Case study

May 2014

Tackling the barriers to leadership

Millers Oils: empowering the front line through removing managerial levels

Championing better work and working lives

The CIPD's purpose is to **champion better work and working lives** by improving practices in people and organisation development, for the benefit of individuals, businesses, economies and society. Our research work plays a critical role – providing the content and credibility for us to drive practice, raise standards and offer advice, guidance and practical support to the profession. Our research also informs our advocacy and engagement with policy-makers and other opinion-formers on behalf of the profession we represent.

To increase our impact, in service of our purpose, we're focusing our research agenda on three core themes: the future of **work**, the diverse and changing nature of the **workforce**, and the culture and organisation of the **workplace**.

WORK

Our focus on work includes what work is and where, when and how work takes place, as well as trends and changes in skills and job needs, changing career patterns, global mobility, technological developments and new ways of working.

WORKFORCE

Our focus on the workforce includes demographics, generational shifts, attitudes and expectations, the changing skills base and trends in learning and education.

WORKPLACE

Our focus on the workplace includes how organisations are evolving and adapting, understanding of culture, trust and engagement, and how people are best organised, developed, managed, motivated and rewarded to perform at their best.

About us

The CIPD is the professional body for HR and people development. We have over 130,000 members internationally – working in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. We are an independent and not-for-profit organisation, guided in our work by the evidence and the front-line experience of our members.

Millers Oils: empowering the front line through removing managerial levels

Case study

The CIPD report *Leadership – easier said than done* explores the barriers to leadership and good people management. This is one of a series of case studies that illustrates approaches to tackling these barriers in practice.

Millers Oils is a family-owned independent blender of oil and fuel additives, established in 1887 in Brighouse, West Yorkshire. The company was run by the owner, Robert Miller, until his death in 2007, when four directors took over the day-to-day governance of the company.

Millers Oils employs 120 staff.

Change of processes and of culture: towards distributed leadership

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As Millers Oils was run by the owners for a significant period of time, the current management team and staff find that a specific culture of working has been associated with a family business. On the one hand, the workforce has become closely knit and many staff continue to contribute their skills and experience to the organisation even after the change of management. On the other hand, the leadership style of the owner-manager may have been dictated by the interests of his own short-term profits rather than the long-term competitiveness of the business.

Jamie Ryan, Director, says, *'The key to why we have been able to do some of the things we have been able to do, is because the owners have taken a view of, "Leave it to the management to grow the business." That is critical. Some other companies might aspire to do what we have done, but if somebody is taking millions of pounds out in dividends it is not going to happen.'*

One of the key projects of the new management team was to change the culture of working to fit with the new pace of service delivery. Because of the previously strong top–down management of the business, silos had emerged between departments, even though the company had only 120 employees. Jamie Ryan says that departments made promises to the customers without understanding whether they could meet the demands and they wouldn't then communicate with each other to co-ordinate efforts:

What we explain to people is that the world is changing too quickly for the old style of management. If the exponential increase in the rate of change continues, we will see more change in one week in the year 2025 than we did in the whole of the last century. The directors can't possibly believe they are going to keep up with that amount of change, but if you have 120 people trying to keep up with that amount of change, you stand a chance, don't you?

Jamie explains that one of the more traditional production managers, who had been with the business for 40 years, was found a new role outside of production. Others initially resisted change, despite the obvious business case for it:

One individual in particular was obviously passionate about his work, but frustrated because nobody would listen to him. The old management structures didn't listen to shop floor workers and would respond to any suggestions with, "How would you have an opinion that I would be interested in?" He is now a team leader, contributing well at so many levels and as his ideas are taken seriously he is a lot less frustrated.

Further cultural change was achieved through the simple physical reorganisation of the business (for example, sitting people from different departments together in an open-plan office). Some of the change is being achieved through innovative job design and the creation of cross-functional teams.

Self-managing teams in sales and marketing

The next step the management is taking is to give even more autonomy to the front-line staff by removing the formal managerial levels in the middle of the organisation. For the moment, the project has started in the sales and marketing department with a view to this continuing across the business.

When the UK sales manager left, it created an opportunity for the business to allow the sales staff to manage themselves, incentivised by collective reward.

Instead of replacing the UK sales manager, a different approach was adopted.

Steve Woollven, Director, says:

I remember the day vividly. We had all the sales team turn up for the quarterly sales meeting; you could feel the anticipation in the room. They were expecting an announcement on who was going to be the next UK sales manager, and this did not happen.

We wrong-footed them completely, because Jamie and I shared with the team a vision for the future, about the way this business could work and feel, the way we could all work together, the way other forward-thinking companies had done it and what we had in mind. What we were talking about was a business moving forward, a

business of the future, where we want people to make decisions for themselves, working in teams, we want people to focus on what they are good at where they can add most value. Self-managing teams, setting their own targets and sharing as a company in the success. We got a round of applause at the end of the day.

