

Leading Performance Change

RFLC in conversation at Tate Modern

Session III: Two leadership stories: 'Framcap' in practice

Deborah Rowland (DR), RFLC Chief Executive: So the purpose of this next session is to move from the rigour of the research to its relevance for organisational leadership, by hearing first hand about what actually makes a difference. I will be having a chat with Lynn Elsenhans about her change story at Shell. Then we'll move to Sir David Henshaw for a story about turning round a whole city council – and he'll be in conversation with Nick Mayhew. So this is now story time!

Why did I want Lynn to actually come and share her story? There were three reasons: firstly, Lynn participated in the research and when we coded the transcript of her behavioural event interview she scored very highly against our 'Framcap' factors - so there are few people better qualified to actually talk from experience.

Secondly, for the research, Lynn told a story about a time in the past, when she was trying to turn round an oil refinery. But because I now work with Lynn, I noticed how her leadership has evolved to do what she's currently doing - which has global scope and much more complexity. So I thought this would be an interesting story as a whole: it's got a longitudinal quality, rather than being just a one-off story.

Lastly, I find that Lynn really gets the notion that leaders don't directly control performance outcomes. What leadership is about is working on the organisational system that produces the outcomes. That is what generates sustainable movement – and Lynn shares that insight.

Do you want to say a few words of introduction, Lynn?

Lynn Elsenhans (LE), Executive Vice-President, Shell Global Manufacturing: I'm just delighted to be here. There are several Shell people here that I already know and it's great to see them here. And there are some people who used to work for Shell, whom it's great to reconnect with - and then there's meeting new friends. So a good experience and a good place...

DR: So we're going to talk a bit about Shell's Deer Park Refinery, Lynn, which was a turnaround situation for you, I think, about eight years ago. And on reading your interview transcript, the first thing that struck me was the way you described your brief going in there. Because I think that says something about '**Attractor**' leadership. So maybe you could start by talking a bit about the mission you chose as you went into Deer Park.

LE: The history of refining in the United States for Shell had been one focussed on just the operations and being a customer of Exploration and Production – and, in fact, the derogatory term that most of the rest of the organisation used about refiners was that they were 'plumbers'! And this particular location had entered into a joint venture with Pemex, and this venture partner was very interested in making money – although this particular location had not made money for a very long time. So they were very interested in the notion of running this thing as a business, not as an operation, and that mental shift was I think, very important.

DR: So again, that starts to create movement in a different direction, because we see as the story unfolds, thinking of it as a business, not as an operation, sets a lot of things in motion. It was a new governing idea. So, in terms of what you then paid attention to Lynn, as you were working this as a business - not an operation - I notice that the first thing that you placed an emphasis on was your leadership team. It wasn't just about Lynn, it was about the coalition that you had around you... So you might want to say a few words about what you did with your leadership team in terms of actually upgrading it and making sure it could work for you.

LE: Most of the people who had been on that leadership team had been at the location for a very long time, and so were very entrenched in years of lack of performance - and it wasn't just lack of financial performance, but poor safety performance, poor reliability, poor cost performance, the whole thing. And so it was pretty clear to me that that this team wasn't going to be the set of players that was going to help us get where we needed to go. And so in my mind came the question: how might we get and use diversity as a catalyst for change? And by diversity, I'm thinking not only in terms of women, people of colour and so on, but also backgrounds. And that meant not just having chemical engineers on the team, but having some business people on the team, and I essentially put every single job up for open resourcing. And I encouraged the people that had the jobs to apply for them, but made it very clear that they were going to have to compete. And, at the end of the day, only one person - and that was the business person - actually got their job back. And so we had a complete turnover of the leadership team, except for one individual, and in Shell this was pretty radical.

DR: So, in terms of '**Edge and Tension**' and amplifying disturbance, I think the word you used in your story was 'noise' - you were challenging and doing things in very different ways. But, I think the fact that you did it via an open resourcing process, is also '**Container**', because some people can just go in and 'rank and yank' to get people in and out, but you put in a process for that, and channelled the tension. The other big thing I noticed about what you did was how you actually ran meetings in the organisation - because, again, it's not just about words, it's about people feeling different. So you might just want to talk a bit about that.

LE: I set up roughly six different kinds of meetings, most of which had not existed before. Now the one that did exist, was a refinery leadership team meeting. This involved the refinery top leadership: the plant manager and their reports would get together and my recollection is that they got together once a week for half a day, and their agenda was very operationally focussed, and also very information focussed - so lots of presentations. So the first thing was to set up six different types of meetings instead.

One was the refinery leadership team meeting - but I changed it to every other week, and I changed it to two hours. So my intent there was for it to be consciously different, and to make clear to people that how you use time is important. We also changed the agenda from presentations and information and operation - to policy, strategy, talent management and capability-building in the organisation. So we moved away from the short-term, to more of a long-term focus.

I also had a different leadership team meeting which was quarterly, all day and offsite. I got a little criticism for this because we did actually take 'walks in the woods' - but the intent was to get a different frame and to really work on skill-building among the leaders, building the team and building alignment in that team.

I also set up town hall meetings available for all staff - and did that multiple times, so we could catch all shifts. In addition, we had extended leadership teams. So that would be me and my reports, and their reports, roughly about 30, 35 people. And then I also set up learning conferences, once a year, a diagonal slice in the organisation, probably about 100 -150 people.

