

Learning to Lead with Respect

AkzoNobel
October 2016



Agenda

- **Introduction - Steve & Louise**
- **Background**
- **Current situation**
- **Outcome**
 - Exercise
- **Next phase for AkzoNobel**

Steve Warren

ALPS Director

Responsible for:

- Implementation of AkzoNobel's Lean operating system: ALPS within Manufacturing, Planning and Deliver



ALPS = AkzoNobel Leading Performance Systems

Louise Heather

ALPS Change and Communications

Responsible for:

- Managing the approach to deliver the mind-set and behaviours needed to support ALPS and the communications required to ignite, engage and sustain that change.

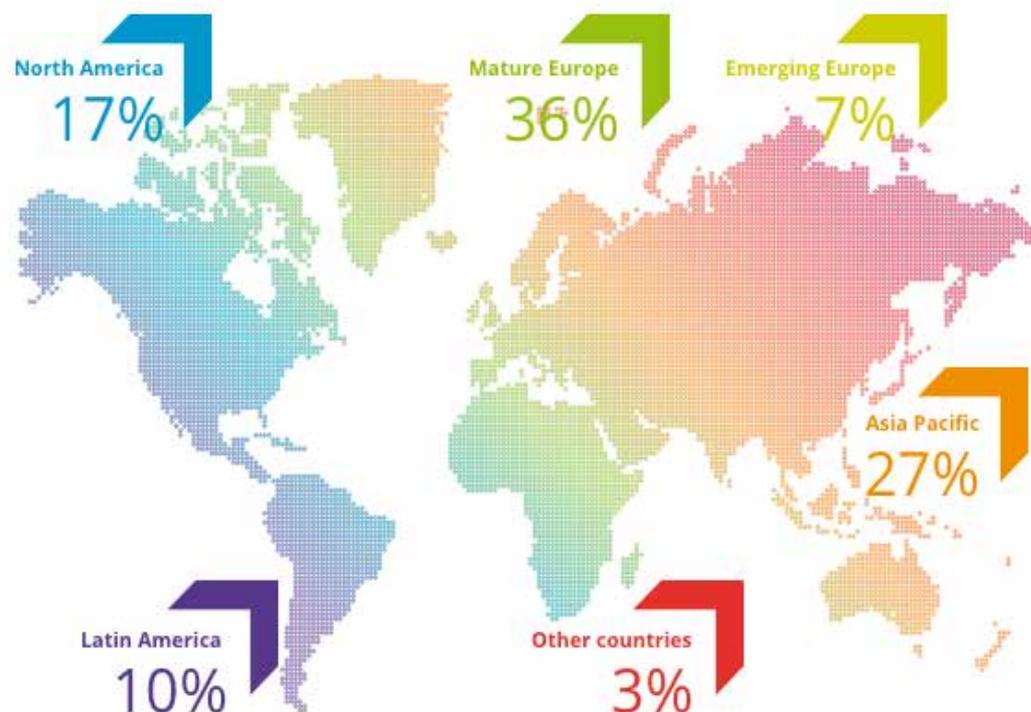


Agenda

- Introduction - Steve & Louise
- **Background**
- Current situation
- Outcome
 - Exercise
- Next phase for AkzoNobel

€14.9 billion revenue
€2.1 billion EBITDA
€1.6 billion operating income
€3.95 earnings per share
80+ countries
45,600 employees

Key regions (by revenue)



WE CREATE
EVERYDAY
ESSENTIALS TO
MAKE PEOPLE'S
LIVES MORE
LIVEABLE AND
INSPIRING

AkzoNobel



↙ Essential ingredients

...on exteriors and preserving city heritage

WE CREATE EVERYDAY ESSENTIALS TO MAKE PEOPLE'S LIVES MORE LIVEABLE AND INSPIRING

↙ Essential protection

...on wooden floors, furniture and fencing

↙ Essential color

...on interior walls and ceilings

Where we were in 2009

- Only a few individuals with knowledge of Lean
- Cash required to support growth in emerging markets
- Low level of operator engagement in improvement
- Visualisation, standardization and problem solving capability variable



