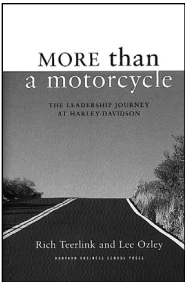




REVVING UP A NEW MODEL OF CHANGE LEADERSHIP

BY LAUREN KELLER JOHNSON



More Than a Motorcycle: The Leadership Journey at Harley-Davidson
by Rich Teerlink and Lee Ozley

What explains a large company's success in launching—and sustaining—profound change? Certainly luck and timing might play a part, as can dramatic, visible shifts in the company's ownership structure. Yet there's a third force that can be just as powerful: the accumulation of seemingly small, behind-the-scenes changes slowly wrought by hundreds of individuals.

Agents of these sorts of changes are just as much leaders as top-level executives are. It is this kind of leadership, and this kind of change, that Rich Teerlink and Lee Ozley emphasize in their new book *More Than a Motorcycle: The Leadership Journey at Harley-Davidson* (Harvard Business School Press, 2000).

Why the Harley Story?

Harley-Davidson Motor Company's story is well known in the business press and in business-school curricula. So why create another book on the subject? For one thing, *More Than a Motorcycle* brings the Harley story up to date, filling in the more recent chapters in the company's change journey that earlier accounts couldn't include. The majority of interested observers know about Harley-Davidson's near-extinction in the early 1980s. At that time, its owner, American Machine and Foundry (AMF), sought to sell off the strug-

gling division because it couldn't seem to handle challenges from Japan, ensure the production quality of its motorcycles, and address other external and internal issues.

But there were no interested buyers, so 13 Harley managers stepped forward and bought the division from AMF. Harvard Business School's oft-used case study focused on how, after the buy-out, Harley's highest executives acted swiftly to engineer the newly independent company's striking recovery from that time of crisis. The turnaround culmi-

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nated in a surprisingly successful public offering in 1986.

More Than a Motorcycle briefly revisits this history but then moves on to explore the challenge the company has faced over the past 15 years: sustaining its recovery.

As the 1980s wore on, Harley continued to struggle with quality issues and with passivity throughout its work force. Some senior executives worried that the top-down leadership model that had served Harley so well during its darkest days might actually have set new problems in motion now that the crisis period had eased. As the authors write, "[T]raditional 'command-and-control' hierarchies . . . can move quickly in a crisis. When

Harley was in crisis in the early 1980s, it benefited from just this kind of . . . leadership style. *But what happens when the crisis goes away?*" (italics added). The company ultimately realized that, in order to sustain the transformation that its brush with collapse had prompted, it had to abandon the very leadership strategy that had saved it.

A Five-Step Model for Change

In the late 1980s, Teerlink, then president and COO of Harley-Davidson, began working with fellow executives and with external management consultant Ozley to design a new leadership model to replace the top-down one that Harley and so many other companies had relied on for so long. They didn't know what form such a different model might take, but they knew they wanted it to achieve several things:

- Encourage every employee to participate in shaping the company's future. (As Ozley pointed out, Harley employees were strong leaders and creative thinkers outside the company—in their neighborhoods, parent-school relationships, and faith-based organizations. But years of heavy-handed management control had made them passive. The challenge facing Harley was to revive these atrophied leadership skills *in the workplace*.)
- Foster a culture of commitment as opposed to compliance.
- Sustain the flow of energy and ideas from the Harley work force even during neutral times, thus avoiding the addiction to crisis management that plagues many companies.

Ozley presented Harley's executive team with a five-step change model that would reshape the company's leadership approach over the next 15 years:

1. Invite everyone to describe their vision for the company—specifically, what they hope to see the company achieve. Then look for common themes in the responses. (Ozley predicted that Harley’s executives would find a surprising number of similarities among the hopes of managers, union members, and other employees—if they looked for them.)
2. Now ask employees to describe where they think the company currently is, in relation to its vision.
3. Clarify a “strategic thrust for change” that will move the company closer to its desired future, and outline a series of supporting action plans.
4. Examine and, if necessary, modify existing policies, procedures, and systems with two ends in mind: to reflect the values, principles, and philosophies inherent in the envisioned future, and to support the specific changes that the firm will need to achieve its desired future state.
5. Encourage people to look backward as well as forward; that is, to acknowledge real progress already made.

