



Ingersoll
Inspiring Prog

Ingersoll Rand
makes radical
changes to its global
footprint and its
business model.





At C Level:
Herb Henkel, CEO



**By Tony Bingham
and Pat Galagan**

SOME CEOs EMBRACE CHANGE. OTHERS, LIKE HERB HENKEL, LEAP ON IT WITH EVERYTHING THEY'VE GOT. FROM THE MOMENT HE JOINED INGERSOLL RAND IN 1999, HENKEL UNDERTOOK TWO OF THE BIGGEST CHANGES A COMPANY CAN MAKE: GOING GLOBAL AND MOVING TO A RADICALLY NEW BUSINESS MODEL.

The old Ingersoll Rand manufactured machinery and grew the business by selling to distributors, mainly in the United States. The new Ingersoll Rand sells services and solutions to customers around the globe, with strong markets in India and China.

The company's executives had to lead 60,000 employees into the new reality, so one of Henkel's first steps was to create Ingersoll Rand University (IRU), where their preparation would take place. Headed by Rita Smith, vice president of enterprise learning, the university, with five campuses around the globe, delivers learning to meet the company's changing needs.

T+D spoke with Henkel at Ingersoll Rand University. In 2001, Henkel moved his office to the main corporate campus in Davidson, North Carolina to be close to the IRU facility. His reason: to be able to influence the greatest number of the company's leaders directly and frequently as they received their development at the university. In his view, Ingersoll Rand University enables the company's top talent to be successful in leading change and contributing to the achievement of major goals.



LISTEN TO THIS FEATURE
at www.astd.org/TD/TDpodcasts.htm

Q From a human capital perspective, what are the biggest challenges you are experiencing in executing Ingersoll Rand’s strategies?

A When I get together with our board, we look at the top 10 priorities for the company. One thing has never changed: number one on the list is always to build global bench strength. Period. And compounding that challenge is the fact that we’ve also significantly changed our business model. We felt that a corporate university was essential in getting leaders comfortable leading change. One reason for putting Ingersoll Rand University together was to develop the leaders who would develop the global bench strength. Establishing IRU was a critical success factor.

And we were changing the business model. We’d been a machinery company selling to U.S. distributors, but we changed to a global diversified company that is very, very close to the customer. We had a lot of very talented people, but because we were changing the game, the things they had done successfully for 20 years were not going to apply.

Q How do you determine your success at building global bench strength?

A Success is something you’ll really be able to see five to 10 years from now in the sustainability of the numbers. The answer is not short-term success but whether or not you have built a sustainable organization.

I’m much closer to my retirement than not, and these changes have got to be something that the organization and its leaders will not allow to wane as a result of my leaving.

Q So you’re making sustainability part of the culture of the organization?

A It’s got to be. It’s something that continues to evolve. As the organizational requirements have changed, we’ve also changed.

To be successful long-term, you’ve got to drive dramatic growth on a global basis. That means you have to innovate

continually at an accelerated rate. We believe that for our kind of company to achieve its financial results and attract people who will stay and grow, you’ve got to have more than a third of your revenue coming from products and services that were not in your pipeline three years ago. You have to be a perpetual innovation machine.

You have to be able to do acquisitions on a global basis. At the same time, you have to drive continuous improvement because you can’t succeed without it. All of that has to be part of the culture.

You also have to borrow best practices. That’s where our term “dual citizenship” comes from. It means my best practice becomes something I can share with others: No one needs to reinvent it. That to me is why you must have collaboration. The best way I know to create shareholder value is to put things together so that collectively we do better than we would as individuals.

And what better way to build those foundations for change and growth into the culture than by putting them into the curriculum for Ingersoll Rand University. Our vision statement is the foundation for the work that Rita Smith and her colleagues are supporting through IRU. They’re helping make sure that not just our 300 leaders but also our 60,000 employees know how they can contribute to achieving the vision.

We realized we couldn’t get to where we wanted to be with our executives just by sending individuals away to business school. That wasn’t going to accomplish what we needed in terms of collaboration and culture. All the learning is linked together through IRU. Our IR MBA program is cohort-based and is done in partnership with Indiana University’s Kelley School of Business. IRU works with them to customize the courses. Strategic, enterprise education is done through IRU. Our intent is to get greater leverage out of the learning investment and drive the Ingersoll Rand culture.

Q What role do the leaders in the company, including you, play in developing other leaders?

A Developing leaders is not a spectator sport. It’s not something you write about in the employee newsletter. You get yourself into the classroom and walk the talk.

I really got into [Jack] Welch’s four Es of leadership (have energy, energize others, have an edge, and execute), and I

added a fifth one—ethics. Individually you've got to have energy and energize others. You can't do that sitting back and having others do it. Frankly, that's the reason my office is near IRU. I knew this was where I could have the biggest impact on the most people in the company.

The involvement of executives is a key part of IRU. I think that teaching makes them better leaders because they must deal with people who are not under their jurisdiction. They can't fall back on the chain of authority. As you move into larger, leadership-type roles, you have fewer points of contact with the people you need to influence.

Q | As you changed the strategy for the company and went through the leadership development process, there were probably some leaders who couldn't make the switch? How did you deal with that?

A | Overall, an organization is a much happier place when everyone is successful at change, but the reality is that it just doesn't happen that way. If you compare the organization chart at the beginning of the process with the current one, you'd find that, not counting retirements, as many leaders have left as have stayed. Some didn't like the level of change going on. Some were threatened and intimidated by it or disagreed with it.