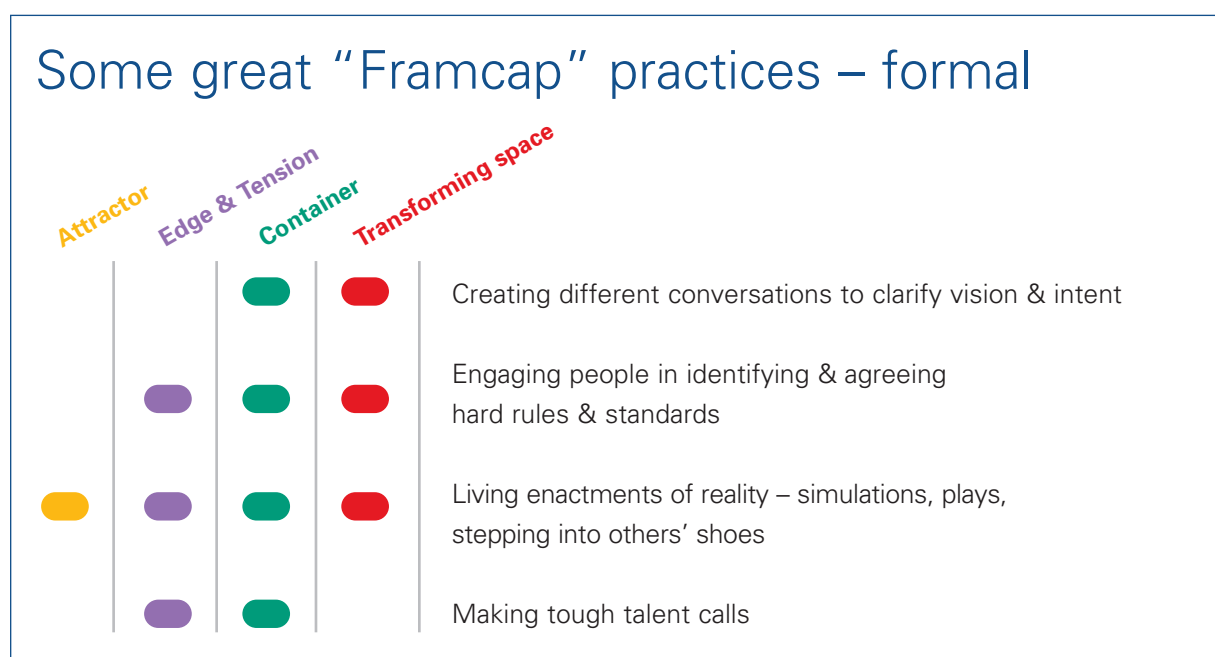
Every single meeting had three themes: one had to do with message - constancy and consistency – saying the same things over and over and over again for alignment. One was on skill-building and learning interventions - because this was an operational type job that was trying to become a business, and a lot of that skill building was around business skills, and teaching people how to be business people. This included a leadership angle - helping people change from operational specialists to leaders. And the third theme was always about engagement i.e. trying to get two-way communication. Every single meeting ended with a question and answer period, for instance. So we built that kind of structure into all the meetings.

I think the other thing that was important was who attended. They had never had extended leadership teams before, and so the fact that these 35 people met together was a big change for them. For some of the meetings, we also invited the union leadership - they had never met with the executive leadership before - and the joint-venture partner, for full transparency.

The last form of meeting which, in a way, brought all of this together was the monthly business review meeting, all day. It started out with: this is how we're doing against the objectives we've set - and these are the gaps and where we've left money on the table. Then we had a learning piece - rotated around the leadership - where everyone had to get up and have a teachable point of view, and talk about something that was going to teach others something valuable. And then no presentations for the whole rest of the day!

Everyone in the plant was invited to attend. The partner was invited to attend - and, department by department, we asked: What's going well? What could be going better? and How can the leadership team help? Then at the end of that, the leadership team would meet behind closed doors and talk about what we had heard. And then we formulated what we heard into a message for all of the employees i.e. So this is what we learned - and this is what we're going to do about it...

Some great "Framcap" practices – formal



DR: I remember just one little bit in your story about a town hall event where you showed up and I think only three other people showed up, when you'd think loads of people would... Do you want to just tell us, because it's a story of '**Transforming Space**', I think.

LE: This is probably one of the most insightful things I've ever done as a leader. I offered these town hall sessions several times in order to be able to hit every shift. Typically I'd have 25 people or more. One night, I had three people show up, and they were all from the Coker Unit. The Coker Unit is the most important unit at Deer Park and was also the most problematic at the time. It's also the crummiest job in the plant if you're an operator: it's dirty, it's grimy, and you get coke dust all over you. It's not the most pleasant place to work. And three guys show up and of course one part of me said I'm kind of busy here, maybe I should go, but I decided... I thought: Look, if they took the time to show up, I'm going to go ahead and go through with this.

We were about half way through and they start calling on the radio for their buddies to come. So I ended up having about six people there - still very small - but we spent three hours, and in that three hours I learned an awful lot about what it takes to be a coker operator, and what they go through. And one of the big value drivers in the plant is how much pitch you can put in the coker, and that, in large part, is dependent on how quickly you can de-coke the drums. They were using about 18 hours to de-coke the drums, whereas world class is 15. And they talked about why they couldn't do it faster, and one of the things was as simple as they're way up high on these decks, and the bathrooms and the water fountains were seven stories down. And so any time these guys wanted to go to the bathroom or get a drink of water, they had to go down and up seven stories - by stairs. So you better believe it - we had bathrooms and water fountains up there within no time! And the fact that I would do that also created a lot of credibility with the workforce.

DR Well, we talked earlier about how leaders who are good at '**Attractor**' really tune in to the street and what's actually happening, and then take responsive action.... So, okay Lynn, was it a success story?

LE Yes it was. It's kind of a worst to first story. There are external benchmarks for refineries worldwide, and this refinery went from fourth quartile in almost every one, to first or second quartile in almost every one. In a two year period, it went from losing \$165 million a year, to now being the most profitable refinery in the Shell system - even though we only get half of the profits, because the partner gets the other half! And we've had three leaders since me and - this is the thing that's most important to me - these changes survived. The shift in performance didn't stop when I left.

DR To fast forward, just to finish off with where you are today: how would you describe your leadership challenges today, versus when you were just running one particular location.

LE I think I have three different things that make this particular job harder - or, harder for me. Firstly, the brief is different. Very purposefully in our new downstream organisation, we've moved to a very functional organisation. And my brief is to operate it, 'to run the kit', as my boss would say. And that's a different motivating challenge than running the business. The very first leadership development course I ever went to I'll never forget hearing: 'People support what they help create. So a leader's job is to create the environment where that happens'. And to me, that means both thinking and doing.

But in 'operating' - when you have only the doing part, and the thinking part is left to another part of the organisation - I find it's more difficult to motivate people. So that's number one. Number two: I had a burning platform in Deer Park - we were losing money... In fact, it had never made money. Whereas now, we've just had the best financial performance we've ever had - not because of me, but because of the market-place - and we're not dead last or fourth quartile, but we are merely average. So there isn't that: "God we have got to do this, or we're not going to survive..." And the third is just the size of the organisation: instead of a thousand people that you can get to see almost all the time, I have more like 18,000 people, and they're spread all over the world, and instead of them all basically being Texans, we've got all kinds of different cultures to deal with.

DR So, in terms of what you did in Deer Park, and given that the brief has changed and the context has changed, what are you doing, Lynn, to adjust how you're working on the system now compared to what you did at Deer Park?

LE I think that when you have a burning platform, it's really very easy to start setting up the business case and engaging people in issues of survival and a sense of urgency. Now, in my mind, change is all about creating commitment and ownership - so what are the kinds of things that we have to do? One of the groups earlier said that if you don't have a burning platform, create one... But I actually believe - and I learned today that this is shaping behaviour - this doesn't actually work. Recreating burning platforms is not sustainable; it burns people out. So if you want to get to something more sustainable, I think it's about building ownership and commitment. So how you do that? Well we're about ready to find out!

