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# Building A Performance Culture Based On TALENT

by STEVE MCMILLEN, Ed.D., DEBORAH LUEBBE, and MINDY LAUBER

It started with a nagging suspicion that what got us to where we were wasn't going to take us to where we wanted to go. It is a suspicion many organizations, we fear, choose to ignore. And for good reason. Success often clouds judgment and tricks a person into thinking "the past is prologue." We at Hillenbrand Industries were at this critical juncture in our thinking a few years ago. Our successes far exceeded our mishaps in the 100-plus years the company had existed. Yet, enough was changing for us to step back and ask the question, "what will it take for us to succeed in the future and move to the next level?" What follows is our unfolding answer to this question and how building a performance culture based on talent is helping us move toward realizing our full potential as a company.

## Who We Are

Hillenbrand Industries is a \$2.2 billion, publicly traded holding company for three diversified operating companies: Hill-Rom Company, Batesville Casket Company, and Forethought Financial Services. All three headquarters are in Batesville, Indiana, (approximate population: 6,033) located midway between Cincinnati and Indianapolis in southeastern Indiana. Rich timberland brought John Hillenbrand, a German immigrant, to the area. He started the company in the 1860's as a sawmill business. The Hillenbrand family continues to take

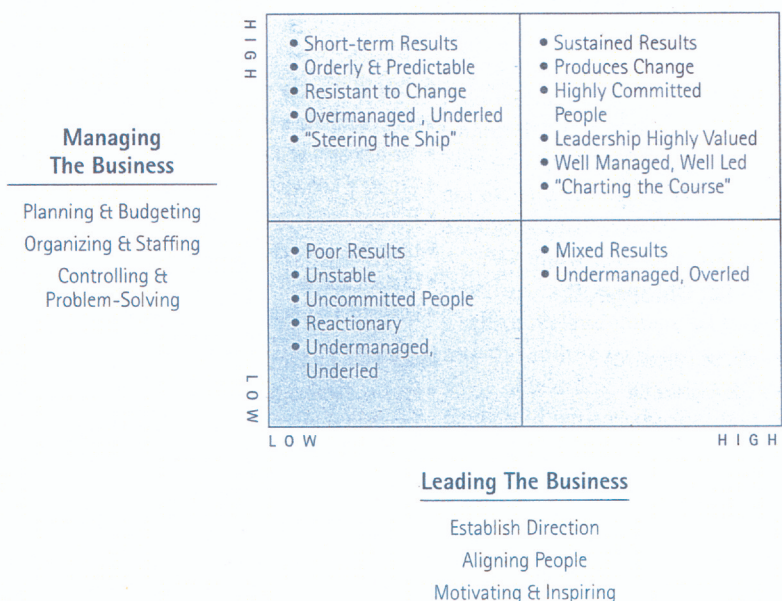
an active role in the business by serving on the Board of Directors and remaining a significant investor.

Hill-Rom Company is the world's leading manufacturer of patient care systems and the leading provider of specialized rental therapy products designed to assist in managing the complications of patient immobility. Batesville Casket Company is the world's leading producer of burial caskets and cremation urns, and Forethought Financial Services provides the largest

network of funeral homes in North America with life insurance policies, trusts and marketing support for Forethought® funeral planning.

We have been recognized as one of the "world's 100 best-managed companies" (*Industry Week* magazine), "one of America's top four most admired companies in medical products and equipment industry" (*Fortune* magazine), and having the "best sales team serving the health care industry" (*Selling Power* magazine). We have a rich

Figure 1: Leadership/Managership



history of success, built on the foundations of innovation, customer relationships, fiscal responsibility, and diversification.

### Why We Messed with Success

About three years ago, a number of factors converged to make us question whether we had what we needed to go after what we wanted. There was a feeling in the executive leadership team that our global presence hadn't translated into the bench strength to support our growth plans.

The matrix depicted in **Figure 1** helped us understand the type of change we were contemplating. We began to recognize that, historically, our success had come from the upper left hand quadrant. We were very good at *managing* the business, and for the most part, our markets allowed us to succeed with this approach. But our future growth will come from expanding markets, both home and abroad. This will require us to have a strong capability for *leading* the business as well. Our goal is to create an organization that is highly effective in both managing and leading.