Ozley explained that, throughout all these steps, it’s essential to stay focused on vision as opposed to process. All too often, strategy-making degenerates into quibbling over *how* the company should do things rather than *what* it’s trying to achieve.

“The Mathematics of Change”

Next Ozley proposed the basic framework of Harley’s new leadership model: the equation

$$\text{Change} = (E \times M \times P) > \text{Resistance.}$$

When **E**ngagement, a powerful **M**odel of the desired future, and supporting **P**rocesses come together and prove greater than people’s natural resistance to change, a change initiative shifts into high gear. But what do these three terms really mean?

Engagement happens when employees throughout an organization see the world in similar ways and agree that the status quo isn’t in their best interest. They thus see the need to do things differently. A *model* is generated when employees participate in defining a “vision of the ideal

future.” Once clarified, the model provides everyone with a compelling goal, and reinforces engagement. *Process* refers to the many systems, procedures, and programs that need to come into alignment in order to jump-start progress toward the vision.

This equation helped Harley see change leadership through new eyes. How? The formula accounted for the realities that people don’t like *being changed*, that change *can* be self-motivated, and that authority over the change process belongs in the hands of those who will be most affected by a proposed shift.

Models in Action

Making the commitment to revamp management structures requires a degree of foresight and courage that is rarely found in organizations. The pull to keep doing whatever has worked in the past—even if it’s clearly no longer appropriate—is especially seductive. Harley persisted through this process by implementing an innovative series of communication forums—including surveys and focus groups, and its well-known “Town Hall” meetings—in which everyone could express their concerns and ideas about the change process. Throughout, the company encouraged creative thinking and problem-solving from workers in every level of the organization—thereby crafting the companywide, multilevel leadership skills that it knew it needed to move forward.

In describing the powerful new leadership model that Harley-Davidson has been using, the authors offer practical suggestions for implementing change. These recommendations focus on crucial tasks such as strengthening employee alignment with a company’s overall strategy, creating structures that support implementation of that strategy, and designing effective reward programs. Teerlink and Ozley also

highlight lessons about values, trust, and community. Finally, they deliver three fundamental messages:

- People constitute any company’s only sustainable competitive advantage.
- True, enduring change takes time—and lots of it.

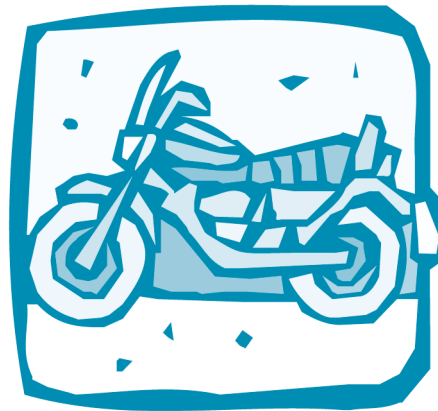
- Leadership is not a person—it’s a process to which everyone must contribute.

The authors realize that each organization must create its own strategy for change. However, they believe that Harley’s example offers some important insights that, when

adapted to an organization’s unique situation, can help provide a road map for strategic transformation.

In Harley’s case, the organization has experienced remarkable successes since putting its new leadership model into action. And, as with any large-scale effort, it has also suffered a few false starts. Moreover, the very nature of certain change programs makes it difficult to quantify their results. But other kinds of statistics speak to Harley’s commitment to change. For one thing, the company now possesses almost 50 percent of the American motorcycle market, up from only 15 percent in 1982. And in 1999, it shipped virtually 200,000 cycles, compared with 32,000 in the early 1980s. The road has been bumpy at times, but for now at least, Harley is cruising in high gear. ■

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