

# AT C LEVEL

Robert W. Lane, President and CEO

Part of a series of talks with top-level business leaders  
on the subject of learning and performance.

# Raising the Bar at Deere & Company

Deere CEO touts high-performance teamwork among his employees.

PEOPLE AND THEIR DEVELOPMENT are key to sustainable growth at John Deere. Just ask the CEO. For a 169-year-old company, with 47,000 employees operating on six continents, and sales and revenue of \$21.93 billion in 2005, that puts a lot of pressure on talent development. We talked with CEO Bob Lane about the link between strategy, learning, and performance.

**Q.** *Since being elected chairman of the board and chief executive officer in 2000, you've led a very large, established company to be leaner and faster in execution. Having done that, what lessons do you have to share with other CEOs and executives about the role that talent—employees with the right skills—plays in achieving major change?*

**A.** We have a company with a great heritage, great products, and a market share that is second to none, but at the time I was elected CEO, we had a good but not great business. I saw an opportunity to raise the bar to the next level. So the first thing I did was identify our strategic objectives. I sensed that the great strength of this company lay in what its employees could do. I wanted to be able to make it possible for them to be part of a great business as well as a great enterprise. That was the first lesson I wanted to pass on.

The very first day I became CEO, I had an opportu-

nity to speak to our company's top 250 managers. I had just one slide and it had a number on it: 18,000. This was the number of John Deere salaried employees—the people we were going to start to work with. The idea was that we could all be pulling the same way, in the same direction.

Most big companies are like us. There are a few geniuses, but most employees are like me; ordinarily talented. The real mission, I told them, was to figure out how we would all pull together in a way we never had before. And it was not going to be random. I told them we would have a global performance management system. It would be online and documented, with each individual identifying his or her own objectives in conjunction with their immediate supervisor, and development plans aligned to the top business objectives. Everything would be uniformly documented and consistently reviewed. The process would allow employees to identify how they could enrich their development to help their performance and be supported by appropriate learning programs.

**Q.** *How did you know that was the right thing to do?*

**A.** I didn't know for sure that it was the right thing, but during my years at Deere I had come to really respect the people here. It's not that other companies don't have good employees: They certainly do. But I think we are very fortunate that good people self-select Deere. They know we stand for doing things the right way. No smoke, no mirrors, no tricks. We play right down the middle of the field. That's how we do

business. If you don't like doing things that way, you won't like working here. So we tend to get a certain kind of person, and they tend to stay.

I really felt that if employees knew what needed to be accomplished, it would be done, but we needed to set out our vision and direction clearly for them. We really hadn't done that in the past. There was a gap.

I like to use a U.S. football analogy to explain the change we made. Even people overseas watch the Super Bowl, so it's a comparison that works. When the officials mark the line for the first down, it makes a dramatic difference in understanding the game because you see how far you have to push to move 10 yards. I would say that when I came on board, our people were doing a pretty good job. Seven yards was about what we could do. And that was fine for the time. But that wasn't good enough for the competitive environment we would be facing. Now we know we have to continually push for the full 10 yards. And knowing that has helped performance improve dramatically.



**Q.** *Do you feel the existing workforce has the skills necessary to support Deere's strategic directions? Is that somewhat of a moving target in a growing global company?*

**A.** The world is constantly changing. Our products are becoming more and more sophisticated. Most people don't realize that tractors today are mobile information machines guided by satellites. The technology in our agricultural machines allows you to put the plow in or spray the crops, in precisely the same place day-after-day, month-after-month, even season-after-season. And our tractors can gather information and send it back wirelessly to a remote computer for analysis.

So we've had to shift our skills for designing, building, selling, and servicing our products. We've gone outside to augment our skills, but we also do a lot of internal training.

We've also worked to build our finance skills.

Now that we have our 10-yard gain objective, every manager in this company knows what the financial metrics are.



**Q.** *The company's most recent earnings report speaks about building a more resilient company. What does this mean?*

**A.** I'm glad you noticed that. In spite of Deere's great strengths, over the years we've tended to get bogged

down when markets get weak. We sell big capital goods. Almost no one has to buy them at any particular time. And when times were hard, we had trouble bouncing back. But we really see ourselves as having restructured the company in such a way that everyone—not just the leadership—knows what to do. Good decisions are being made at all levels of the company because of people's knowledge and insight about what's going on. If the business were to turn down, we won't be a big asset-laden operation that sinks. We'll respond much, much faster to market changes.