My team has agreed that we're going to embark on something where we as a leadership team are a lot more visible at sites, and a lot more part of the processes. We had a call on this last week, and one of the things that became very obvious on the call was the need to build trust. So while we spend a lot of time building trust within our leadership team, now it's about how to build trust into diagonal slices down through an organisation.

The second part, I think, is about engagement. We've always done engagement, but now we're really getting down to the process level with people who do the work. And getting ready for them to tell us that these great processes we've set up really aren't very good, and really don't help them do their job... So we need to be willing to listen to them about what they actually need to work.

And the third part is more visioning. We've been pretty much in sell-tell mode: manufacturing is part of a wholesale change for Shell downstream and we've had a lot of corporate requirements and things to do, and we've pretty much been doing those, and we haven't really spent much time with people trying to get them to say and own where we are trying to go with this, and how life is going to be different. And so, I'll be spending a lot more time on the visioning aspects and doing that with the leadership team present. And then the last part of this is just perseverance. It's a huge time commitment and we can't just sort of put our toe in and start. It's like - once we start this, we must stay the course and keep up a huge level of commitment.

DR You were saying to me yesterday that once you open this sort of thing up, you've got to be prepared to listen to what's coming back up - and that's the big thing: if you're not prepared to do that, it's almost better not to do it in the first place.

LE I think the scary part - and I went through this at Deer Park and it worked really great so I'm okay with this - but my team is a little worried that if you start a visioning process, what happens when people tell you things that are different than where you're headed? And so I think there's a finely balanced thing about words and creating enough confidence around 'yes, we can do this; we can get there...' which means you have to share a little bit of your own vision, while also being willing to start with a blank piece of paper and then go through that process... And the process is as important as the outcome - letting them come up with a vision, and being willing to take the risk that they might tell you something different than what you were hoping for.

My experience is that most people want the same things, and so you're going to end up getting at least 80:20 i.e. 80% agreement, but then it's the 20% that's different that is really worth paying attention to. Then figuring out what to do about that... . And knowing that if you don't attend to that, you're not going to get what you want anyway. So I think that's a bit scary.

DR Finally Lynn, about yourself: you were talking about the change in the brief and the change in the interventions you're going to make with your team... But, how would you say that you've shifted as a leader, or are trying to shift as a leader from then to now?

LE Well I think to put it in the context of the framework here: I'm really good at the '**Edge and Tension**' and the '**Transforming Space**' - that axis. And I'm weaker at the '**Attractor**' - '**Container**' axis. So keeping that conceptually in mind, and then thinking about, within those, what do I have difficulty with.... I think I'm a problem-solver, I'm a doer, I get it done. So for me it's actually about being willing to let people fail - to not always wanting to rescue them and get to the right answer. To let things kind of mill around and struggle a lot longer and have a lot more patience about things that aren't going real well - that's the thing for me. Biting my tongue more - and getting a bloody spot on my tongue!

And the other thing is that while I've always, I think, been one of those people willing to say I don't know - particularly upwards - I think finding ways to do that more downwards is important. In fact, I've had the opportunity to do that in the last couple of weeks. I was out in Singapore, with a new plant manager out there, and he's really excited about the commitment and ownership thing, and he was, like, how are we going to do this? And my first instinct was, I do have a plan, and the plan basically is do what made Deer Park successful. But instead I said well, you know, I'm not 100% sure, we'll have to work it out and figure it out together. And I think the fact that I said that surprised him, but he didn't recoil from that. He was like, 'Oh, that's kind of exciting..!'. And I don't think five years ago, or two years ago, I probably would have done that.

DR Fantastic Lynn. A business story, an organisational change story - with a personal story coming through there as well. Thank you very much.

How Top Leaders Put the Four 'Framcap' Factors Together

- *They understand and incorporate the wider context; they lead upwards and outwards to create space for the organisation and catalyse energy for change*
- *They build their leadership teams to think and act for the whole – requiring them to step up and back to hold a bigger space and be strategic, interdependent and systemic - thereby creating an aligned transforming energy at the top*
- *They work on the underlying system that produces the performance outcomes; they show an intense ability to “tune in” to their organisation, see patterns, notice how things are said not just what’s being said, identify the few key assumptions and patterns that if shifted would transform everything, and then take creative moves to make those shifts*
- *They are then patient with people to make the transition – while still keeping the change on course (the low performers by contrast were passive, and just stood back and waited)*
- *They display extremely high levels of self awareness, are able to sense the impact they have on others, seek feedback and exchange on this, and consciously use their presence in the organisation to create shifts (“evidencing leadership”)*
- *They set tangible measures for the change; they open up the system to share information and performance data to both “hold up the mirror” and catalyse people to take personal ownership for improving things*

Nick Mayhew (NM), Senior Consultant: Well it’s really great that David Henshaw can be here - Sir David Henshaw. I think you’ve told me to drop the sir, and you’re happy with that, is that right David? David is not a client of ours, but we were delighted when he agreed to be interviewed as part of our ‘Framcap’ research. I heard him speak about his work as Chief Exec. of Liverpool City Council, when he was speaking to a local authority audience in my home town, Bristol - and I thought David would be a wonderful interviewee, and so it proved. His transcript is chock-full of ‘Framcap’ behaviours and - although he has only a basic idea of what I mean by that – we thought that, because there would be others here who don’t know much about RFLC and might be a bit sceptical about this work – it would be great to open up an opportunity, not only for David to tell us some of his change leadership stories, but also to see how he might make sense of some of his leadership behaviours and approaches in terms of what he has heard about this leadership frame. So, hopefully, this is a space in which David can bring his expertise and experience, and also some of his questions as well.

David Henshaw (DH) – former Chief Executive, Liverpool City Council and Chair of NHS NorthWest: Well thank you very much. I now understand what all those people were shouting at me in Liverpool: ‘you’re full of Framcap!’ Sorry, I couldn’t resist that! Change leadership is a big issue in my world – and certainly was at Liverpool City Council: twenty three and a half thousand people - this is 1999 - turnover in private terms of around £2 billion, a range of products and services that amounted to some 700 as far as we could count - although that’s hard, because it ranges from library

books, to social services, to a road... Even getting a 'No' to a planning application is a service for some. So a very different world to Lynn's - and then you add politics in it, just to make it a bit more amusing... A local authority that went through the worst of times in the '80s – deciding to take on the Thatcher Government and bring it down, which wasn't a very smart plan... Then in 1998, the Liberal Democrats took control, with a small majority and a mandate to sort this muddle out. The Council itself was third from the bottom of the league table of local authority performance, just above Hackney and Lambeth. In fact, we fought for bottom place yet charged the highest council tax in the country - so you got taxed the most, and got the worst. It was a pretty compelling offer, the most inefficient local authority in the country!