For example, we had people who were excellent product salespeople but they did not do well at solution selling because it's a totally different concept. You can teach some people to make that conversion, and some you can't. So you hope the change is skewed toward the number who can.

Q | You changed a couple of things radically—your global footprint and your business model. Was one of those changes harder than the other?

A | Both have their challenges and they're compounded when you try to do both at the same time. More than 50 percent of our revenues come from recurring service revenue. The area that's growing, the fastest is China. It's a totally new way of doing business, and you have to teach people how

"DEVELOPING LEADERS IS NOT A SPECTATOR SPORT."

It's not something you write about in the employee newsletter. You get yourself into the classroom and walk the talk."

“Built into the planning process is the assumption that there will have to be some kind of training. So we consider it no different than we would anything else

IN TERMS OF INVESTMENT DECISIONS.”

to do it. You have to remember that you're not measuring a singular variable. You're trying to move multiple equations along at the same time.

We had to undertake two major changes at the same time because the biggest opportunity for service growth was in the global arena. If we had done things the same way as in the past, we would have serviced only a third of the potential market that was out there. We had to go after the other two thirds. We really didn't have a choice.

Q | What do you look for in an effective leader?

A | In today's world, there's no doubt that leaders have to have smarts, so that's a given. The ones who will be successful are those who will be able to lead others effectively and to influence others. I look for people who have the courage to make decisions and who can take the blame when things go wrong and share the credit when things go right. Can they energize those around them? Can they take others along with them? To me, those are the critical success factors.

Q | Let's go back to metrics. You said you know things are working (in learning) if strategic initiatives are advancing as they should, but when it comes down to whether or not to invest in your learning operation, how do you make those decisions?

A | When we go through the strategic planning process, we come up with concepts, ideas, strategies, and visions of where we're going to be. Then we decide what to invest in to get the things we want. So I look at how many dollars we spend on brick and mortar; how many on developing new products; and how much training we need to be able to reach our goals. Built into the planning process is the assumption that there will have to be some kind of training. So we consider it no different than we would anything else in terms of investment decisions.

Q | Some of Ingersoll Rand's growth has come through acquisitions. How has that contributed to bringing innovation into the company?

A | Innovation is a key focus area in driving our dramatic growth. Our goal for 2010 is for 38 percent of our revenue to come from innovation. We're about half way to this goal. Some companies are good at bringing in lots of ideas. Others do much better at culling the herd so they don't waste time and money bringing something forward just to kill it. We're in between those two places.

We have a \$10 billion pipeline of ideas and the challenge is how to narrow that down to where we bring about \$1.5 billion in new things every year. How do we do it? By only spending 2 percent of sales. We want people to understand the concept of changing the game versus what I call trickle theory.

I think we've made the most progress on this in the last two years. We thought the current economic downturn was coming and that the only way to outrun it was to come out with innovative solutions, extend our geographic reach, and build our recurring revenue stream.

Q | In selecting people for development, some technology-based companies identify not only their key leadership jobs but also positions critical to innovation and change on the technical side. Have you taken that path?

A | We find that getting close to the customer and getting input from them as to what problems our technical people can solve for them is a better way to go. I'll give you an example. Soon after I joined the company, I visited one of our research and development centers where they were designing impact wrenches. Knowing that I'm an engineer, they said, "Let us show you this half-inch impact wrench. It can generate 650 foot pounds of torque from a box that weighs only six pounds." From an engineering perspective that's awesome. But I asked them, "Don't people use our impact wrenches to put lug nuts on cars? And isn't the spec for that 100 foot pounds of torque?" One of the guys looked at his colleagues and said, "I told you he was going to be a problem."

Lots of neat things are developed but it's not always clear what to do with them. Turning innovation around and coming up with something customers can use has been the toughest part for us. In our past culture, the salesperson's job was to get the best distributor in an area, get 100 percent of his warehouse space, stuff as much as possible into that space, and wish him well.

But now we ask, "How do people want to use our products?" Maybe the answer isn't to develop an impact wrench with 600 foot pounds of torque but to develop one that has no air hose to drag around the garage. That was a radically different game for us. Now I can show you all the cordless tools we sell. Remember, we're not selling air. We're not selling impact wrenches. We're selling tightened lug nuts. That kind of thinking is what drives our innovation.

Q | Companies such as Google and 3M require employees to spend a percentage of their time doing projects they're interested in, not necessarily ones they've

been assigned. These companies have massive portfolios of innovative products and services that fall outside their key strategies. Do you think at some point that approach will backfire?

A | The good news about that approach is that you really can get a lot of stuff into the pipeline. The bad news is you've got to cull them or you'll spend a lot of time chasing stuff that won't go anywhere. For us, we had no problem finding new ideas. The constriction was on the implementation side. We had to put processes in place to go through the ideas and make those hard decisions about what to take forward. That's where you have to be able to energize folks. It's got so much to do with attitude.

Q | What's the major lesson you've learned from leading Ingersoll Rand through such major changes?

A | What I've learned from having gone through this experience is that it's amazing that something that was a concept seven years ago can move so far if you have the right people running it and the leaders supporting it. Everything depends on the quality of the people who must make things happen. They must share the vision and have the ability to implement the changes. The work we are doing at IRU shows how far and how fast things can move along if people are trained. **T+D**

Herb Henkel was interviewed by Tony Bingham, president and CEO of ASTD, and Pat Galagan, editor-at-large for ASTD; pgalagan@astd.org.