Chartek®



Coral

International

Dulux

Interpon
EVERY COLOR IS GREEN

Dissolvine™
master the elements

sikkens

From Leaders to Front Line by 2013

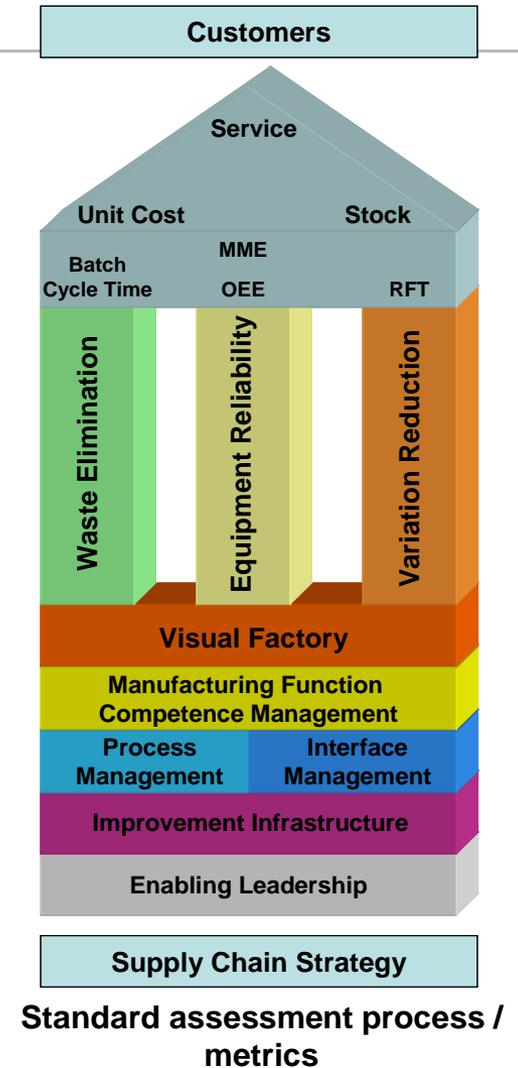
Series of experiments across globe

- A few standard processes to guide teams
- Requirement to have a CI program following Lean principles
- Regions allowed to tailor countermeasure to problems they are facing

- ↑ Service
- ↑ Output / Capacity
- ↓ Stock
- ↓ Cost
- ↑ HSE Performance
- ↓ Environmental Impact