So I was brought in to lead the change in the business, and that involved a whole series of steps: massive behavioural change, some significant structural change, and also creating a wholly different sense of where this organisation was headed. I think it's fair to say in the context of the framework we've been talking about, that in the early days I would have been in your bad books: a very controlling, shaping, ordering leader. We were £25 million over budget four months away from the end of year, and we had to take some steps to get a grip. So for the first four or five, six months, I was really in a telling, directing role - and it did feel like 23 and a half thousand employees against me. It really did feel like I had that sort of siege mentality.

Meanwhile, there was a set of politicians just desperate for change - but whose behaviours had become such that when things went wrong they sought to intervene. So the managerial space to operate had to be carved out. So there was a whole set of different challenges, and it felt like quite a muddle, but I knew instinctively, intuitively - I am Liverpudlian, but had left when I was 18 - I knew instinctively that this workforce was capable of turnaround.

A man I know - Nick Sheele - ran Jaguar and went on to be number two in Ford... he brought Jaguar to Liverpool. And Nick said to me, what is it about the Liverpool workforce? And I said: well think about the plant, Nick: along the line they're all doing that [David does repetitive motion with his arms from left to right] and you get up and say: 'Hey, I want you to do this' [David does repetitive motion forward and backwards], and they go 'Yes boss' - and do what you want [motion forward and backwards]. But when you've gone away - they'll revert to how they've always done it [motion to left and right]. So you go back to them and say: I told you to do that.... [motion forwards and backwards]. They say: Yeah boss [motion forwards and backwards]. And you walk away. [Motion returns to left then right]. But, if you go up and ask: Is there a better way of doing that? They go 'Yeah boss' [motion forwards and backwards]. And if they own it and believe in it, actually they're unbeatable...

The framework of management and leadership in the Council had been based on industrial relations in the city for many years past - on the docks, where there had been extensive casualisation, and a whole set of other industrial factors. So we had to change the very dynamic of the organisation. So we did a lot of work on beliefs, visioning - and there was a massive focus on behavioural change. We actually put every person in the organisation through a three day behavioural change programme. We also turned the *raison d'être* of the organisation inside out. So we said: actually, the only reason we are here is to serve our customers, all those people out there in all their various forms. And this was not a message that the local authority workforce had really understood up to that point. There were, however, pockets of excellence - despite the bad reputation and financial instability and all the rest.

And when I left after six and a half years, we'd taken around £120 million out of the cost base, the workforce was down to 19,000 without one compulsory redundancy. We had reduced the council tax in real terms. For three years we froze it and then we cut it and then we raised it in line with inflationary increases. So we're now about a 100th in council tax terms and knocking on the door of

being an 'Excellent' local authority. We also won the bid for European Capital of Culture and are now seeing a massive explosion of regeneration and market activity. The market's now working for Liverpool.

Local government doesn't create markets, but it creates the circumstances in which markets can thrive. So it's a great success story and is still going on. And from there I went on to do a number of things - including having just finished re-designing the UK Child Support System...

NM When we explored what you might talk about here, we were certainly hoping that you would bring some of the issues you are now working on 'live' as it were, and to have some conversation around those. But just going back to Liverpool, there was a lovely bit in the interview transcript that we coded, where you talked about how you helped to create that 'managerial space' as you called it, to begin with. There was an away day – a '**Transforming Space**'...

DH Yes. I took the senior politicians away for the day, and one of the issues about creating that managerial space... I resonated with the story from Shell because I inherited a management team of 11 and we downsized it to a team of six, including the chief executive... But yes, creating the space was crucial in relation to the politicians. So we went away for the day, and I put some tape down in the middle of the room and said: Let's have executive managers over there on one side, and the politicians over there on the other. So we stood facing each other, and I said: Right, let's just change over... So we swapped sides. And I said: Right, now the politicians are going to be the executive directors, and the executive directors are going to be the councillors, the politicians – and I want you each to ape the behaviour of the other..! And it was fascinating to see the dynamic, and this dawning realisation – actually, in both cases - that we have to give the other lot some space here, and support them in exercising their particular roles. And that was one of the best bits of learning - changing the dynamic of that relationship – that we ever did. For me, changing organisations is rarely about structures... It's about behaviour. It's about how you behave and work with each, that's fundamental to how you change organisations.

NM There was another move you made, that you related in our research interview, which also seemed to illustrate a number of the Framcap behaviours we've been exploring – where you went out on the back of a truck with polystyrene blocks to engage the workforce in some of the budgetary challenges you were facing...

DH Well, we were facing massive budgetary challenges - having to take huge cost out - and traditionally the local authority, the management team, had used the trade unions as a vehicle of communication. Now this wasn't very smart, given the way the message was changed as it went through this process. So what we did was simply went round the trade unions - not supplanting their role - but simply saying: I've got the right to communicate directly with this workforce. So there I was on the backs of lorries, in depots, building budgets out of polystyrene blocks and saying, in effect: that's what it is now – and that's what it's got to be. So we were sharing and being open and transparent about the challenge.

And it's the old thing about if people know what's going on, they feel they've got some ability to take some sort of charge. In organisations that fail, the one thing you see all the time is an endemic sense of powerlessness. With organisations that succeed, you see power with people feeling that they're part of the agenda, owning it, and creating that sense of information flow. I always use the phrase – and I'm not sure what it means, but I like it – 'Communicating till your teeth bleed!' It's that thing about carrying on informing people.

Of course you've got the old problem - rumours sprint, memos crawl! So then you wonder if you can maybe have an official rumour board – but not really, because they would be the official rumours! Yet in a place like Liverpool, you have to keep on feeding that beast – attending to people who do want to feel that they're involved. And that's the most powerful change engine as well. If people feel they know what's going on, they feel part of it. They're owning it - and inside it, as opposed to outside it.

NM I was wondering whether you feel you were working with that '**Attractor**' quality we've been hearing a bit about...

DH Well, '**Attractor**' maybe related to how we were building a vision about what we could be. Liverpool as a city understood itself by its sense of its past. Whereas I was asking: How do we now understand ourselves in terms of our potential future – and how might we build that vision of what we could be and can be. We can be a world class local authority, providing excellent customer service at low cost, etc. etc. - and be a premier European city again. So building that sense of belief about what we could be... I think that is the biggest driver you can create, in terms of capturing the imagination of people and organisations.