If being known as one of the "world's best-managed companies" was gratifying to us in the past, our new expectation would be "a best-led company." Historically, we have managed and viewed our three operating companies as separate silos. Our approach now is to recognize the synergies among the businesses and manage them in a more integrated fashion. One example is that we are building opportunities for our leaders for lateral assignments across the three companies. We have shifted our executive recruiting approach from a "fill the vacancy" mentality to viewing "executive leadership as a driver of organizational growth."

### A Performance Culture Based On Talent

One of the first shifts in mindset was to recognize that business development and leadership development should have a great deal in common. So we looked at leadership development from a business perspective. Our new paradigm became, "What does the business need in our leaders to drive growth and shareholder value?" We know from studies and our experience about how executives learn and develop that seventy percent comes from

experience, twenty percent from feedback and relationships, and ten percent from education.<sup>1</sup> That led us to conclude that we would not be optimally effective in our leadership development if we just stuck to workshops and programs.

We started identifying what we called our "mission critical positions" in our organizations; those top 70 or so positions. We knew we had to emphasize

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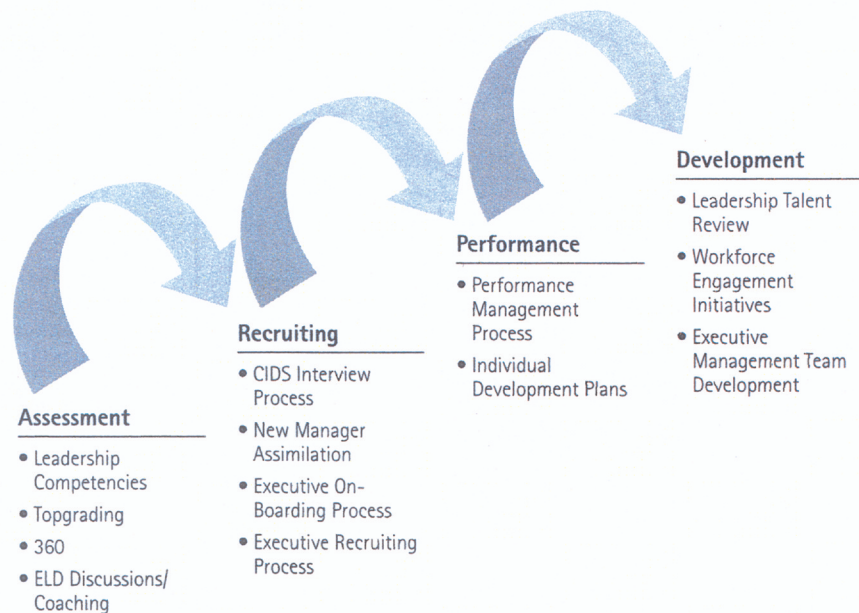
performance if we were to create a sustainable organization. Since organizational culture can be simplified to "the way we do things around here," we wanted to build an infrastructure that embedded these expectations and practices in our organizational DNA.

**Figure 2** covers the four major components of our overall executive leadership development process. As you see, we have adopted some proven management processes, and have found the challenging part is not necessarily what to include, but how to link the various processes together. For example, our approach to the Leadership Talent Review process (under *Development*)

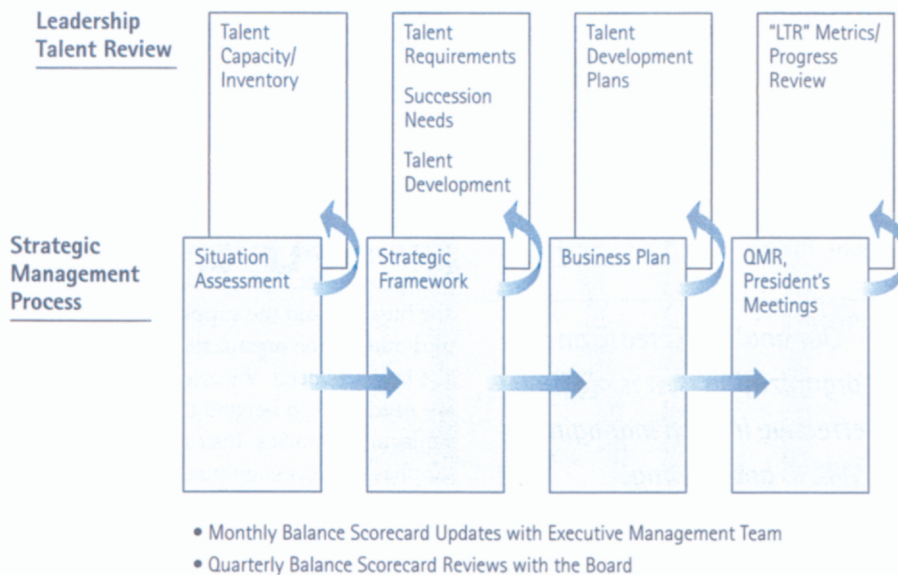
is to describe the types of changes we are instituting to ensure we link our human capital to our strategy.

