

Anatomy of a Leader

By Gerald A. Kraines, M.D.

In October 2006, **Canadian Business** magazine chose Denis Turcotte as its “CEO of the year” for taking Algoma Steel from its second bankruptcy to become one of the most profitable steel companies in North America.

In this white paper, I explain Turcotte’s success in terms of his understanding and exercise of three dimensions of leadership:

- Personal leadership,
- Accountability leadership, and
- Strategic organizational leadership.

I can do this because of my firsthand experience with Turcotte and the three companies he has managed since he led a group of employees that partnered with Tembec (a global forest products company based in Témiscaming, Quebec) to purchase the Spruce Falls Paper Company from Kimberly-Clark and the New York Times Company in 1991. In providing executive counsel, organizational consultation, and leadership training to him and his managers and employees over this period, my staff at the Levinson Institute and I have learned as much about leadership as we have taught.

Personal Leadership

Denis Turcotte has several distinctive personal attributes and characteristics that help to explain his successful career. He is extremely bright and intellectually curious. He possesses a clear moral compass, yet he is intensely competitive. He is analytical and committed to operating from first principles and logic, but he is not afraid to make far-reaching decisions based on the information at hand.

Most importantly, Turcotte values what they call in the U.K. “man management.” He genuinely believes that, as capable as he is personally, his organization’s capability depends on fully leveraging the potential of **all** his employees working effectively together. And Turcotte enjoys challenging his employees, engaging them around ambitious goals, holding them to high standards, and rejoicing in their successes. He demands a lot, but he gives a lot.

Part of Turcotte’s strength is his willingness to ask any type of question without worrying about it revealing his lack of knowledge. He has enormous confidence in being able to figure out solutions to complex problems. So, when his executives and managers would tell him how things worked, he would ask them why. When they could not defend their explanations with data and principles, he challenged them to look at things differently. When they would assert that “this is the way it has always been done,” invariably he

would probe until he got to the underlying principles. In this way, he simultaneously earned their respect and forced them to think.

Accountability Leadership

When Algoma Steel came out of its first bankruptcy, the board made a number of agreements with the union leadership in order to extract financial and other concessions to restore the company to profitability. The two most important were the unionization of all specialists and first-line managers, and the involvement of union members in nearly all managerial decisions. These decisions amounted to veto authority over managerial business and employee-selection choices.

The net effect of these concessions was decreased management authority and accountability, and a culture of consensus and entitlement. Managers who expected clarity and accountability were shunned; they were considered abrasive, non-team players.

Turcotte bluntly and directly addressed the status quo when he began his tenure as president and CEO of Algoma in September 2002. “Algoma exists to deliver top value to the shareholder,” Turcotte asserted. “The company will survive, endure, and prosper only if we deliver value that exceeds what they could get elsewhere.” He stated that as CEO, he was accountable for making that happen and he could achieve that only by holding each of his subordinate executives accountable for delivering their part.

Furthermore, Turcotte made it clear that employment was a privilege, not an entitlement. All employees would be expected to “keep their word” and “earn their keep.” Functioning accountably was no longer optional for anyone who wanted to continue to work at Algoma.

Strategic Organizational Leadership

Turcotte was drawn to the principles of Strategic Organization when he first began working with The Levinson Institute in the 1990s. The leadership practices not only resonated with his own experience, but they provided a framework and language for teaching and aligning the entire organization with his approach. Additionally, Turcotte saw the power of being able to rationally align organization with strategy, using the lenses of levels of complexity, functional alignment, three-level-unit processes, and system stewardship. He also realized that a software-enabled system of talent-pool assessment and development, tied to compensation, was the most reliable way to establish and implement consistent, high standards for effectiveness.

Algoma’s existing strategy was to sell as many tonnes (metric tons) of steel as possible, usually at the lowest price, in order to fully load its production capacity. Turcotte reasoned that in a cyclical commodities market, this strategy was a recipe for bankruptcy.

While it was important to load the fixed-cost production engine as fully as possible, he believed that a value-oriented sales approach could be consistent with a more intelligent production loading-and-planning process. To reconcile and optimize these two needs, accountability for production loading needed to be aligned with sales, not manufacturing. Similarly, the accountability for production planning needed to be aligned with steel finishing, not steel making. This necessitated major functional and process realignment at Algoma.

To create a value-oriented sales strategy, Turcotte needed to create metallurgically unique products and services. This required creating a product development capability, which had been eliminated years earlier during the period of financial cutbacks. This, too, required implementing significant organizational functional and process realignment.