We used to have a philosophy of building evenly at the factory level, which of course meant you had to produce what you thought people would buy, and if they weren't buying, you had to finance it. To get dealers to take the product, you had to offer a variety of deals and terms. Now we try to build much closer to the demand. That's taken a lot of work, but as a result, we believe we have become much more resilient. That hasn't been totally tested yet, but we're confident.



**Q.** *When will you feel comfortable that the company has met its resilience objectives?*

**A.** Our annual report includes our shareholder value-added metric, or SVA, which is the difference between operating profits and pretax cost of capital.

If you look at our financial history, you'll see that we lost SVA for five years in a row, and in one year we lost everything we'd made in the whole decade of the 1990s. We overproduced. Our costs were too high. Now, even if we got to the bottom of the business cycle in all our businesses at the same time, our goal is to be SVA-neutral. Today, every one of the top 10 percent of our employees—that's about 5,000 employees—knows the metrics and knows exactly what they have to do.

Our performance management process has given us global alignment. It took about three years for this to become systemic and for us to appreciate how this develops employees and aligns them with business objectives that cascade from the board of directors on down.

When I talk to employees, I compare this to two huge jet engines on a big plane. One engine is exceptional operating performance, which is thrusting very well right now. But it needs to be sustained. The other engine is disciplined SVA growth. We must prove that we can develop the growth that creates and sustains earnings over time. That, combined with the investments that are required, will give us resilience.

The third leg of the strategy is the high octane fuel

for the engines. And that's the people and how they work together. I tell employees the only thing that can't be copied (by our competitors) is us. And how we work together is extremely difficult to copy.



**Q.** *It's easy to be committed to employee learning and development when things are going OK. But when the business turns down, how do you value employee learning? How do you quantify it?*

**A.** The John Deere Strategy has three parts: exceptional operating performance, disciplined SVA growth, and aligned high-performance teamwork.

To go back to my airplane analogy, we are shifting focus to the second engine—growing the business. Teamwork is a critical part of this, and to get everyone linked through the performance management system, there had to be an increase in spending even while we were restraining expenditures elsewhere.

Instead of cutting across the board, it's figuring out what is most important to do, and what has to be eliminated so that employee learning can happen. I don't make the decisions. Managers understand what needs to be done, and they understand the investments needed to train their own people.

Let's take the global performance management process. We needed extensive education and communication before implementation. Mert Hornbuckle, our vice president of human resources, had a one-time dispensation in his budget to develop the process and tie it into our global human resources technology system. The process would also provide supervisory and managerial training programs and developmental feedback tools, and encourage employee development. However, because we are keeping the organization lean, his 2006 budget is the same as it was in 2000. He has to get buy-in from the senior officers for the great things he wants to do. And he is not alone. That happens in each of the enabling functions in the company. A challenge is to not let the good be the enemy of the great. A necessary additional expense is always authorized outside of normal budget. We approach it in that manner, so that it does not become engrained in the system as permanent overhead that would lead to trouble during downturns.



**Q.** *If one of your managers said they needed specific skills in their people based on the strategy of the organization, they would have a much greater chance of getting the additional money than if they weren't linking to strategy. So how are you holding your managers accountable for linking learning to the organizational strategies?*

**A.** An important concept for us is how we deliver results. The only word underlined in our strategy statement is "how." Here's what it says: "Our leaders at all levels are recognized not only for their ability to deliver results, but also for how they deliver them." That is what's distinctive about us. Every company that survives has to be able to deliver results. We think we're distinctive in that we're known for how we deliver them. Our employees are paid in part based on how they are supporting our third strategy by developing teamwork.

We always ask, "Do we have what it takes to sustain our numbers?" We implemented a new compensation system that is focused on sustaining results for the long term instead of on short-term gain.



**Q.** *You started your career in commercial banking, and at Deere you held the position of chief financial officer for two years. How does someone with a financial background such as yours measure the performance of learning initiatives? What metrics are important to you?*

**A.** I don't have a specific metric, but I do require everyone to specify what they're going to do to develop. Managers identify three developmental objectives every year. They also have to provide statistics, including how many people are bringing new skills and new perspectives to the workplace.

