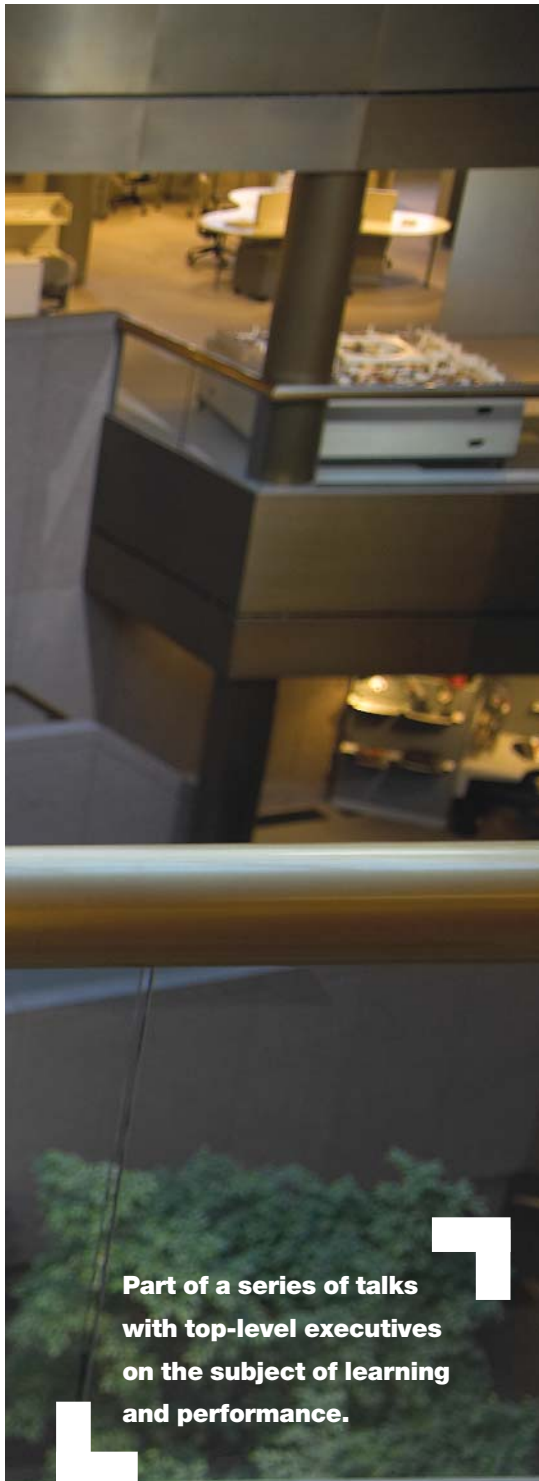


At C Level

James P. Ha

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Part of a series of talks
with top-level executives
on the subject of learning
and performance.

Photo: Steelcase

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Jim Hackett's decision to support a corporate learning center and to continue to invest in talent development during a dramatic downturn in corporate fortunes may seem counter to the behavior of most CEOs. But Hackett believes—really believes—that the company's learning center and the work that goes on there is the center of strategy for the company.

T+D talked with Hackett at the Steelcase University Learning Center in Grand Rapids, Michigan.

Q. *The office furniture industry has experienced a slowdown in recent years, and Steelcase did not escape the effects of a soft market. Starting in 2000, the company's revenue dropped from US\$4.2 to \$3.2 billion in two years. Nevertheless, you continued to invest in developing your employees and supported a new corporate learning center. What can you tell us about the rationale for that investment and the results it achieved?*

A. The essential basis for why we invested in a learning center, irrespective of the economic cycle, is that we feel that it is the center of the strategy of the company. In our business, we study the nature of space and how and why companies use it to work more effectively and efficiently. It's a refined skill we have. There is something difficult about the absorption of very abstract thinking. Strategy discussion works better here, in a learning center, than in other facilities.

