

HONDA

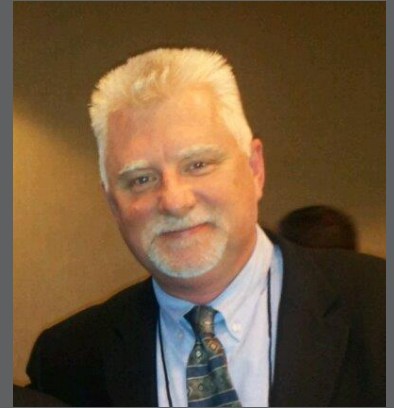
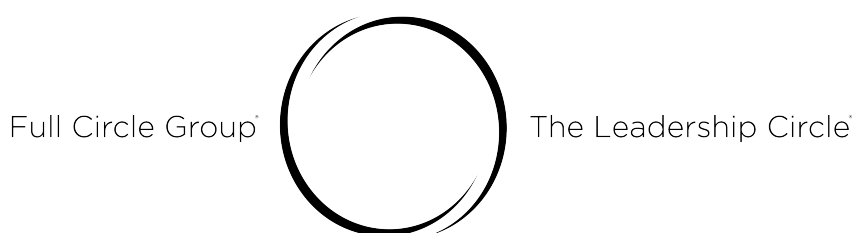
The Power of Dreams

Full Circle Group Case Study: The Leadership Challenge at Honda

November 2014

AN INTERVIEW WITH MIKE JETT OF HONDA PRECISION PARTS OF GEORGIA

In spring 2006 production began at the new Honda Precision Parts of Georgia (HPPG), a 250,000-square-foot transmission manufacturing facility in Tallapoosa, Georgia. The \$100 million facility supports production of Honda vehicles. With production underway, it became clear that as Honda increased its investment in its North American operations, there was a parallel need for significant investment in its North American leadership. The case study that follows describes one leader's ongoing journey in this process.



MIKE JETT

Vice President / Plant Manager
Honda Precision Parts of Georgia
(HPPG)

Responsibilities

- Manufacturing of Automatic Transmissions for Honda Vehicles
- Assembly and Test
- Manufacturing Engineering
- Product Quality

LEADERSHIP TEAM IMPACT

- **PRODUCTIVITY** has increased about 8 percent
- **SAFETY** – the incidence of injury rate has dropped 9 to 6 to 0.5, the lowest in the company
- **QUALITY**, specifically the customer complaint measure - setting company and industry records, going from 90 to 19
- **EMPLOYEE RETENTION** – 2+ years ago, in 2012, attrition was close to 17 percent, meaning we were losing 17 percent of our manpower annually. Now we are hovering around 6 percent and moving toward our goal of 3 percent

THE LEADERSHIP CHALLENGE AT HONDA

Bob Anderson, co-founder of Full Circle Group, shares his insights about the challenge faced by Honda when it transferred leadership of several major brands to its operations in North America.

As business leaders most of us are at a level of complexity where we are *in over our heads*. And if we're not evolving at the pace of escalating complexity, we're becoming irrelevant. That's the adaptive pressure that's on us right now. There's an adaptive pressure in the complexity and the pace of change that's saying, *be creative or die*. If we don't evolve our ways of being and of leading individually and collectively, we're handicapped in terms of competing in business. At some level, when teams understand this fact of business life, they say, "Okay, we're in. We have to do this."

The best companies see that leadership is a strategic imperative; and we need to treat it that way. It's the central organizing system. It defines the future, sets the culture, and creates the strategy. If it's not functioning effectively, we're not effective as an organization, and business performance suffers. It's an exciting time because right at the center of it is consciousness. We're starting to connect *consciousness* and *awareness* with *business performance* in a way that has never done before—and leaders get the argument.

For example, take Honda. Traditionally Honda had most, if not all, of the leadership and decision-making come out of Japan. They realized they can't do that anymore. They have to grow an internal, international leadership team. So in the U.S., a major business market, they're transferring leadership for a lot of the major brands to North America—and these folks have never been asked to lead before, only to follow.

So, Honda North America faces a huge *leadership challenge*, and Honda Japan gets that the organization must make this transition or it can't thrive as it has in the past. Honda's share of market has gone down in recent years. So they're in recovery now, and it's exciting to be in the middle of it. The effectiveness of Honda's leadership is at the center of it, and they get it. The folks here in North America say, "This has to work because we don't have any choice."



ONE LEADER'S PERSPECTIVE

Mike Jett of Honda Precision Parts of Georgia shared his experience of being on the leadership development journey at Honda.

Mike Jett has been the VP/Plant Manager for HPPG since 2009. His responsibilities include manufacturing of automatic transmissions for Honda vehicles, assembly and test, manufacturing engineering, and product quality. HPPG is a high volume facility consisting of about 650 associates. Mike provides daily management for materials management, process engineering, quality systems, purchasing, human resources, finance, and information technology. He provides direct management for the achievement of Safety, Quality, and Production targets. He is responsible for Associate Recruitment, Hiring, Development, Growth, and Retention. Mike has worked for 31 years in manufacturing management, specializing in strategic planning and manufacturing characteristic improvement and division manager of corporate planning and senior manager for Honda of America Mfg., Inc.