At lower levels, we do look at cost-effectiveness ratios for training program delivery and utilization.

We used to apply a "push" approach to training. Now there's much more of a "pull" effect. People are saying, "I have to deliver a sustainable business. What do I have to do to get this done?" We've seen a big increase in requests for more career and leadership development and succession planning tools, for example.

The people who run our hundred or so units around the world will tell you they'd really like to have more talent, better talent, more trained talent, and people who can get the work done. More negotiating goes on about trading people between units than anything else. Everyone wants the first-round draft choices. The senior officer group spends more time on employee development than any other single topic.



**Q.** *You served in several positions in Deere's operations in Europe, Africa, the Middle East, India, and Russia. How did your overseas assignments shape your views of how Deere needs to change to stay a world leader?*

**A.** Having had the privilege of doing business for John Deere on every continent, I had a vision that Deere could be preeminent in virtually every part of the world. Nearly half our employees are outside the United States. My travels to our factories and dealers in India, China, Brazil, and Russia have given me a chance to connect with global employees. I think people know I am trying to see the world through different glasses.

Deere's career development process is global with emphasis on the countries I mentioned. That probably would not have happened without my own global experiences.

Our board now includes a European and someone from Latin America and India. In the history of Deere, a board would not have had a Peter, Paul, and Mary because there wouldn't have been a Mary. In fact, it would have been Tom, Dick, and Harry. By contrast, the first three directors that joined the board since I have been chairman are named Dipak (Jain, dean of the Kellogg School of Management), Aulana (Peters, former commissioner of the SEC), and Joachim (Milberg, chairman of BMW).



**Q.** *If you had to replace the top learning officer in the organization, what attributes would you be looking for?*

**A.** I would want that individual to clearly understand the business objectives we are trying to accomplish. The only way we can sustain growth is with the high-octane fuel of employees who are linked to those objectives, together with senior leaders who support them. The candidate would have to be able to defend a budget against other priorities and prove how learning will continue to contribute to our success. That person would need to understand the business so that he or she can fight for their programs and explain how the objectives will be met.

Number two would be empathy for how people really learn. There's a huge hunger among most of our employees to learn. For example, our production workers today are much more empowered. They understand SVA and why they're doing what they're doing. They've blossomed as they've started to learn, grow, and develop.

I'd also underscore the "why." Is there an understanding of why it's important to put a great emphasis on learning and how learning can contribute to the good of the whole?

**Q.** *What would it take for you to feel maximum success about your contribution here?*

**A.** I often tell new employees that they are the ones who will bring about the 200th birthday of this company. That's 31 years from now. We want them to develop the skills, aptitude, and knowledge to work in a totally different, much more competitive world. I'm only leading this company for a very short period in its long history. If employees are empowered and trained and have the tools to keep taking the company up to the next level, Deere will be viewed as a great sustainable, global business. That would be the most wonderful thing.

By contrast, if company performance was to fall backward after my tenure, and the company was not resilient, then I will have been a failure. I think I have been able to play a catalyst role, one appropriate for the company at this time in its history to help take it to the next level, and I'm confident that whoever follows me will have the skills to keep that going. If succession planning is done well, the company will move up to the next level. It will be a great business. Both engines of performance and growth will be thrusting in a sustainable way and that high octane fuel of people will be there to power it on.

But my tenure is not assured. Nearly every day I look at a magazine headline I first read shortly after I became CEO. It's dated June 26, 2000. It says "Another One Bites the Dust. Boards to CEOs: One Strike and You're Out." In recent years, many CEOs have failed. Boards do not have any leeway for letting you off the hook today. You have to perform. And that means the people have to perform. They have to know what to do to perform. And that's probably why more than any other single word, it's performance that matters.

So it's a pretty hard-nosed approach. It's performance, and that's the culture. The company is not a family: It's a team. In a family, when someone isn't pulling his or her weight, they're not out of the family. But in a high-performance team, everyone has to pull their weight if they expect to stay on the team. Everything is under the microscope. Everything is subject to review. And that means people get developed. In that environment you can't not develop. You can't just sit there or you will atrophy and fail.

Interestingly enough, that gets back to the whole *raison d'être* of ASTD and its members—the development and training of people. **TD**

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