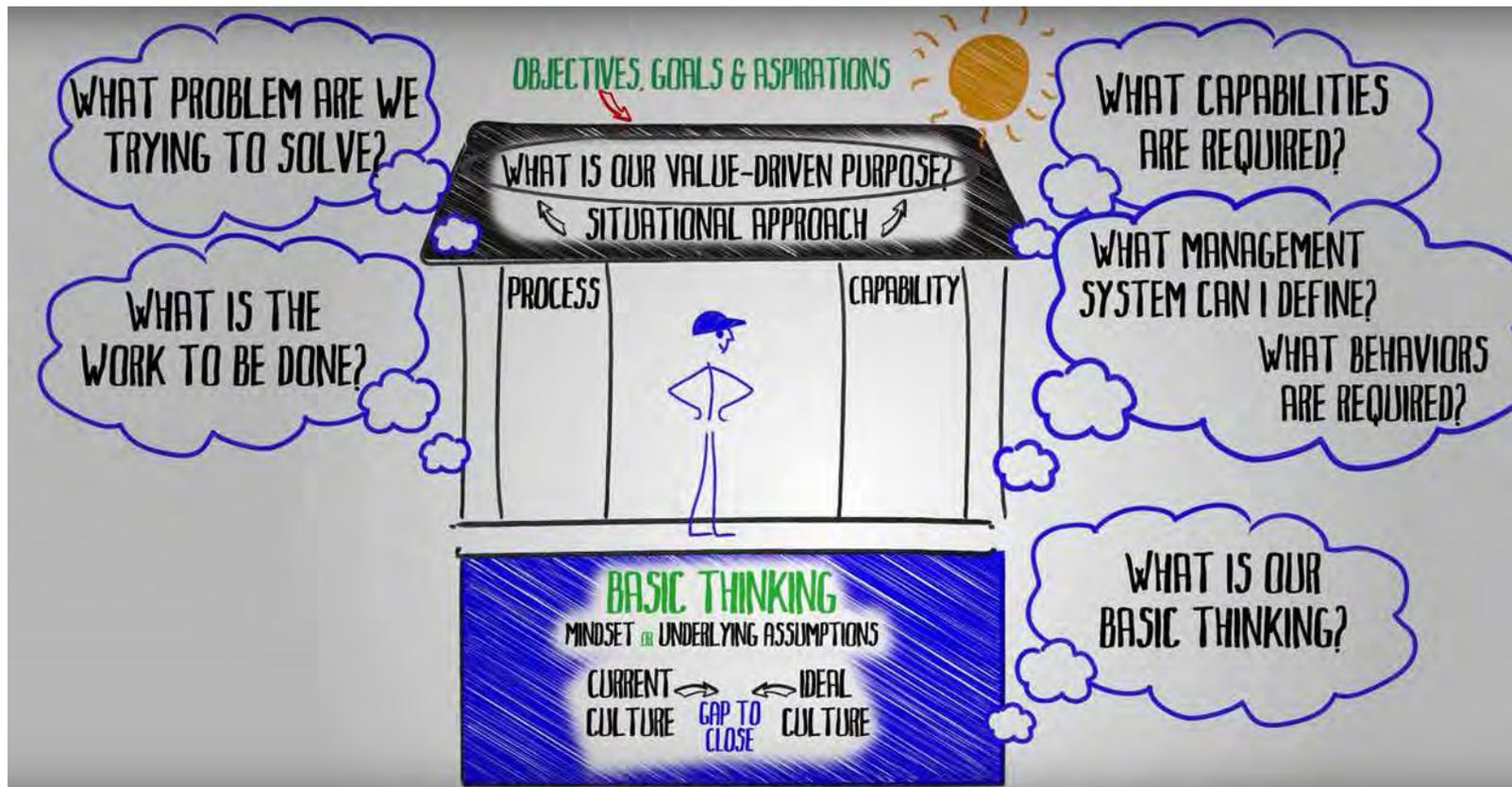


All depend on
RELIABLE
RESPONSIVE
PERFORMANCE



And the approach employed . . .

Focused on only three of the five dimensions



The Impact of missing two dimensions

An unbalanced approach

- **Results driven**
 - Focused on the process, training and deliverables
- **Heavy influence on change tools**
 - Used change tools mechanically
- **Limited focus on Management systems**
 - Poor understanding of how management can support employee uncertainty during the change phases

How wrong could it go?

Despite initial planning with Change specialists



- Senior stakeholders were told to support the project



- Determining the degree of change: Was a tick box exercise



- Communications were too complex and technical and did not address needs of system users

Resulting in a protracted change curve lasting 2-3 years

- **Not addressing poor system speed resulted in engagement issues, which almost derailed the whole implementation**
- **We pushed through with the implementation and eventually resolved the technical issues**
- **System benefits were not realised until almost 3 years after implementation**