What is your vision at Honda?

We see *The Power of Dreams* as a way of thinking that guides us and inspires us to move forward. The strength of our company comes from this philosophy—based on the visionary principles of our founder, Soichiro Honda. In fact, Honda is a company built on dreams. In October 1946, Soichiro Honda established the Honda Technical Research Institute in Hamamatsu, Japan, to develop and produce small 2-cycle motorbike engines. Two years later, Honda Motor Company, Ltd., was born and in 1959 Honda opened its first storefront in Los Angeles with six industrious employees with big dreams to expand operations in America. These dreams inspire us to create innovative products that enhance human mobility and benefit society.

What is Honda's commitment to economic growth in North America?

Our success in the global marketplace is the result of our continued investment in America's future. We challenge ourselves to create new products and services that bring value to our customers and society. As the first Japanese automaker to build motor vehicles in the United States, Honda is proud to invest in America—its economy and its people. Honda's contributions to the processes of manufacturing and design have helped to improve the NA automotive industry, as well as others.

We opened our first U.S. plant in 1979 and have evolved into a company that directly employs nearly 25,000 Americans. More than 100,000 workers are employed at authorized Honda automobile, motorcycle and power-equipment dealerships in North America. Tens of thousands of additional Americans are employed by more than nearly 600 U.S. suppliers from which Honda purchases parts and materials. Honda is proud to provide jobs that help better the North American economy.



Following an operational strategy of building products close to our customers, Honda has invested \$2 billion into its U.S. manufacturing plants since 2011, bringing Honda's total U.S. capital investment to \$15.3 billion. About 94% of Honda and Acura vehicles sold in the U.S. in 2013 were manufactured in North America, the highest percentage of any international automaker.

WORKING WITH FULL CIRCLE GROUP

When and how did you start working Full Circle Group?

I started working with FCG in May 2012. It's a journey that never ends. I used to think that I was a good leader, until I began the journey. FCG and the Leadership Circle Profile (LCP) helped me see my strengths and weaknesses. Once I realized where I was, I set goals to get where I wanted to go and identify what characteristics I needed to develop.

In May 2012 I participated in a week-long Honda Leadership Summit (HLS), and the FCG Leadership Circle Profile was the primary feedback link with instructors. We had several follow-up sessions. Since that time, we have aggressively applied what we learned to our operations here. We have also had three other senior managers on my team go through the training.

And what was their experience?

The experience was very positive, both in terms of what we learned and how we applied what we learned, and the results achieved. If you looked at my leadership team before the HLS training, working the FCG, getting feedback, and working through modules, you would see that our management approach was very regimented. Now if you asked my team what is most important, you would find that it's serving the people we work with—developing and maintaining relationships of trust with them. Our relationships now are so much deeper than before.

What has been the impact on the business?

I can't say that all HPPG improvement results are directly attributable to the FCG/HLS experience, but I can say that we could not have achieved such positive results so quickly without the experience. I can tell you that the FCG leadership approach leads to exponential gains, not just incremental gains. In fact, in every category of our business, we've seen similar gains over the past two years. Here are just *four indicators*:



First, our **productivity** has increased about 8 percent. Our ability to exceed production expectations is measured on operating efficiency (assembly run rate). We were averaging about 88 percent; now we average 96 percent.

Second, in the area of **safety**, the incidence of injury rate has dropped 9 to 6 to 0.5, the lowest in the company.

Third, in the area of **quality**, specifically the customer complaint measure, in terms of what we deliver to the other Honda plants, we are setting company and industry records, going from 90 to 19.

And in the area of **employee retention**, the retention of our engineering workforce, we have seen the biggest improvement. Two or three years ago, the leadership team was not doing a very good job of communicating and developing relationships with our younger engineers. Attrition was close to 17 percent, meaning we were losing 17 percent of our manpower annually. Now we are hovering around 6 percent and moving toward our goal of 3 percent. So, we have made incredible gains in the retention area, and those gains impact every area of the operation.

What changes are you and your leadership team now making?

We are now trying to accelerate culture change—from a reactive to a creative style—from a focus on problems/threats and fear/reactions, to a focus on purpose/vision and passion/action. FCG helped us start the journey (it never ends) by first identifying three prevailing reactive leadership characteristics: 1) *Controlling*: defined as leadership by personal achievement (autocratic); 2) *Protecting*: defined as protecting self by withdrawal, distance, superiority (ambitious/arrogant); and 3) *Complying*: defined as achieving self-worth and security by complying with expectations of others (pleasing). They helped us see that by applying what we learned to increase our skills and capabilities, we also increase our contributions and fulfillment, with less waste of energy and resources.

How are you developing your leadership at HPPG?