And I think that distinction that was made earlier by Roger is crucial: you've got to be careful that it's not about you, but it's actually about what you're describing. I think that's absolutely crucial, because often you get this heroic model coming through – whereas it's about creating that vision, creating a story. And people love stories - that sense of where you can be if we get together and take it forward. Sometimes, of course, you also have to confront the brutal reality: I don't want to work in an organisation that treats people like this, treats the customers like this and so on. But we got passionate about the people we were serving: that's the only reason we're here... Take them away, and as a local authority, we've no reason to be here.

NM How did you get that story living within the organisation? It sounds like there was some '**Edge and Tension**' there too.

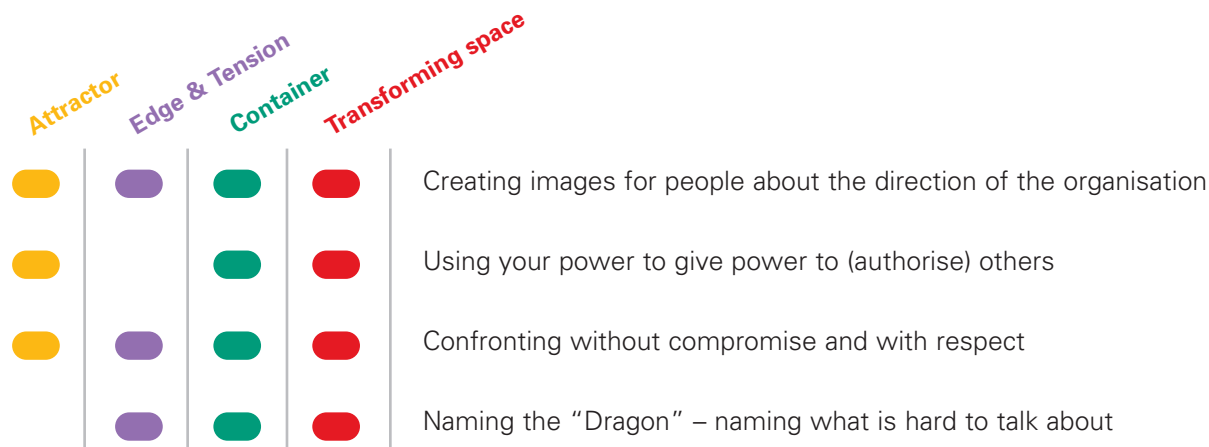
DH Well, that core story wasn't there at first, but there were still lots of good stories and little fragments all around the place. So one of the challenges was to find little pockets of excellence, but to have a way of saying: actually, that's great, but it could be a lot better if we could think more about the bigger picture. And they'd say: But I've been doing this really well for a long time... And you'd say: Yes - but it could be a lot better... So it felt to some people as if they were stopping good performance. But what they couldn't see - and we had to paint the picture – was the wider whole, and how we were going to have to manage some things differently.

I mean, this was an organisation with palpable levels of poor customer service. There was a wonderful story about rats and mice - pest control. If you rang up and you got through - which was very unlikely - and said 'I've got a rat', the organisational response, the guy on the phone, would say: 'No sorry sir, it's a mouse'. And you'd have this Kafkaesque conversation about 'I've got a rat'.... 'No sir, it's a mouse'... And whatever you said, or did, it would go down in the log as a mouse! And you'd come off the phone unable to have made an appointment, or paid for the service - and having reported a rat and being told it was a mouse! And the reason for that was that the guys were failing so much, they were trying to find ways of dampening their failure - and they had 48 hours to respond to a mouse, but only 24 hours to respond to a rat!

So the level of innovation in there was fantastic. I wouldn't have thought of it! So the challenge is about trying to turn that round into ways of creating real change... Now we've got a 24/7, 365 days a year customer centre where you can report a rat and they'll accept it is a rat and you can pay and make an appointment!

So it's those sorts of things that make a real difference to customers in our business. Of course, the old problem in public service is that you don't have the market drive of people innovating and then having further innovation constantly adding to it. You don't have that in the public sector. And one of the great challenges for me when it comes to the future of the public service is how you identify appropriate proxies for the market, that will drive competition and innovation. We certainly can find them, but I think there's a danger in the public sector that risk is seen as such a frightening word, that this dampens innovation and dampens potential. It's a real issue for us in public service.

Some great "Framcap" practices – informal



NM Now I know that you've moved on from Liverpool and that one of your day jobs is chairing the North West National Health Service. What change leadership challenges are you experiencing in that role?

DH Well for me that's one of the reasons I've come today, because there are plenty. Health is a fascinating subject in this country. The success of the Health Service in the last seven or eight years is actually staggering, if you look at some of the performance indicators. If you read the press, you'd never believe it, but it's true. We are actually on the threshold of some staggering changes, which involve huge reconstruction of the provision of health services.

I mean there's not one bit of diagnostic kit you can't put on the back of a lorry. So now, in one sense, you just don't need these big buildings we've erected all over the place. But there's a whole structure in place, a great risk of bureaucracy and lots of things actually become counter-intuitive. So how do you shift this massive organisation and start thinking very differently about health? In the North West Health Service we spend £9 billion a year. It's the 18th biggest health system in the world - bigger than the economy of some states... And here we are moving away from massive acute provision through fixed assets such as hospitals, bringing provision closer to the community, de-professionalizing a lot of service, taking huge costs out and trying to improve accessibility and relevance - and all that in a region that has got one of the worst health profiles of Western Europe. So we have quite a challenge! And the only way we'll change that is through changing behaviours. So leadership thinking such as this - Framcap - is going to be key to shifting some of the leadership of the National Health Service and for me it's a fantastic challenge.

NM One of the things I think I'm hearing is that some of these bureaucracies represent a sort of '**Container**' function gone awry – and yet you're having to bring in '**Edge and Tension**', so you're having to somehow contain differently, as anxiety is experienced and so on.... Can you see in the '**Edge and Tension**' and '**Container**' themes we explored earlier, anything that you are bringing as a leader into that North West context?

DH I think there's a lot. I think the critical piece of '**Edge and Tension**' lies in making explicit the dichotomy between 'health' and 'health services'. By that I mean, if you look at what's happening in terms of the way people are living, we're building up a massive time-bomb of ill health. So there's a case for saying: 'Guys, we can carry on throwing money at this, trying to fix things that have gone wrong... But surely the way to do this is to stop it going wrong in the first place...'. So whether it's alcohol, drugs, smoking or whatever, changing the balance of expenditure is crucial. And then, I think the biggest change can be achieved through a massive shake up of people's sense of roles and responsibilities...

I did this with a group recently: I created a space right in the middle of the hall of 500 people, created this big space and called it 'Health' - not 'Ill-health' – but, Health. And I walked straight into it as the Chair of the National Health Service in the North West and said: Don't worry, the NHS is here! But, of course, I wanted them to see that, actually, that's the very worst thing we can do, because my job, our job, is not to occupy that space.