Agenda

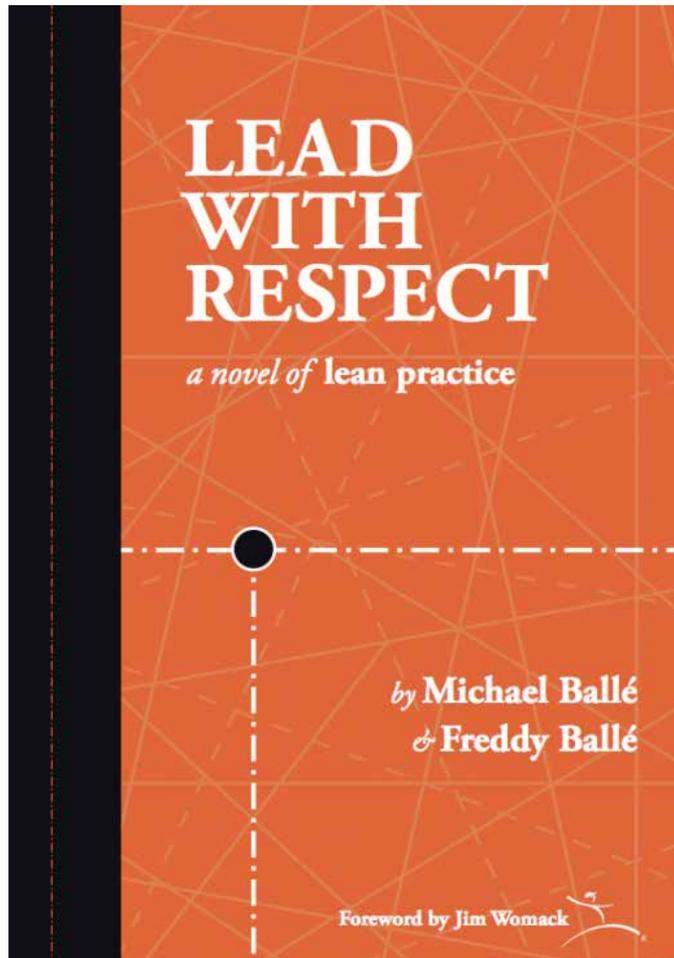
- Introduction - Steve & Louise
- Background
- **Current situation**
- Outcome
 - Exercise
- Next phase for AkzoNobel

A different approach

What are we now doing?

- **Behaviour and Mind-set focus upfront**
 - Educating leaders on change approach before deployment
 - Allowing time for change planning
 - Review of change approach at implementation gates
- **“Lead with Respect” as stimulus for mind-set and behavioural change**
 - Improving the understanding of how management can support employee uncertainty during the change phases

Lead with Respect



“The problem is you”

is the honest response of a senior manager when a supplier’s CEO asks more time to solve a quality issue. He continues:

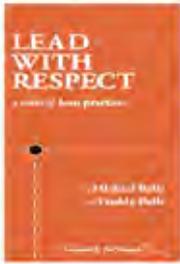
“I don’t mean you as in the company. I mean *you* personally. You’re the senior manager here”

The story that picks up is of the senior manager coaching the CEO on a management model comprised of seven practices.

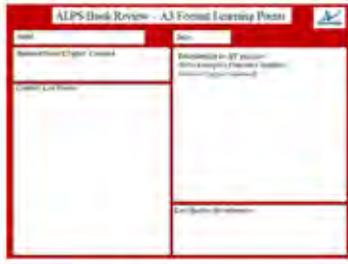
Introduce the Lead with Respect principles Its not about the book, but practical application

AkzoNobel

Lead with Respect



➔



ALPS-Book Review - A3 Format Learning Paper

Author: [] Title: []

Summary/Key Points: []

Key Learnings: []

Application/Reflection: []

- *I'm the problem and so are my management team.*
- *Employees rarely are the problem:-*
- *They just want to get on with doing their job well.*
- *And yet we invent so many hurdles for them to overcome*
- *How can they possibly succeed?*

- **Pre work**
 - All workshop attendees read chapters 1-3 of “Lead with respect”
- **Learnings**
 - Captured in an A3
- **Discussion:**
 - How to apply in the real world
 - “what will you do differently?”