You could argue that strategy discussion should be centered in marketing or in design. We're big believers in both those functions. But frankly, those perspectives become points of view that are integrated into the overall strategy and are implemented at the learning level. It's at the learning level where all the ingredients are mixed together, and you can stand back and say, "OK, we now have a strategy that we're launching." The rest is experimentation, or theorizing, or talk. It's when you get here, in the learning center, that you're really doing strategy development.

In the downturn, it was really important that the strategy of the company go forward. It was as important, or more important, than when things were going great. We had to help the vitality of the business.

Four years ago, at the start of the downturn, we had a global leadership meeting here on the strategy and the future direction of the company. It was the first time we'd had all of the global leadership together in Grand Rapids, and we used the learning center, which was relatively new at the time. The ambiance of people talking, of using what we call the in-between spaces to gather and discuss key issues, showed me the dynamic nature of the strategy, the cool building, and the important learning principles all coming together.

This connection between learning and strategy is becoming a CEO's mantra for how to direct a company. A.G. Lafley at Procter & Gamble and Scott McNeely at Sun Microsystems both talk about the learning environment as an important, preferred setting. Everyone knows about Jack Welch's legend at Crotonville, the GE learning center. I think it was important to Jack because that was the hub of where GE's strategy was taking place.

By Tony Bingham
and Pat Galagan

Q. *It's hard to imagine going to a board of directors during a harsh economic climate and arguing for an investment like that. Isn't it a tough sell?*

A. I have to agree with you; it's a tough sell. I know what the tension is like when you have to justify spending money on bricks and mortar. If I had said to the board in the midst of the downturn, "We have a disaggregated facility and that's a problem. Learning is dispersed." They could have said, "You're doing fine, Jim. You've made that work." But I would have argued that we were losing a tremendous amount of social networking. In our vernacular, social networks are the way work gets done. They provide the opportunity to feed off each other and make connections. Linking those networks physically actually builds trust between the networks' members.

Because the substance of our learning is strategic, I can't risk that a physical misconfiguration would reduce people's absorption of where we're going, or let a barrier exist between two functions because they've never been brought together.

Think about two companies merging. We could take Oracle and Peoplesoft. When you merged those two companies, what would connect their social networks? To merge them, you have to do real work together. We would put them in a facility like our learning center and actually start the work of merging the companies and setting them on the new strategy from a setting like this.

Q. *Steelcase depends heavily on its intellectual capital for innovation in design and exploration of new ways to work. Do you do anything formal to express the value of the company's knowledge, such as putting it on your balance sheet?*

A. Yes, we put our patents on our balance sheet. All of our patents are held by a separate corporation called Steelcase Development Inc. and licensed back to the business divisions. We value the patents for future cash flow. For example, our new LEAP chair, which is the result of the newest thinking, has 43 patents. The intellectual property in the design of that chair is finding its way into automobiles and airplanes. The future value of that important series of patents is enormous.

Q. *Do you quantify what people know, what they have learned?*

A. There's an interesting theoretical debate about that. Do you remember when there was pressure to have a chief knowledge officer? I really fought that. I didn't like an ambient notion such as knowledge being regarded as finite. I kept advocating that the Internet is the knowledge system, and what we've got to do is figure a way to leverage that. The chief knowledge officer right now in many companies is Google.

The more important thing for me is that the network structures be highly nurtured. There's fluidity to all this information. You have to think of it as ambient rather than fixed. If you can get people into networks, they're in a flow where they can actually know things. The flow of information is a given. Whether one is in that stream is a variable that affects how much knowledge a company retains.

There's a new study about how the United States is dissipating some of its intellectual property. We had a big round table about how to fix that problem.

The position that I was advocating is that you can't build a moat around intellectual property. You have to allow portals into it so that people have instant access to great thinking and the insights of others. You have to support a culture that says that moving between those insights is more important than saying "We have it all here."

I've had some conversations about this with Ed Ludwig, the

CEO of Becton, Dickinson and Company, and his use of learning as an important tool in BD's success. We're pursuing some of the same things: succession, the war for talent, dealing with globalization. Why couldn't we create a network between our two companies?