Our job is to produce the set of circumstances and reasons that will encourage other players to take that space: the private sector, for example, because health is a big contributor to competitiveness and a whole raft of issues relating to quality of life and all those sorts of things. So come on guys, you take that space! So we got all these people in the room acting roles out - premier league football managers, you name it - occupying this space to change the very dynamic about the way we think about health. Actually, we want to get the population angry about health, rather than the National Health Service trying to fix it. We're getting it the wrong way round at the moment, which is probably why we're not making some of the progress we should be.

So '**Transforming Space**' is perhaps one of the key factors for me, and also getting a lot more '**Edge and Tension**' in the system: being far more challenging about why we continue traditional patterns of spending, about why we continue behaving as we used to do, when we're in the midst of such massive technological changes in medicine. If you think about nursing, for example - and this is not a criticism - the big response to health problems 20 or 30 years ago involved increasing nursing care, because we didn't know how to fix some conditions then. We do know how to fix a lot more things now, and yet we've still often got some quite traditional patterns of nursing care, which may not be wholly appropriate. So it's considered heretical to say that publicly – you know, the question "Are we doing the right things, guys?" We all want to think we have got enough nursing care...

The Fire Service is another one of those public services. Only 4% of a working fireman's time is spent attending an incident. That's not even putting fires out - but attending an incident. The rest of the time is spent back at the station, training, polishing the engine, or whatever. Think of that capacity in working time and what could be released, in terms of community services, to bring about a very different dynamic. So I'm trying to help people think very differently about the way you make public policy and the way you manage and lead public sector organisations.

NM I'm wondering if, as a way of closing before we bring Lynn back in and have a dialogue in the room, you might share your reflections at a personal level on your journey as a leader. So you talked about having to move into that Liverpool context in a very forthright way, shall we put it. I just wonder, what are your reflections on how you shifted as a leader through that, and now in your current role.

DH I think the big learning for me, the huge piece for me, is that I should probably have invested in behavioural change earlier. I should have trusted that there were more people into what we were trying to achieve than I thought there was. We left the behavioural change element until 18 months, two years, into the change – and I actually hadn't realised the depth of the reservoir of people who just wanted to sort things out and just wanted the opportunity to participate. I went in there and made some assumptions which were wrong about the scale and depth of the opposition.

I've used that bit of learning in the redesign of child support and I'm trying to use that same sense in looking at the National Health Service. And I do constantly forget. You can quickly get drawn into a siege mentality - and you do feel people are against you. It's either yes or no. And it's not like that, is it? In the spectrum of opinion, there are those who are really against you and those who are really for you, and there's a gradual shift as it goes along. And it's about getting to the people out there making a judgement, getting to the tipping point, so that the majority will follow... So the biggest bit of learning has been about investing in people earlier, giving them the tools, support, context, parameters to do the job.

Dialogue, Questions and Discussion

NM Thank you very much, David. [To the audience] Well, I hope, during the last 45 minutes, that you've heard some stories which have resonated with some of the questions you're carrying about your leadership challenges and practice. While Lynn returns to take the radio mike, maybe you could be reflecting on what have you have heard in Lynn's and David's pieces, and on where you're seeing some connections that you'd like to explore. I wonder also what connections you are making to the four 'Framcap' leadership factors, given some of the tangible examples of leadership practice we've been considering. While the audience are thinking, maybe – David and Lynn - you'd like to consider the connections you've heard between your respective stories....

LE Well one of the themes that really struck me, that resonated a lot, was belief in the workforce. So having that fundamental belief in the workforce... I had a big 'aha' when David was talking, around the assumptions it's easy to make about the depth and composition of the opposition, and whether that gets in the way of getting to a solution faster, or getting people on board faster. So that gave me something to think about: contrasting 'belief in the workforce' - which I think you absolutely have to have - versus, 'negative belief in the opposition'.

I think this thing about being willing to change the players came through in both of the stories. And then there's also this whole idea of communicate, communicate, communicate - until your teeth bleed, or whatever. You can't overemphasise that one enough.

And I guess I'd say two other things: one is that you talked about how it isn't about the structures, but it's about behaviours - and I guess that would be something that I probably would disagree with. I think structures do play a role in determining behaviours, and although it didn't come out a lot in my story, it is something that I utilised in making my change. For me the learning is that the structure is not enough - and I come from a company that loves to tinker with organisation - that's not the solution. You can't just keep on doing that. But I think it's the

combination of using structures with the visioning and the behavioural interventions. Secondly, what I heard from David was the importance of creating the conditions that allow others to take the space that they should be taking, as opposed to getting in the middle and, in a sense, trying fix it yourself. And that just takes me back to what I said I am trying to do better at – and the idea of the steam engine we started with here today - because it's all about the difference between carrying the steam engine, and creating the conditions to have it move on its own.

NM Thank you Lynn.

DH The structures thing is probably, for me, a reaction to my public sector world, which has been obsessed with structures for decades and caught in the inertia of bureaucracy. So I'm probably over-reacting... You know: well, we're going to change - so we'll restructure. And a year later we've restructured and we've moved people around - and what's changed? Nothing. So that's why I react. And I think getting the right people in the right positions is, for me, another critical bit – which we haven't been very good at in our sector. That steam engine thing's interesting because I was worried about the last reference to the driver, the direction - we're all fired up ready to go, and hit the radiator across the other side of the room! I won't employ this company!! I'm joking - but there's something there about making sure you're doing everything together, rather than coming to the driver bit last.

The other thing: there was a phrase that started being used around the city, and apparently I used it at one of our big road show events, which I think links to what Lynn was talking about, and that is: 'The bus is about to go - are you going to get on the bus or not?' i.e. If you don't want to get on the bus, that's not a problem - we'll look after you, exit through voluntary redundancy or early retirement and so on - but the bus is going to go, be sure you're up for it, and get on the bus, or don't. Don't get on the bus, knowing you're not going to do it, because that will be the worst of all worlds for all of us. So the traction engine was a helpful link to that sort of idea, I think.

LE One thing about the driving... The challenge as you go higher in organisations, is that when you start out, you have hands on the wheel of the car. But gradually you have to learn to drive the car when maybe you're not even in the car. And that's how I feel in my current job: I'm not even in the car. Whereas when I was a plant manager, I had my hands firmly on the wheel.

