

An Executive View: Dennis Sadlowski, Former CEO of Siemens Energy & Automation, Discusses Keys to a Sustained, Positive Culture



Dennis Sadlowski, the former president and chief executive officer of Siemens

Energy & Automation, Inc., began his career with General Electric. At GE he held management positions over a period of ten years before moving to Thomas and Betts, a manufacturer of electrical, electronic, mechanical, and utility products. He joined Siemens in 2000 and, in 2006, was named president and CEO of Siemens' Energy & Automation unit. In that role he held executive accountability for the company's strategic direction, operating performance, and marketplace success, including responsibility for six operating divisions. As such, Sad-

lowski led the \$4 billion, 12,000 employee Siemens E&A company to consecutive record years in sales and profitability. Before departing from Siemens, he guided a successful global reorganization of the business.

Sadlowski's extensive experience in a variety of executive roles has afforded him both a birds-eye view and a ground-level perspective of the best practices for creating and sustaining a positive and aligned corporate culture. Here he shares insights on lessons learned—valuable information for anyone in a leadership position.

How do organizations create a sustainable culture?

Interestingly, up until recently, I tried throughout my leadership tenure not

to use the word *culture* because I believe that culture is a resultant outcome. It is a target, but I prefer to talk about behaviors, about the stories that exhibit our values, and about the alignment of actions and values. Focus on the behaviors and alignment of values and leave the word *culture* for what has been produced as a result of doing all of those things right. In cases where people use the word *culture*, they often post a few placards on the wall. Then they find that this not only doesn't work, but it frequently causes employees to have a little distaste for the whole concept.

In this very, very difficult economy, there are a lot of tired organizations out there and it's in part because they've acted on the necessary cost-reduction actions and missed the opportunities to build positive momentum. There's a real need for

leadership to keep organizations energized even in the wake of very difficult times, very difficult choices, and a very difficult market economy. We have to identify behaviors that keep us moving forward, behaviors that when people talk about them and do them, they feel the momentum through leadership and all the way through to individual roles.

Does a positive company culture look somewhat the same for every company?

I would say probably not. I worked in three fairly large organizations, beginning with my career at General Electric. GE has a very homogeneous performance culture and for the size of the company, that's amazing. That culture was the result of a lot of investment by senior leadership in a process to build common points of interest for people so that their values aligned. In my opinion, they did an excellent job of it. In my day, GE had a very cost-centered culture and at the center of that culture was ethos. That's a very important and valuable element. Cost leadership can give a company more options in good times and bad.

On the other hand, during the years that I was leading Siemen's Energy & Automation, we were building a real customer orientation into the culture with executives leading the way. Leaders were talking the talk and providing the communications

forum in support of customers, but more importantly, we were demonstrating this customer orientation in all layers of the business to build alignment from top to bottom.

How did you accomplish that top-to-bottom alignment?

The senior leadership for example was required to visit with customers on a fairly regular face-to-face basis, which included folks from finance and HR who didn't normally get out with customers. You know in a large organization, it's easy to hide behind the sales force and take your information second hand from the sales offices. For our approach that wasn't good enough. We had some sort of one-on-one customer contact built into the travel plans and activities of senior leadership on a regular basis. In over 15 years of responsibility for general management and profit and loss, I've yet to have a single person come back from a customer visit and say that it was a waste of time.

More often the feedback is more like, "That was enlightening. Now I understand why we were focusing so much energy here" or "Now I can see why we have a gap there" or "You know we need to change some things in our back office to make this part of collections more efficient." You name it: most of the stories are very positive and very impactful.

What did you do with the customer feedback?

We would try to make improvements and changes culminating in a leadership meeting at the top. Some actions were real time. I recall in one meeting with senior executives at DuPont that while they were very satisfied with our Motor and Drive product solutions, they were distracted by other electrical systems issues on their system. Interestingly, while we had the expertise to diagnose and solve the issues, our team had not been asked nor volunteered to assist. This we resolved with a call to action.