Challenging the cynics through example

The project was trialled with several volunteers, who worked out themselves how they were going to work in the new way, focusing on the collective goals rather than on individual goals. Immediately, the feedback from one of the external team members was that *'after one day, working with my internal sales person, who I was meant to be working with previously, I've spoken to him more times today than I have in the previous six months.'*

This was the catalyst that was needed to convince the cynics, and within a few months all the sales team members were working in this way. There were some concerns as to how poor performance would be managed now the UK sales manager role had been removed. The great strength of working as a larger team is that when someone is underperforming, it is the team who tackle these issues without any need for them to go any further.

Maintaining a sense of direction

Steve Woollven says that after the initial six months, the individuals in self-managing teams got concerned that they lacked a single strategic direction, as collectively they were focusing on what they were good at, not necessarily what was commercially significant. They felt they *'were trying to bite off more than you can chew'* and not getting enough support from the senior managers. In addition, a lack of skills in certain areas of sales has become evident.

More recently, business development managers were brought in to guide and grow a particular market sector, which has given the right level of focus, guidance and support for all of the sales team. One thing that is certain is that as Millers Oils evolves with the new culture and different way of working, there will always be an element of fine-tuning to respond to the ever-changing marketplace; the principles of their vision will always hold firm.

Dealing with the legacy of a blame culture

'Although the front-line staff are passionate about the business and would have the knowledge to make the right decisions for the organisation ... the main barrier to manager-less working is the legacy of blame culture in the business.'

It is not yet clear, however, how the model could be further replicated in production, where the traditionally hierarchical way of working is more deeply ingrained in the structure of accountability and decision-making.

Andrew Smith says, *'On the shop floor we have to make decisions quickly. If we run out of additives, we need somebody to chase that additive up, somebody that's going to kick someone and get it ordered. Otherwise you have everybody running around saying, "You do it." "I'm not doing it, you do it." "I'm not doing it."'*

Although the front-line staff are passionate about the business and would have the knowledge to make the right decisions for the organisation, Andrew believes that the main barrier to manager-less working is the legacy of blame culture in the business. Although there are few real examples of individuals getting blamed for mistakes, distributed leadership will not work unless there is complete trust between the senior managers and the employees.

Jamie Ryan, Director, is optimistic about the direction of travel for the business. They started with the removal of the health and safety and traditional production managers and the creation of team leaders, moving responsibility and decision-making much closer to the sharp end of the business, and then went even further with the changes to the structure of the sales team. He sees it as the role of the senior leaders to give up power and to concentrate on creating an enabling environment for the front line to do their jobs. He says:

We have been asked, "If we are doing all this, what are the managers here for?" My answer was, "We are here to create the environment, where you guys can do your job, and grow and thrive." We are not there yet, but we are a lot further on in the journey than we were three years ago. That is what leadership has to become now. It is not telling them what to do. It is making sure they have got the things and the knowledge they need to do their job well.

Systems supporting self-managing working: collective reward and agile project management platforms

To ensure that the organisational environment supports the new way of working, Millers Oils changed the way reward is organised, and also supplied employees with a practical tool for self-organising.

First, individual rewards were replaced with a combination of a collective and individual bonus. Previously, sales team members were pursuing individual targets and would often hold on to client accounts to maximise their reward. Under the collective bonus scheme all individuals are contributing to a 'barrel' of money that is distributed at the end of the year.

Steve Wollven says:

When you've got a bonus culture in place, you don't speak to each other; you're very much out on your own. We even referred back to the banking culture, and people understood that, although they were still afraid of losing out. But we got around it by proposing that if someone has been earning a bonus over the last few years, consistently, we'll make sure that for at least the next three years, providing your performance is similar, we will underwrite any shortfall.

Secondly, bespoke project management software was developed in-house, enabling anyone in the organisation to register a project, nominate the project team and track progress. As each of the employees has a profile on the system, the project leader can identify specific skills required for the completion of the task, and can even select individuals to the team who act best as 'completer-finishers' or as 'co-ordinators' depending on the nature of the project or the stage it is at. The project team also agree on 'testers' – short statements at the beginning of a project that ensure that it *'doesn't run away with itself'* and that set out criteria for knowing that the project goal has been achieved.

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Key lessons

- The way we understand leadership has to change to respond to the external challenges of increased competition and the need for agility.
- People can be trusted to self-manage – where senior management provides a sufficient top-level sense of direction and works on removing contextual barriers to front-line leadership.
- Instead of challenging the cynics, it might be more effective to let the early adopters lead others through positive experiences.

- There is virtue in patience: coaching people through problem-solving is an investment in their long-term ability to cope with difficulties independently.
- Accept that people will make mistakes, but blame culture will discourage initiative very quickly.
- Different departments and functions will differ in the speed of engagement with the new ways of working; however, the role of the senior management is to identify what the attitudinal or structural barriers are and to eliminate those.