DH Can I just say one last thing which is – there was talk earlier of 'shadows'. I've actually always seen shadows as a positive, because shadows are one of the most influential things in organisations... The way you behave creates a shadow, and if don't know what shadow you're creating, that can have the most horrendous consequences. If you shout and yell and abuse people, you're saying to the rest of the organisation through your shadow, that it's okay to do that. So the way you behave is absolutely critical to casting the right shadow, because people always look at those in front and ape their behaviour. So, you know, shadows are hugely influential. So I think we should turn the idea of them into a positive, use it as a tool of learning - basically to say: don't underestimate your behaviour. What you do and how you behave in a positional power role can have a huge affect on the way other people will behave themselves.

NM I think many of us would admit that there's some part of our behaviour that remains unconscious – and that is what Roger meant by a shadow. For me, at least, part of the potential of this work lies in helping leaders to become more conscious of their leadership and more aware of that shadow, whether it be positive – as you were suggesting, David, or unconscious and possibly detrimental. And I love, Lynn, your use of this driving metaphor and the question of how you drive when you're not even in the car... And maybe we could relate that question to

the levels of subtlety that I think there are in the '**Attractor**' quality we've been considering - because there are some leaders who can be highly attractive and magnetic when you're in their company, but what about when you're the other side of the globe? How, as a leader, do you still manage to conjure this attractor quality, when you're the other side of the world? That could be a powerful question for us to explore. Anyway, let's open it up and hear what connections the audience are making, both to what you heard in Lynn and David's speech, and also to the Framcap leadership factors themselves.

Q1 These stories often have a linear quality of beginning, middle and end to them, which I'm sure is unlike how they were at the time. I'm wondering: When you weren't sure where you were - those black moments - what did you do? Where do you turn to, to reground yourself and reinforce where you're going? Those moments when you thought, I've lost the plot here.

LE I probably do two things. One is that my life partner has been a tremendous source of support and a great sounding board for things. So I find just verbalising sometimes very helpful: when you get it out, it's not nearly as bad as when it's rattling around in your head. So that's one. The other thing is that right before my Deer Park assignment, I had had an assignment leading something called the Business Transformation Team and there were many external coaches we used in that, which allowed me to develop some very helpful relationships and I have the luxury of talking with them from time to time. And this is how I now use Deborah, of course...

DH Two things. I share a similar story in terms of the value and help of Alison, my wife. There's a thing we did in the behavioural change work - about 'Be here Now'. You know - don't be somewhere else. I try to keep that through meetings all day at work, and also when I'm at home - and that support and sense of understanding and sense of shared journey has been an extraordinary support for me.

The other thing is, and it's a tactic I developed very early on, which I found hugely powerful.... Because diaries are often about other people's misuse of your time, right?! Sometimes, I'd be due a day in London - and I would come into my office in Liverpool in the morning and then not go on the train or the flight, and say I'm not going to London. And there'd be shock in my office and you could hear a sense of 'Uh oh, he's on walkabout!' And what I'd do, amongst other things, is go to the customer contact centre and I'd see and hear stories on the phones of individual residents getting things sorted, over and beyond the call of duty.. There was one woman - and I remember it - she was feeding newspapers into this big bin and lost this wonderful ring her great-grandmother had given her. A very valuable thing and hugely sentimental - and she'd lost it in this trap. And she was absolutely paralysed with tears and fear, and rang Liverpool Direct, believing there was not a hope in hell of getting the bloody council to sort it out...

But our whole training... There was seven weeks' training for the people that went on the phone, and the girl on the phone said, leave it with me, stay where you are, next to the bin. And she got onto the contractor, told them the story, and they were there within 35 minutes, took the bin apart, and found the ring! And she came in the next day with this huge bunch of flowers for the call centre... And it's those moments... I used to go and dip myself in that reservoir of achievement, actually seeing things happening on the ground. Because one of the problems of being in our sorts of jobs - of being not even in the car - is that you often get disconnected. So go and dip yourself in that reservoir of success and share it and enjoy it.

Q2: You both talked a little bit about getting some space yourself – while a lot of these leadership factors and behaviours are about giving others space.... What are your thoughts about how you get the space from around you and above you, to allow you to lead change effectively. Because talking to people in this room, and certainly people I've spoken to inside Shell who have adopted slightly counter-intuitive approaches, they've had to fight quite hard to get the space to do it.

LE I don't know that I've ever consciously thought about it like that. I think as I've gone up in an organisation, or gotten more politically astute, and thought a bit more about the overall larger context, and how does the thing I want to do fit, it's not so much about asking for permission - which I absolutely refuse to do - but more about upfront engagement with those who might think this a bit weird, and make sure they understand what I'm going to do, and why I'm going to do it.

DH I always come back to power in the end – it's such a critical factor in most large organisations - and I've got this phrase: 'The more power you give away, the more powerful you are'. You build your success on letting others do it. And when I see people that are disempowered, or powerless, it's the most frightening thing in the world. I see that in society with young children, living in the worst estates in Liverpool for example – where their sense of powerlessness to change their future life is so palpable, and is clearly restricting their growth. So power and self-belief - belief in your own chance and own ability to contribute - seems to be at the centre of the way you lead. So saying to politicians: 'Actually guys, you've brought me in and you're paying me quite a lot of money - give me the space...' The more power you give away, the more powerful you are. Now, there are some tensions around that sometimes, because politicians tend to perform in certain ways, and have a need to take credit and stuff like that. I'm not being pejorative - it's the nature of politics and the greasy pole type of syndrome they live with... But in the end, the more power you give away, the more people feel they've got hold of the ball, and I think the more you succeed.

Q3 I really think that last point is correct. I think that it's absolutely crucial in large organisations that powerlessness is taken away, and as a leader you have to ensure that anybody at any point in the organisation actually feels they can do something about the role that they occupy. It's such a crucial thing in leading change, and it's particularly crucial to leadership over distance. And giving that back to them is the fastest way they get pride back, and when they get pride back, then a lot of other things happen. One question I wanted to ask you both: I've just been in two situations where I had burning platforms, and you both have talked about similar situations where you were. What happens when you have situations where businesses are doing well, or where businesses are doing averagely? How do you then find the key to transforming them in exactly the same way?

LE Well I'm in that position now. I mean, financially the business has never done better, but from an external benchmark standpoint, it is average on almost everything that's important to success. I think it's about building ownership and commitment, and trying to get positive momentum going. We've talked about the pride people feel when they connect with the purpose of their work, and when they connect what the organisation is trying to accomplish with their own personal purpose. It's about making the space for those kinds of conversations to happen, as opposed to thinking 'Oh that's completely spooky and weird.'