Q. *You've talked about some of the benefits of having a learning center. Are there metrics you look at to help quantify those benefits?*

A. Yes. We meter the number of people using the center, and we know what courses they've been through. But let me remind you of the abstract reasons why I believe learning is really important. It is part of how we view the nature of business and how people work together. And then, frankly, I believe it's become the center of strategy.

Yesterday, in my weekly conference call with the top management team around the world, I told them that the next piece of management development would be about knowing their businesses at a more intimate level. Four of the people in the group said,

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“Jim, we already have a great program. We’ve worked really hard on that.” They were talking about the leadership development program that we’ve created, and they owned it. That was great news to me because it confirmed the importance of development. So, when you ask me about metrics, I say that’s a proof statement that it is sinking in—that they get it. They don’t want me to monkey with it.

A huge part of making this work is having somebody you trust in charge of the learning. If it is the center of strategy, you better have somebody you trust teaching the world what you think the business is. George Wolfe, the dean of Steelcase University, is that person for me. His expertise is learning. He understands how to take something like strategy and get it to a level where people understand it. I give George a problem: He asks, “What does the leadership want to accomplish?” That’s the first step in a four-step process we use. The four phases are think, develop a point of view, plan to implement, and implement. The learning center comes in at phase three as a tool for creating knowledge and understanding of the plan, and prepping people to be ready for implementation.

You asked how do I know there is a return-on-investment? Well, I don’t necessarily look at that. I look at whether our process is successful. I don’t put a metric on the issue of how smart we are or how much knowledge we have. I think that those are empty buckets that you don’t try to value.

Q. *If you wanted to show your board that learning was having an impact on organizational performance, could you show a correlation between the learning center, the enabling of the process, and the results of that process?*

A. Yes, this is the facility that makes the process happen, that enables the process. Here’s an example: We’re going to learn the global supply system. I put that through our four-phase process: think, point of view, plan to implement, and implementation. There are about a dozen really big things that we’re putting through that process: leadership development; complexity; yield management in pricing, which is a subset of trying to improve the business literacy in finance; and others. We use the learning center as the action tool for that.

Q. *If the market got crazy again and you saw a 30 percent loss in revenue, would the process you’ve described continue?*

A. It has to continue because the business processes don’t stop in a recession. When times got tough for us, revenue dropped by half. We took 11,000 employees out—52 percent of the workforce. We’ve had very few layoffs in 87 years.

You can imagine what people were suggesting we cut. Some people said, “Let’s get rid of the airplanes.” We don’t have the planes as corporate chariots. We use them primarily for customers: It can be hard to get to Grand Rapids. But no one ever came to me and said cut the learning center, while a lot of people said get rid of the jets. The learning center touches so many people. I suspect that’s why it never got mentioned.

I have to tell you, I don’t think I understood right away how the learning center was a tool for making progress, how it was proof of progress. I’ve been in the job 10 years now, and I wish I had known that on day one because it would have saved me a lot of

time in setting the direction of the company. When the center is busy, I know we’re making progress. If it’s empty, I ask myself, “What are we getting implemented?” If I could change one thing about the center, I would put it even closer to my office.

Q. *How do you define progress? Is it the attainment of or the work toward your strategic initiatives?*

A. It’s a phase within the launch of a strategic initiative. The physical presence of people engaged in learning is a measure for this CEO that we’re making progress against the initiative.

I do believe that’s why Jack Welch went to Crotonville so often. It was his way of ensuring that the whole company was going to go in the direction it needed to go. I don’t think you learn that until you’ve had some implementations that failed even though you told everybody what to do and they all promised to do it.

Q. *It seems like one of your challenges has been to get your leadership pipeline built and get your leadership and potential leadership ready for new roles.*

A. Our succession planning has two parts: developing people’s capability as a function of their being leaders and, in parallel, finding the best people to develop. George Wolfe alerted me to his discovery that we didn’t have enough people in the pipeline. Now, we have a full-blown program for developing future leaders that tests and challenges them.