We brought more complex issues back to our leadership development teams to give them opportunities to solve issues for customers. They would diagnose and recommend how best to align our actions externally and internally. This provided visibility to executive leadership and pace for resources and action.

How was the organization's customer focus communicated to all employee levels?

Both internal and external customer stories were regularly shared in all-employee Web casts along with business updates that we called "State of the Business." We focused that information around what we were doing to impact our customer in a favorable way and how that translated to our financial results. Leading business is about making

money. I've never shied away from that fact, and always stood tall in front of all employee populations to communicate that is why we're here and why we're assembled together. And a big part of how we get that done is by making a favorable impact on customers and knowing how to translate that into the financial results that shareholders expect.

We also created a variety of visual reminders throughout the business to keep the focus on customers. One reminder was the use of "customer" hats. Some creative guys in our communications department got us baseball caps, cowboy hats, all different types of hats embroidered with the word *customer* to create the proverbial customer hat.

We put those hats in all of the major conference rooms across the entire business: manufacturing, the sales office, headquarters, and so on. Then in one of our employee-wide communications meetings, we encouraged everybody to use these hats as reminders to guide action. The message: "If you're in a meeting and you're thinking, What does this have to do with improving the impact on customers? grab the customer hat, put it on, and ask that question. If you don't get a good answer, the meeting should be over. In fact you are empowered to just leave." This ensured that our time in meetings was focused on customers, tended to speed the

decision making, and limit bureaucracy.

How was this customer focus put into action?

Well, for example, in a couple of locations in Northern Mexico, we trained the entire hourly workforce, over 1000 people, to know not only exactly who our customers are, but what our customers need. We took them through monthly training on key customers. This really helped change the environment, helped translate business from just molding plastic and driving screws to an understanding of how we create a safe and reliable product, how it gets to market, and the customer's expectations. The employee engagement and leadership scores in these locations just soared and with it productivity. Real bottom line impact!

These were elements that worked from top to bottom to get people aligned to produce the kind of impact we sought.

How do you sustain customer-oriented behavior in employees, such as that in the manufacturing facilities you just described?

I think that ongoing communications are paramount. In other words, without an active commitment to find a way to communicate with the larger population, the employee base, the whole effort tends to die out. But beyond that you continue to

find the reinforcing stories that make an impact. It might be the story of a line worker, it might be a team here, it might be leadership there; these stories help keep people together, continue to make an impact, and help people understand the translation to the financial results. Our approach included communicating the stories, integrating actions and needs into our leadership development, and providing rewards and recognition in support of our behavioral priorities and their impact.

Did you ever address the relationships with internal customers?

Well, quite frankly, the answer is no. I set this as a low priority as we wanted to establish a more direct connection with everyone's work to the impact it had on customers and our financial results—producing an impact on the external customer to build growth in a way that drives both the right internal behavior and also the right kind of overall financial results. So we very much downplayed that whole element of internal customers. Whatever function you're in, even when you have very little direct impact on external customers, we want you to understand how your role affects the external customer. I've found that people are more inclined to do what they can to find that shortest distance or straight line to impacting that external customer.

My experience is that the whole internal-customer orientation can have a tendency to build little stops along the way that frequently are not even necessary, stops that don't have a real external-value generation. It can have the unintended effect to slow an organization.

So our focus was largely on the external customer. And again, we managed to keep the entire organization (not just the customer-facing organization) externally oriented. We did this by drawing that direct connection from all functions, by having leadership at all levels make direct contact with the customers, and by building that focus into our stories and internal communication mechanisms to show how the various functions helped make an impact with customers.

How did the customers react to the face-to-face interaction with the company's executives?

I think customers liked seeing senior leadership at their place, taking the time to listen, the time to understand what's happening, and the time to hear about what's going on. It also produces a more direct relationship with customers. We've always found that there's a small but important value that customers have a direct line to senior leadership if they perceive that they have a problem that needs attention.