DH I kept referring to this in the Liverpool journey. [Draws on flipchart] Imagine this is like heading towards ideal public service over here [to the right], and most of our comparatives in the sector are around the middle here [in the middle]. This is where Liverpool was with Hackney and Lambeth [to the left]. And what I said was: instead of thinking in terms of moving from here

[left] to there [middle] – let's not 'rush to be average', which isn't a great motivational speech! – let's aim for the big leap. So we called it 'the big leap' [from left, over those in the middle, over to the 'ideal' on the right]. And we kept using the term 'big leap' - the point being, that you can start the big leap anywhere. So I think it doesn't matter where you are, whether you've got a burning platform or not, you can still say, we're going to go for the big leap now, come on, let's leave the opposition standing in their tracks. And that's my passionate belief about it: people owning that sense of 'we can make that leap over them – we can make that big step forward'.

NM Thank you – another good example of '**Attractor**' in action. We're going to stop for coffee soon. I'm just wondering whether I can invite you for the last six minutes to explore any connections you have been making with this 'Framcap' frame we've offered here. Any thoughts or comments about '**Attractor**', '**Edge and Tension**', '**Container**', '**Transforming Space**', and some of the behaviours that we've described under those? Where are you at the moment in relation to these?

Q4: It's kind of interesting because I introduced myself to David earlier as having been in the Department for Work and Pensions – and I've written down here DWP = Framcap desert! And what was really fascinating was, the Child Support Agency has been in existence for 13 years, but had been screwed up from the moment it was set up, and it just got worse, and everybody knew it, but the organisation prevented this being admitted to or addressed.... So the issues just got passed up and up and up. And there was just this sense of total powerlessness. And you look around and there is no energy. There is not even a sense of there being a problem, because people have just given up. They'd all shared their discontent, and their sense of what needed changing, but no-one was listening – so really, when people heard that there was going to be this external review, there was a massive sigh of relief. At last, someone was actually going to do something to change it!

DH It's quite fascinating because we did it in five months – following the Prime Minister's and Secretary of State's intervention - and I spent a lot of time on the road, just going around listening. And I quickly got the metrics of this business. It was quite easy and I won't bore you with that - but what was really fascinating was just getting on the road, going to Birkenhead and so on and other places. And I kept hearing the same line... 'We should scrap this and start again. It's gone too far...'. Which was the conclusion I'd got to very quickly, just looking at the metrics. And the people involved knew it anyway. They knew it was broke beyond fixing. But I could sense – when I sat there with the PM and the Secretary of State – that it was still a very big thing for the Government to admit it was such a mess and that we should start again. It's not often that happens - that they put their hands up - so it was a big decision to say, okay, we're not just going to try and tweak it. We're going to change it fundamentally - start again - and put it outside the Department, as non-Department body.

NM Were there any further connections to you as leader that you were making in drawing that connection?

Q4 I wasn't really a leader in that context. I was a leader in one specific context – the learning development environment - but I was more trying to influence the nature of the conversation that took place. And what was evident is... I keep looking at the '**Container**' behaviours... There was a ghost of Container around at the time. I suppose it was precisely about containing - the boundaries are very clear - but there was no space for people to speak up or anything. None of the 'Makes it safe to say risky things and to have the 'hard to have' conversations'... And it was immensely frustrating to be part of a leadership team that was looking to change that dynamic and not getting anywhere. I was talking on my table about Russian dolls and where you are in

the system: you can control - or you've got influence on - what's happening in your Russian doll; and then you need to do what you can about the dolls above you. In this instance, there was so much powerlessness in the system.... It was, as I said, a Framcap desert!

NM I like that expression 'ghost of **Container**'. I think that is what happens so often. People then sense its ghostliness and feel they can't go to the '**Edge and Tension**' place or, if they do, it just causes mayhem and feels terribly unproductive. Anybody else...

Q5 We've heard about change success in terms of business turn-around and improvement of services and so on, which all sounds very business-oriented. What kind of success factors do we see on the people side? What was in it for the people - not just a more efficient working environment - but a real people success?

DH It's quite interesting, I've got two stories about this which are so powerful for me. Firstly, when I first went to Liverpool, I was staggered by the number of people having relationships where both were in City Council employment. I'd just never seen anything like it; it was very inward-looking world. And I asked one of the senior Committee Secretaries: what's going on? I said I just don't understand this. It's so incestuous! And he said, 'Well, it's not very complicated. You know, if you went out clubbing and you're dancing away... Hi - what do you do? I work for the City Council.... And it's bye bye!' So, I'm not joking: people didn't like admitting they worked for the City Council and felt almost obliged to socialise only amongst themselves!

And there's a similar story... Education was a very difficult area. Liverpool was getting 32%, A to C passes in its GCSE exams. Now, it's getting 57%. We did that in five years. And we turned round education just as the Government was going to privatise it. We had a party to celebrate and I asked one of the middle-ranking women managers how it had been. And she said: 'it's been fantastic, but the biggest thing you know, is when I go out in the city at lunchtime I don't take my identity badge off any more!' I said, 'Seriously?' She said: 'When I used to go out before I used to take off my identity badge so people didn't know where I worked.' And I thought, what a measure of organisational health! And here she was proudly displaying the fact that we'd turned it around... So when you talk about people: most people want to come to work, do a good job, and feel satisfied they've made a contribution, whatever job they're in. And I think that's 'health' - to get back to my theme...

Q6: There's a tension isn't there, in the stories we've heard, between hiring a top team - and trusting everybody else in the organisation..? So I was just wondering what's going on at the top, as opposed to further down the organisation.

DH Well, in my case, every other attempt at change had started with the soldiers, but nothing had happened at the top. So I had to send some messages. There were, of course, good people in that team, but frankly the message was: "You're paid enough to take this. This is the world we live in. Move on..." We had to send some really powerful messages that this was going to be a really significant change: we're not reshuffling the soldiers or playing with the structures.

NM We need to break now - but before we do I just want to bring Lynn in for one last comment, by way of closing.

LE Just on this thing about success: what's in it for people? We had a very similar story at Deer Park. People at a cocktail party would never say I am an operator at the Deer Park plant - and we were the biggest employer in that town! But then they got to be quite proud of it. And there are individual stories too. My assistant, for example, started to believe in herself a lot more. She decided that she could be more than an assistant and went off to run a Customer Service Centre. And she's continued to go up in Shell. She's just one example, there are others. And then, finally, just in response to the comments about change at the top on the one hand, and what's going on on the shop-floor on the other... I think the people you have to manage very carefully are those in the middle: what are they thinking? And are they experiencing so much **'Edge and Tension'** that you're losing them, or are you creating enough of a **'Container'** to allow them to help you get the work done? Because not paying enough attention to the impact the top team is having on the middle can really derail you.

NM Well, thank you both very much – and to all of you. It's felt like a very rich session. Let's take a break now and reconvene in twenty minutes.