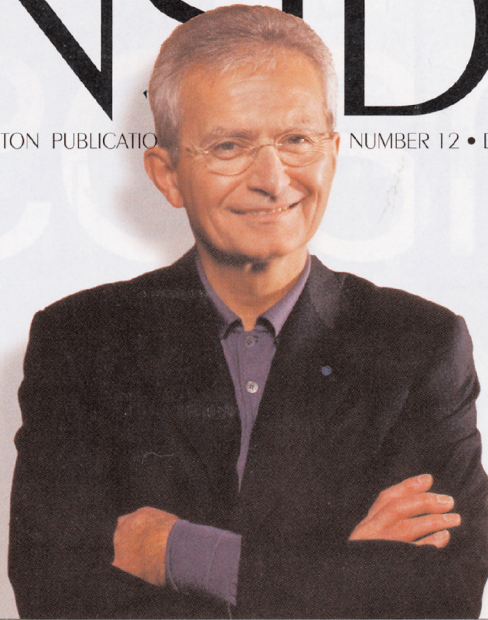
Nicholas M. Donofrio, IBM Corp.'s senior vice president and IW's 2003 Technology Leader of the Year, is forging a more direct connection between R&D and customer needs.

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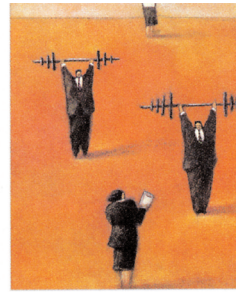
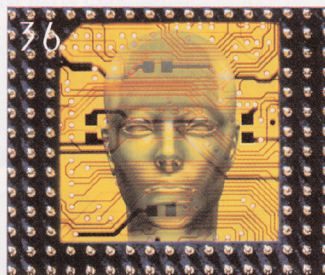
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BEST PRACTICES

BY DAVID DRICKHAMER

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DEPARTMENTS

U.S. manufacturing

Keep on truckin'

World; accountants everywhere.

Technologies
could change everything.

Happy.

Commentary
Lights dimmer? Yes.

Doing
Russia.

Management (ROM).

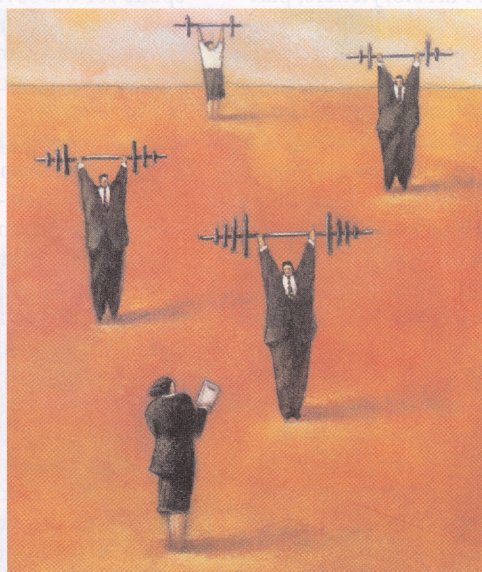
Improvement
on motivation.

Talent scouting.

Economy
matter.

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In practice, the strategy comes down to performing in-depth evaluations of the leadership team, determining the A, B and C players, recognizing and rewarding the A players (the top 10%), developing the B players and nudging out the C players (the bottom 65%). Unlike professional sports, it's not about paying more for a higher level of talent. "At whatever market price you have for a position, what you're after at that price is the top 10% of the talent in the marketplace," says Robertson.

"It really relates to what I call 'Talent Economics 101,'" says Stephen McMillen, vice president of executive leadership development at Hillenbrand. On the demand side of the talent equation, it's a matter of identifying what people need to be able to do and to know in order to achieve the organization's strategic objectives, McMillen explains. On the supply side, internal and external candidates need to be evaluated based on the strategic gaps that need to be filled and graded based on the pool of available talent in the market. While Hillenbrand executives had a good fix on the performance capabilities of company managers in relation to each other, they had no idea how that talent stacked up in the marketplace. That's changed.