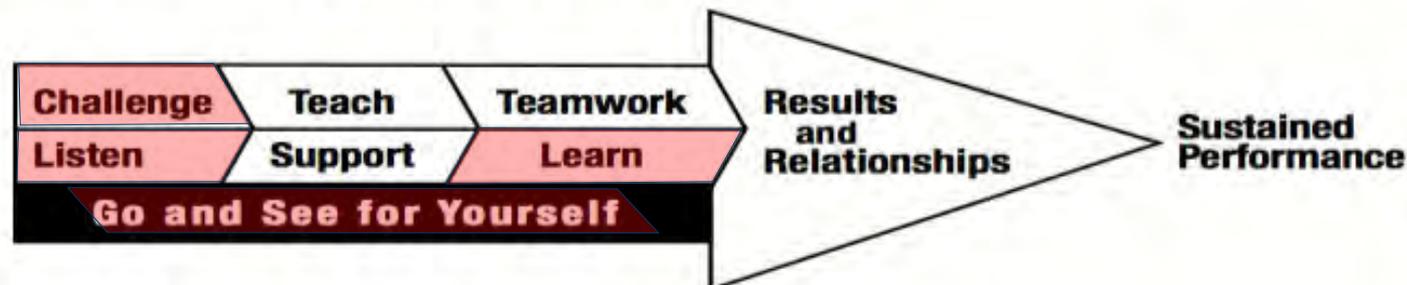
Lead from the Ground Up



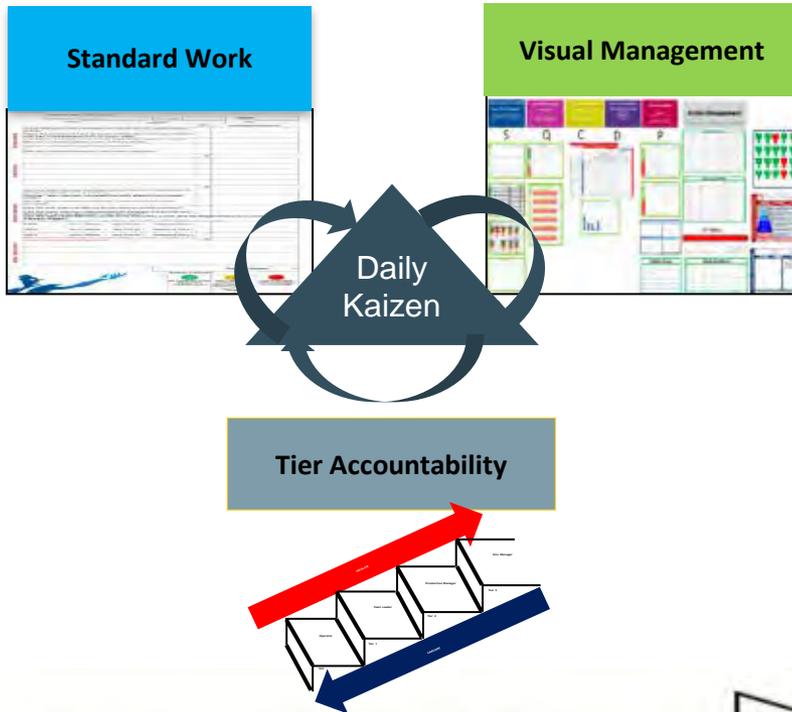
Leaders go and see to experience the facts first hand

Listening, learning and challenging to understand and identify improvement opportunities

