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What is Happening Under the (VW) Bonnet?

The ongoing VW scandal is fascinating the business world. A full understanding of how it was allowed to happen is yet to play out but I'm confident there'll be a lesson, again – management's and the board's failure to understand what is happening in the "engine" of their business.

At this stage, it seems that the CEO and the board had no clue about the defeat devices. But they carry full responsibility. Obviously, if they were an integral part of the whole sordid affair, well then that's another ball game – for this article, I'm assuming they were completely blindsided. VW is an extreme example and seems to be one built on deceit and illegal conduct. Many other less newsworthy examples exist, all with improper conduct at the core, making a mockery of the "values" adorning receptions at many organisations. So, why is it that boards, CEOs and managers allow their companies to get into these situations?

When things are going great, management tend to leave their direct reports alone sales and profits are up, huge backlog of orders, winning many awards, no accident in 30 years, employer of the year, excellent balance sheet, etc. You know what I mean – KPI heaven, the sun shines where it doesn't normally, the company and its people can do no wrong. Manage by exception, don't fix it if it's not broken, are all well-worn clichés. Unfortunately, in too many cases, there is a time bomb ticking away, an insidious diseases taking hold – in the extreme, it could be an illegality of how sales and profits are won, but, normally, it is more a case of legal but damaging actions (or no action) such as a new head of division making wrong calls, a top heavy inefficient overhead, no systems and a toxic culture building rapidly within the organisation. When problems appear, the CEO, the board and management pay attention – micromanagement and corporate governance is the order of the day. But in many instances, it's all too late. Damage is done, the company is on a slippery slide and good people are lost. Good people? Yes, amongst the cheats and bad leaders, there are good decent people who did not want to jump over their immediate manager and be seen as "snitching" – any actions like this will typically be career ending. In a lot of cases, this is true but the irony is that keeping quiet and toeing the line may have a similar outcome. Again, think VW, there will be a lot of innocent employees as collateral damage. They should not be put in that situation in the first instance.

As a manager, how do you avoid this from happening? Obviously trust and integrity in leadership is a given but that alone won't stop a VW moment. It also requires a great team, effective and simple systems with consistent oversight. As a great leader and manager, not only will you have a thorough understanding of your own immediate level of responsibility but you will also be across your direct reports' level of responsibility. You'll be in regular touch with the people that make up those two levels. Some direct reports may see this as undermining or micromanaging. It's not. You need to understand what is happening, the dynamics of the department/division, know the personnel, what is working, what is not and, importantly, all valuable inputs to allow you to provide support and guidance. It also provides a comfortable conduit for any personnel who may wish to have a confidential discussion – for obvious reasons, a very delicate area but if managed correctly, a very effective people management skill.

It'll be very interesting to see how this whole VW scenario plays out. Did they have an effective leadership regime which involved managing across two levels? I reckon not. What do you think?

Joe Napoli, Principal Consultant, NLogic Management Services