How do you keep a check and balance on keeping the cultural focus the same? You may have leadership doing all they can and one or two bad managers who are making everyone miserable. How do you ensure that everyone is getting as much positive reinforcement as possible?

Building values is what it's all about and anything that's about building culture is about building and aligning values. You do that with behaviors that lead to results and one of the behaviors of course is the selection of people and who gets promoted. When people don't have the values and aren't aligned, even if they are getting results, then you have to make changes. Certainly people take note of the kinds of changes you make and they see if those changes are aligned with the values. We're trying to build that into the organization, into the selection of people, into how we hire and promote people.

Especially in these unstable economic times, how do you sustain top performance during a merger/acquisition?

I've had a lot of experience with mergers and acquisitions. I worked for Thomas and Betts from 1994 to 2000. We had 18 acquisitions during that period. I've learned some of the things that are always important

in terms of acquisitions and acquisition integration as well as some of what not to do through the school of hard knocks.

Establishing priorities for alignment and values should be done early in an acquisition integration. This requires active leadership and visible communications on the future of the combined entity to lead change. And following an acquisition, people are expecting change.

I have seen a number of attempts to take a more hands-off approach to allow a successful organization room to perform in a post-acquisition phase. However, later, when change *is* necessary to build and align the future, people are less open to change.

Also, leaders must really understand how the field-based organizations are managing through the post-acquisition phase. Because of field personnel's direct impact with customers, it's important to create a dialogue and an understanding of their needs. What's going on in the field can add favorable impact, or if not managed well it can have a very negative impact.

So get immediately active with the acquired employees and particularly get active with the field-based organizations.

One other area that I've seen work well is bringing talent from the acquired into the acquiring company in a different role. Allowing people

from the smaller entity to prosper in the larger early on in a visible way gets people to understand that the opportunities are greater in the larger entity.

In this economy, how do you make people feel as though they really matter? Often now the approach of management is if you have a job, you're lucky to have it.

Well certainly with the economy dropping out from under everybody as quickly as it did, leadership was required to take action on the cost side and, as I've said, when you're leading a business that's in a for-profit mode you have to make some tough choices. We did so and did so early.

When we have our organization aligned to the customer and technology trends, we take our cues from what's happening in the market. In the times of the greatest change, I spent even more time in the market trying to get out and understand what's happening with not only our customers but also the customer's customer. Looking out as far forward as one can, allows you to amass cues as to what actions to take and what decisions to make.

Taking our cues from the external market and what looks to be coming ahead and communicating that information helps the employee population to understand the decisions that have to be made and the paths that have to be crossed. The outcomes will not be good for everyone, but it is important to get people aligned during the period of a major downturn.

In the most recent crisis, growth measured year over year, quarter over quarter was out the window. But it was clear that growth, measured in terms of market share, would be a key to midterm success. To make the situation positive was to align people on getting more of the market than our competitors. Communicating those things are important in being able to build the support and engagement of employee populations from top to bottom.

For example, even in 2009, while making huge cuts in staffing, our employee engagement and leadership scores actually went up for the sixth consecutive year. I think this was key to gaining market share while we reduced SG&A costs as a percent of sales and protected our margins.

What advice would you give leaders who are struggling to create or sustain a positive culture?

You asked me earlier if there is only one type of positive culture and I said absolutely not. My recollection of the GE culture from many years ago was that it centered on productivity, on cost management, and on process. It was a great place and produced great values. At Siemens Energy & Automation, we were building on customer orientation and technological innovation and it too produced significant value.

What I've seen to be important is building values through behavior reinforcement, not placards on the wall. And the behavior reinforcement is coming from alignment of the actions, communications, and rewards. Leadership provides the forum, the dialog of a strong future, for behaviors and values and for alignment that produces the financial results.

When those elements are aligned, then I believe that you are building a long-term culture and a culture that will sustain beyond individuals and individual leaders.

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