In the past, a leadership talent review had been viewed as a periodic event, usually initiated by a vacancy. Consequently, it was often haphazard and cumbersome, viewed as a task rather than a process. We are now making it a more ongoing process that emphasizes simplicity and continuity. The process focuses on the demands of the business and the supply of talent inside and outside the organization to meet the business need. We also concluded that we needed to go beyond the mindset of replacing vacancies. Instead we now emphasize succession management that is linked to our strategic planning processes. This can be a huge change for organizations that have relied on a "free agent" mentality for filling leadership positions. We are also using metrics more to drive accountability, focus, and leading indicators. For example, we measure the number of "A-players" within our critical positions. We define critical positions as those having significant P&L responsibility, accountability for key business initiatives, and strategically important. The focus on this group has resulted in action. Actions taken include accelerated development plans, redeployment of individuals, assessment evaluations, cross-functional assignments, etc. resulting in the alignment of our best

**Figure 2: Hillenbrand's Approach**



**Figure 3: Linking Leadership Talent with Strategic Management**



talent with our most strategic initiatives and their critical roles. In addition, we have begun to move our talent across our three operating companies to ensure talent means similar things in each organization and our expectations are similar. All of these involve building and implementing processes that are linked to our strategy processes to ensure we are adding value to our business. Keep in mind that the Leadership Talent Review is just one slice of the overall Executive Leadership Development process. As you can see, everything that needs to be integrated to ensure that assessment, recruiting, performance, and development feed into one another can be overwhelming. But it is this organizational and management capability that will distinguish an organization.

### Linking Human Capital to Strategy

Figure 3 gives you an idea of how we are linking our leadership talent review with our strategic management process. In each case, the particular step in the strategic management process drives a complimentary step in the leadership talent review process. For example, every time we make an assessment of our current business situation, we follow it up with an assessment of our talent capacity and inventory. So given what is going on in our business and markets, does it look like we have the right type and breadth of talent? Each step we take to better understand and plan our strategy requires the next step in identifying and developing the talent we will need to drive the strategy. We go from asking the question, “what is our talent capacity?” to “to what extent is our talent aligned

with key future business requirements?” to “what are the critical few talent gaps that must be addressed to meet the business plan objectives” to “what are we doing to optimize our talent capacity?” We are continually cycling through these questions to ensure we keep pace with our organization and our markets.

### How Are We Doing?

To date, our greatest successes have come in two areas. First, our ability to link our executive development with our strategy has been so successful that we are finding the operational leaders are driving the overall process of talent development. They clearly see how their active role in developing talent drives business results. Second, our Board of Directors is clearly recognizing the importance of investing in talent development and is fully behind the process. This alignment adds a tremendous amount of energy to our efforts. Some of our remaining challenges include how to accelerate the individual development process to keep pace with our growth plans and identifying talent earlier in one’s career. Impatience. The fact remains that it takes time for people to develop new skills, apply the skills effectively, and digest new assignments thoroughly. And we need to start identifying and developing talent before they reach the vice-president level, otherwise we will have lost up to ten years of development opportunity with the individual. But as a whole, we feel we have the right pieces in place and are moving in the right direction. One indicator is our stock price. Hillenbrand Industries stock is trading

at twice what it was two years ago. While hard to quantify, certainly one of the many contributors to this success has been the focus on leadership excellence. We believe we are well on our way to incorporating both the processes and practices that will take our organization from here to there. As Ringo Starr has said, “it don’t come easy,” but it is well worth the effort every time we move closer to experiencing our full potential as an organization.

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### NOTES

1. Corporate Leadership Council, *2001 Leadership Survey*.