FCG has helped us develop creative leadership competencies—to become fully integrated, to grow from reactive to creative leaders—in five areas: 1) *Relating*: defined as a leader's ability to relate to others and contribute to their success; 2) *Self-awareness*: defined as leadership development through the expression of high integrity leadership; 3) *Authenticity*: defined as leader relationships through genuine, authentic, and courageous relating; 4) *Systems awareness*: defined as how well the leader recognizes the whole environmental system, productivity, and community welfare; and 5) *Achieving*: defined as the extent to which a leader offers visionary, authentic, high achievement leadership.

Why are you making these changes?



We now know that the way we used to respond to problems was wrong. When we were trapped in the vicious cycle of Problem-Reacting (Problem/threat to Fear to Reactions) our typical response to threats and fears was emotional and occasionally hostile. Emotions ran high, and the end result was much frustration.

To create the culture we want to establish, we had to transcend the reactive styles and practice outcome creating: vision/purpose to passion to actions. Our focus now is on building relationships, and helping others to realize that we are all one team and we can rely on each other when times are challenging.

What do you see as your next steps?

I have identified three next steps: 1) Expand what we learn as individuals and strengthen how we interact with others, and do so with increased empathy; 2) Increase fulfillment of “The Three Joys” (the joy of producing, the joy of selling, and the joy of buying) from product creation through lifetime owner loyalty through end of life; and 3) Integrate the Honda philosophy and much more to strengthen leadership across North America and achieve our Ideal Image.

What has been the impact on your management/leadership team?

Again, I can’t say that all positive results are related to FCG/HLS, but I can say that due to what we have learned and applied, I can sense a positive culture change, especially in the management team relationships—they are much deeper than they have ever been. Our division managers now understand that it’s not about *you being the boss—it’s about them, about their growth and development*. You can lead more effectively by understanding and serving others. Now our associates see that the leadership team is not about top-down control, but about a servant-leadership approach—about caring for them, their learning, growth, and development.

How has the FCG Leadership Circle Profile experience changed you personally?

While I can’t attribute any single result wholly and specifically to this training, I can say that the positive changes in me, and in our culture and business performance, come as a result of everything that FCG brought to the table—their holistic (whole systems) approach to change, the entire package. In the beginning, at least for me, the FCG/HLS experience was really about learning more about myself as a manager and leader, receiving the LCP feedback, and understanding that if I wanted to see change in our team and company, I needed to change first. I was then motivated to get more of my leadership team through that FCG process so they would understand how I was trying to change and why we needed to change as a team.



Do you feel that you now have a critical mass of people who have experienced the FCG process so that the positive changes can be sustained?

We are close to having that critical mass. So far, four of us have experienced the process, and three more members of my leadership team are slated to go through it. Having four of us has definitely led to deeper discussions on core issues, and we act differently on those issues (not just react to them). We are now trying to cascade it down to the rest of the organization. So we have been developing modules for discussion. In our monthly leadership meetings, I take one module topic and turn it into a 30-minute discussion—on *being vulnerable* or on *being extraordinary*, for example—because I don't want to lose the momentum we have established over the last two years.

How has the FCG Leadership Circle Profile helped you grow as a leader?

Before receiving the results of my first profile, I was very confident, even cocky, in my management capabilities. When I received my LCP results, I think I cried for a week. I can laugh about it now because my second one was 100 percent better (the second one was what I wanted the first one to be). I didn't realize how bad I was as a manager until I got the results of my first LCP. But I learned from it. In fact, I kept my first LCP on my desk for well over a year. I would come in early every morning, and I would look at it. That helped drive the things I wanted to change because I didn't want to be the person that the LCP said I was.

What is it about the LCP that drives such meaningful change?

The LCP is very descriptive of the characteristics you now have and very prescriptive of what you should aspire to be. It first gives you a comprehensive understanding of where you are. And then based on the feedback from your leaders and subordinates, it shows you modules for change.

When I shared the material with my team and showed them my LCP results, they were able to give me examples of my behavior. Even though this hit home hard, those discussions were extremely positive. It led to many courageous discussions. So I took that feedback and put together a plan for how I would change. For example, I'm a very controlling person—it is hard for me to let go. I've really had to force myself to let go. And what I've seen is that the more I let go, the more responsibility and accountability the division managers below me take. So when there is a crisis situation, instead of jumping in and taking control as the leader, I am letting my leadership team do that. That was really hard for me to do in the beginning. But I see them take more responsibility and accountability on themselves to lead in those situations. So it has made a big difference in me personally and in my leadership team. And you can see the difference in our business, in the quality of our products and the productivity of the plant—all our business characteristics have improved significantly. We can continue to improve—that is a core philosophy of Honda. But Deloitte came in here recently with the idea they could help us improve, and after seeing the performance measures, they said, "We can't help you."



How has it been to work with Full Circle Group?

I can't say enough good things about FCG, about Bill Adams and Bob Anderson and the team. They are very encouraging, very inspirational. I told Bill. "I've worked at Honda for 31 years—25 years in some management position. I just wish that I had received this training 25 years ago." They are outstanding to work with. I've learned a lot. They are very good at explaining the what, how, and why of change.