Seven Practices of Lead with Respect

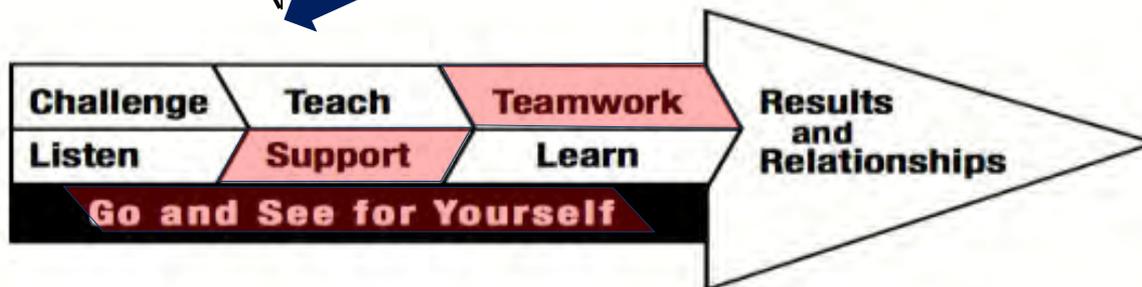


Align Success with Value



Daily performance management meeting at Gemba setting the days expectation

Action management process to address issues

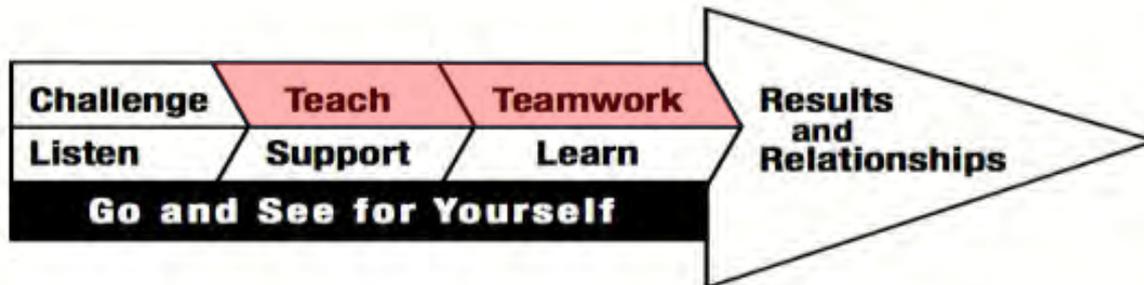
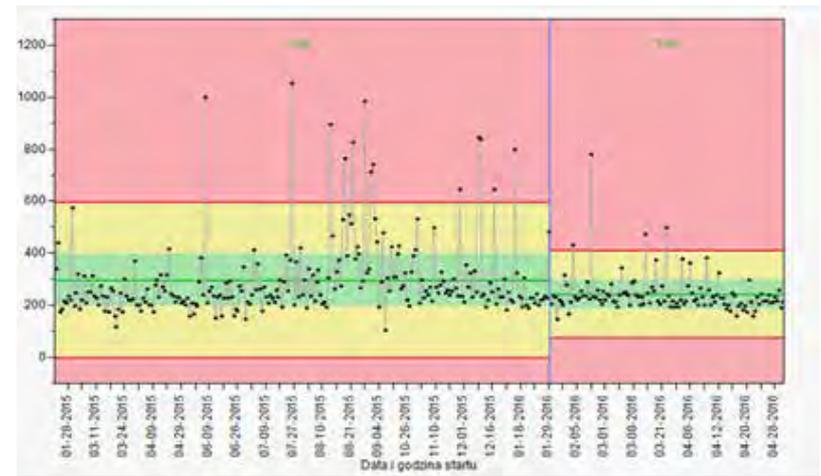


Manage by Problem Solving



Operators involved and taking ownership for problem solving

Reducing variation and driving improvement

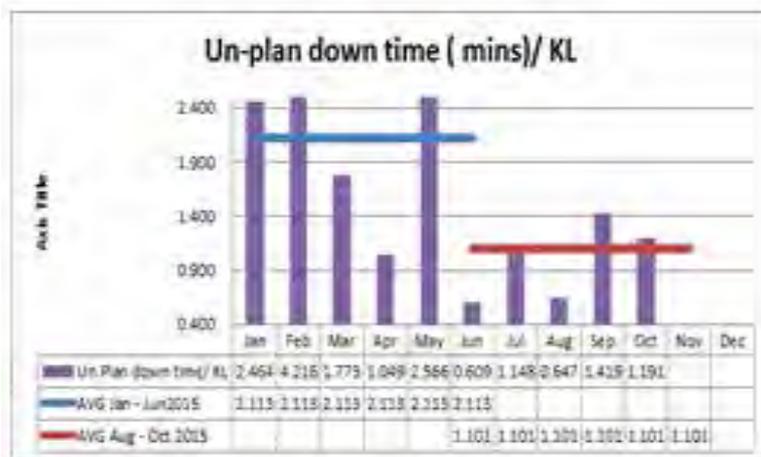


Agenda

- Introduction - Steve & Louise
- Background
- Current situation
- Outcome
 - Exercise
- Next phase for AkzoNobel

The Outcome: Delivering Productivity improvements

Mean Unplanned down time	Minutes per 1000L
Jan to June 2015	2.1
Aug to Oct 2015	1.1
Improvement	48%



The Outcome:

Improving inventory and service



What we've achieved so far

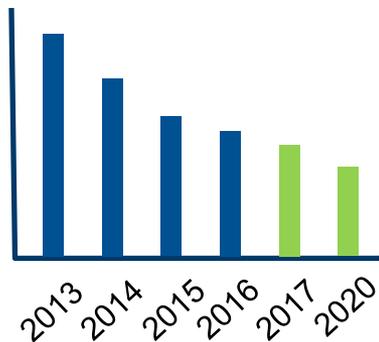
How we have progressed in the last 2 years