"As we look at our talent portfolio, we try to align the talent with the critical needs of the business and invest appropriately in the development of that talent," says McMillen.

Key to the strategy is a disciplined interviewing process, what consultant Bradford Smart in his book on the subject (*Topgrading*, 1999, Prentice Hall), calls a "chronological, in-depth structured interview." Hillenbrand spent two days training all of the company's top leaders, many of whom had years of interviewing experience, on how to conduct more structured interviews. The objective, according to Robertson, is to get beyond how charming people are and who "can pass knife and fork school," and really take a deep dive into job candidates' long-term job history. In hiring, "past performance is a pretty good indicator, and actually statistically the best indicator, of future performance," he says.

The strategy has cascaded down into the

Talent Scouts

HILLENBRAND
INDUSTRIES
GETS THE
RIGHT PEOPLE
ON THE BUS.

A FEW YEARS AGO, PREPARING HIS ANNUAL report for Hillenbrand Industries' compensation committee, David Robertson, vice president of administration, made a simple observation. While leaders could measure and adjust pay and benefits packages against the market, nobody ever asked how the \$2.1 billion company's talent matched up against the competition. It was a good question, compelling enough that the CEO at the time told him to find the answer.

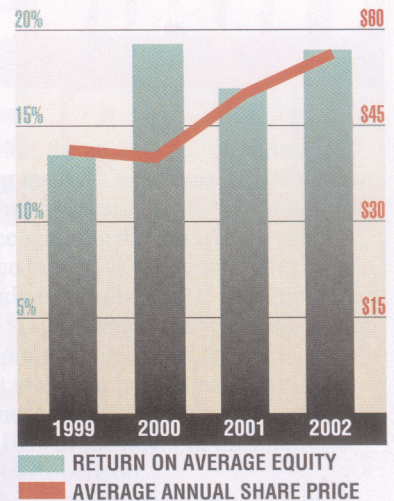
Robertson eventually alighted on a leadership assessment and development tool known as "topgrading," a strategy popularized by former chairman and CEO of General Electric, Jack Welch, during the 1990s in his annual letter to shareholders. In essence it's also what Jim Collins' writes about in *Good to Great* (2001, HarperBusiness). The pivotal CEOs at the 11 companies that Collins spotlights all made a point of getting "the right people on the bus, the right people in the right seats and the wrong people off the bus."

organization as newly hired and promoted people determine if they can meet their objectives with the talent they've inherited. Looking at the top three layers of Hillenbrand's operating companies—Hill-Rom, Batesville Casket Company and Forethought Financial Services—Robertson says that 62% of the direct reports of the business units' CEOs, as well as those people's direct reports, are

in new assignments or new to the corporation in the past 24 months.

Such retooling is impressive, especially considering that the company "wasn't an abysmal wreck," in Robertson's words, when it began the leadership development process. Despite solid results in the past, managers thought they could do better. Measuring their progress, workforce engagement surveys conducted in

Hillenbrand's Return On Talent



2000 and 2002 have shown marked improvements.

Hillenbrand also measures the impact in terms of shareholder value, with an annual growth target of at least 15%. Of late much of that has come on the bottom line. Recognizing the need to grow revenues, the company has been targeting people who will be able to reinvigorate new-product development and manage acquisitions.

"The economic model for this business is built on revenue growth that's higher than what we have today. We know we have to do new acquisitions. We know when we do new acquisitions we have to infuse the acquisitions with talent," says Robertson. For future acquisitions to be successful, he believes they will need to find and develop talent much more quickly than they have in the past.

"Nobody declares victory. This is a process not an event. What we're trying to do is build this into the DNA of the organization of just a way of being, a way of thinking, a way of acting," says McMillen. "At the end of the day, if you have better talent than the opposition, all things being equal, you ought to perform better." **IW**

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