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Q. *As a CEO, what attributes do you look for in order to identify a person's leadership potential?*

A. Because the first step in our strategic implementation process is a think phase, we look really, really strongly at critical thinking skills. In fact, we wrestled with whether thinking or doing is the more important attribute. But which is more important in a water molecule: hydrogen or oxygen? You can't have a water molecule if you don't have both. You can't have leadership unless you have thinking and doing. So, we're trying to put more value on thinking in our culture. We tend to blow by the study phase of a problem to just get things done. We have been looking at people who have the bandwidth, the capability, and the discipline to think—and who aren't paralyzed by analysis and aggressively get things done.

Besides critical thinking, we look at business literacy and social skills—how well you can navigate the networks we talked about. You can be Einstein, but if no one can approach you, you won't be fed and you'll die. Social capability is a hard thing to train. We teach you how to be aware of it, so you can make assessments about it.

Q. *Could you talk a little more about your personal involvement in the development of leaders, once you've identified them.*

A. I hold a series of meetings with my direct reports, usually two at a time. George Wolfe and two industrial psychologists observe. We create a mosaic of each leader's capabilities and analyze his or her skills. We don't want to end up with just one style of leader. The psychologists help us make an impartial assessment.

I spend one or two hours a month teaching the critical thinking model to our leadership team. More than 250 people have been exposed to it. I give them homework. They have to describe a project in the company that failed and show how using the four steps in the model would have helped us. I don't grade them, but I comment on their analyses and write notes.

When I was coming up through the company, I loved when the company committed to my development. There was a sense of "we're investing in you." I want to return that favor. I don't want people having to do these big jobs without the benefit of the security blanket of learning.

Q. *In the 60 years that our magazine has been covering the industry, we have seen the profession go from activity-based behavior to an outcome orientation. There's been a progression from training, to learning, to results. Where do you think things will go in the future?*

A. We've seen the same thing, but we've also studied changes in another aspect of the industry: organizational design. The origins of modern org design go back to post World War II when organizations began to mirror the military. That org model caused a very distinctive sociological pattern. Offices were organized around hierarchy. The bigger your job, the bigger the space you had.

In future corporations, we think that hierarchy will be less of a dominant organizing principle and that networks will be more important. We've spent a lot of time thinking about what that will look like and how we can make it look real and feel real. A big component will be the just-in-time aspect of knowledge and information. How would learning propagate and navigate through those networks? How do we create a learning prosthetic that gives you more security, more esteem, and more insight?

Q. *There's a similarity with the Internet. It's really a network of nodes with connectivity and a common language. Potentially, that's going to happen in learning. Not only will we have to worry about competencies, but there will be so much to know that you won't try to hire someone with the best knowledge but someone who has the ability to acquire that knowledge on demand.*

A. That's exactly the issue. It is 180 degrees from the way we used to think about doing development. It also means you have to change the tool so that on-demand is exaggerated and celebrated.

Another important attribute of access to learning will have to be speed. Remember when you could download stock quotes from Yahoo! and they contained a warning that the information was 20 minutes old? I remember a time when my father got stock prices from yesterday's paper. Now, while you're teaching, people are surfing for fresher perspectives. So, we've been thinking a lot about how to flow information back-and-forth between the desktop and the classroom. Learning will dissipate in value if it's not realtime.

Q. *What about the future of learning in the workplace?*

A. We're doing work on what we call "ubi-environments," based on the notion of ubiquitous computing. It's possible that learning networks may be the future vein through which corporations accentuate strategy and gain advantage. We are very excited by the possibilities ahead. **TD**

James P. Hackett was interviewed by Tony Bingham, president and CEO of ASTD (tbingham@astd.org), and Pat Galagan, ASTD's VP of content (pgalagan@astd.org).