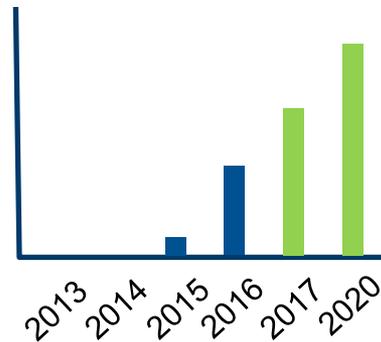
Achievements

- ↴ 65% Leadership teams trained in Change basics
- ↴ Engagement and productivity increasing in these sites
- ↴ Increase in process ownership and results where capability development is supported by behavioral change

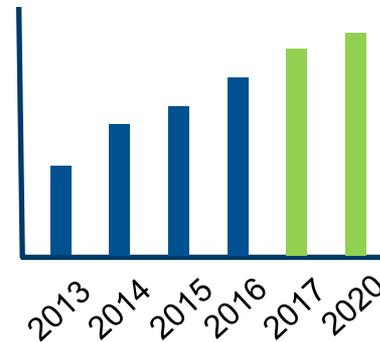
Safety



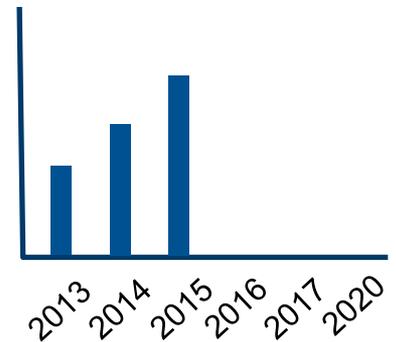
Productivity



Service



Engagement



Agenda

- Introduction - Steve & Louise
- Background
- Current situation
- Outcome
- Exercise
- Next phase for AkzoNobel

The seven practices of “Lead with Respect”

In your table groups

1. Discuss each of the seven practices (highlighted)
2. Agree the meaning of each practise

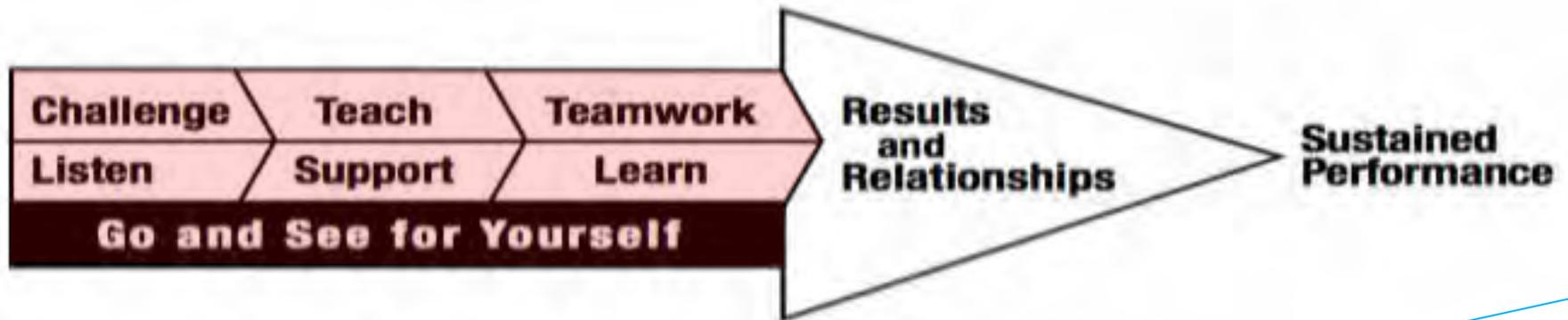


Table groups: 20 minutes
Plenary : 20 minutes

Agenda

- Introduction - Steve & Louise
- Background
- Current situation
- Outcomes
 - Exercise
- **Next phase for AkzoNobel**

The next phase for AkzoNobel

Refocusing on Mind-set and Behaviour

Performance and behaviour is changing, but not as fast as we want.

We therefore need to:

- Define a clear vision of the Culture to deliver Leading performance
- Provide clarity on the expected behaviours from all levels
- Ensure a Process to reflect / Hold a mirror up for improved assessment
- Develop support for ongoing, on the job learning