In evaluating the manufacturing organization, Turcotte identified seven or eight levels in a function that required only five levels. He also calculated that a competitive ROI for shareholders required a total payroll consistent with 25% fewer employees. He next engaged a knowledgeable industrial engineering group to evaluate process efficiency and identify where roles could be eliminated without reducing productivity—and perhaps even improving it.

The most dramatic change in culture and productivity resulted from Turcotte’s immediate implementation of a rigorous process for assessing employee effectiveness and potential. Because of his long experience with The Levinson Institute’s talent-pool process, he understood that the systematic assessment of employee effectiveness was the best way to simultaneously communicate and calibrate high standards and implement meaningful accountability for people to “earn their keep.”

Lessons Learned from Denis Turcotte

No one can deny that Denis Turcotte is an exceptional leader. He understands the value of leadership and organizational consultation. Turcotte has applied the principles and practices—first developed by Elliott Jaques and now adapted and refined by The Levinson Institute—with enormous success in three different companies. He was recently quoted as saying that “Levinson consulting was fundamental to getting the right structure, integrating our efforts, and driving home accountability. Within 36 months out of bankruptcy we drove \$152 million in annualized improvements, and over \$1 billion of equity value.”

However, Turcotte’s success does not stem from the intellectual prowess of his consultants. Rather, it derives from his own personal leadership, accountability leadership, and strategic organizational leadership. Not only does this story prove that one person can make a difference, but it proves that leadership itself can make a difference. Sound, moral, enlightened, and confident leaders can leverage the full potential of **any** work organization.

What then are the six characteristics of strategic leaders? Here are six that I have found correlate strongly with the kinds of values practiced by Denis Turcotte.

1. Strategic leaders value managing and leading people; in other words, they value getting work done through others. If they are in it just for the power, prestige, or strategy, they will not create long-term value, because the sustained, effective implementation of strategy must involve every employee. Senior managers cannot lead mechanistically with carrots and sticks and expect to be successful.
2. Strategic leaders are intellectually curious. They are always seeking new ideas and are receptive to trying new ways of thinking and working. They know there is no simple formula for winning and thus continuously strive to discern the underlying principles that will allow them to leverage every resource within their control, including their entire pool of talent.
3. Strategic leaders “walk the talk.” They continuously set context with their own subordinate managers about the bigger picture and how each of their functions must work together to support the company’s overarching goals. This is how strategic leaders achieve genuine alignment and enthusiastic engagement—not by taking people on ropes-and-ladder courses or by white water rafting together.
4. Strategic leaders recognize that they can never figure out all the answers by themselves. They seek input from their people, share their thinking, and encourage debate in order to get to the best possible understanding. Then, they push for action. They model a delicate balance between the need for proper reflection and a bias for action. Twenty years ago Harry Levinson, founder of The Levinson Institute, wrote a noteworthy book entitled **Ready, Fire, Aim: Avoiding Management by Impulse**. Dr. Levinson proved that strategic leaders engage their entire team in taking aim **before** they pull the trigger.
5. Strategic leaders are comfortable with their positional **and** personal authority and never shy away from holding their subordinate managers accountable for “keeping their word” and “earning their keep.” They establish high standards, recognize and reward success, and confront failures to adhere to policy and/or commitments with appropriate discipline. And most importantly, they hold their subordinates accountable for being effective, value-adding managers themselves.
6. Finally, strategic leaders understand that to deliver full value, every aspect of the leadership system must be aligned with strategy: structure, processes, people, and human resource systems. It is worth reiterating that every element of a strategic organizational system is inextricably linked to every other element.

Work organizations are powerful forces in the lives of managers and employees. The degree to which managerial leaders can create the organizational conditions in which people can succeed is the degree to which they can have a positive impact—on

employees, their families, and, ultimately, on society. For you, the manager, I hope Denis Turcotte's story will act as a catalyst to help you renew your own commitment to identifying, developing, and promoting personal leadership, accountability leadership, and strategic organizational leadership.

Gerald A. Kraines, M.D., is president and CEO of The Levinson Institute, a New England-based management-consulting and leadership-development firm, whose mission is to improve the practice of leadership and realize the human potential of organizations. He has been one of Denis Turcotte's major consultants for over 10 years in three successive senior-executive roles. Dr. Kraines is also on the faculty of Harvard Medical School and author of the critically acclaimed book **Accountability Leadership** (Career Press, 2001).