

# Undiscovered Country



GRAIN DISTILLING & COOPERING -  
ONE VISION



*This article  
highlights how*

*Grain Distilling &  
Coopering, a distilling  
division of the drinks giant  
United Distillers &  
Vintners, are establishing a  
strong leadership culture  
from the top of their business  
which will drive superior  
corporate performance.*

*The route they took and the  
challenges they have,  
and will, overcome.*

## Leadership culture driving business performance

Erik Schmidt & Philip Atkinson

Without strong leadership there is no change. One of the most important elements of shaping a business culture is what aspects of business performance leaders focus on most - for example, is cost reduction the driver or is it how that cost reduction is achieved important? Make no mistake, employees at all levels are boss watchers - they look for a high degree of consistency between what leaders say and what they actually do. If there is a disparity between 'saying' and 'doing' the company sceptics have a field day highlighting that the management team is not genuinely committed to the change underway.

This article examines the achievements which have been accomplished by Grain Distilling & Coopering (GD&C) over a short period of time.

The Division is part of the UK Operations of UDV which in turn is a subsidiary company of Diageo, formed from the world-wide merger between Guinness and GrandMet. GD&C employs approximately 300

people in central Scotland and produces grain whisky, grain neutral spirit and oak casks ready for filling. Coopering, the fine art of barrel making, is undertaken at Dundashill in Glasgow, adjacent to the Port Dundas Distillery. Port Dundas, in the West of Scotland and the Cameronbridge Distillery in Fife produce in the region of 100 million litres of spirit each year. The grain whisky, oak matured for a minimum of three years, is blended with aged malt whisky to create the world famous Scotch Whisky brands such as Johnnie Walker Red, J&B Rare and Bells - with the grain neutral spirit forming the base for brands such as Smirnoff, Gordons and Tanqueray.







*"As leaders, we had to accept that if we wanted Grain Distilling & Coopering to change, WE had to change first."*

Robert McElroy, Director of GD&C



### A new organisation and culture

Located on three sites, the GD&C Leadership Team have some exciting opportunities ahead of them. What is interesting is that they have very quickly aligned their hearts and minds with the Diageo philosophy and the core values, which was to guide their business transformation.

### New challenges and bottom-line results

This Division is under no illusions regarding its competitive position. The Leadership Team is aware that even although they are part of a larger business, they still have to prove they can develop competitive advantage to deliver better quality, supply and price relative to other providers. They are in a demanding market, where the production of neutral spirit can be undertaken almost anywhere in the world - although only grain whisky spirit distilled and matured in Scotland can be legally known as 'Scotch Whisky'.

They face several challenges not least of which were ambitious cost reduction targets and the need to construct and bring on stream, within a short timeframe, plant to process, produce and deliver for packaging Smirnoff, Gordon's, Malibu, Pimms and

other spirits. GD&C are aiming to develop a strong culture, which will drive superior business performance and support achievement of these challenges. The Leadership Team is not just going for short-term headcount or cost reduction. They are investing in their future - their people. GD&C do not want to nurture a culture for change and improvement, they want to drive it - with pace and urgency. They want to utilise the talents of their people to create a vibrant culture based on unleashing innovation and surpassing their past successes. The Leadership Team aims to develop a culture which is self-sustaining - and the good thing about their approach is that it starts with 'self'.

### The Leadership Team

So how are they maintaining their competitive edge? The Leadership Team is made up of nine managers who are committed to driving a culture for continuous improvement or transformation. But before they started waxing lyrical they decided to take a good look in the mirror and asked - how are we doing?

They understand that the culture must start to evolve



first before the real results can be achieved and sustained. Although there are strategic targets for the business, they have committed to developing the culture which will achieve their objectives in the short to medium term. The action they are taking and the benefits they believe will accrue.

Robert McElroy, who leads the team and was appointed as Director of Grain Distilling & Coopering in February 1998, is clear that the right environment should evolve driven initially by the Leadership Team - leading by example, engaging and inspiring the rest of the population. To achieve this, Robert asked Erik Schmidt (Human Resources Manager for GD&C) to co-design the Leadership Development Process with specialist input from Phil Atkinson, Director of Transformations (UK) Ltd.

### Chronology of the Culture Transformation

So where did they start? Dundashill became part of the division in July 1998 and final appointments to the GD&C Leadership Team were made in August 1998. With three key locations and the

Leadership Team distributed between them, Robert McElroy went all-out to develop strong leadership and direction. His first action was to create an integrated senior management structure consisting of site managers and key support roles. In so doing, he also moved quickly to a three layer structure. He understood at this early time that there were some natural synergies to be achieved from learning cross-site - taking best practice and sharing it in the other locations. However, these grand ideas would never lead to fruition until there was a strong shared vision of what they were to become. He needed to create a focused organisation with transformation occurring at all levels.



*"I was determined that we created an environment which made things happen - an environment in which our cultural change was not only seen but felt."*

Billy Mitchell, Technical & Customer Services Manager





*"The lasting image in my head is of the newly formed team sitting round a table with two blank flipcharts, and me thinking 'this is exciting, this is the turning point...'"*

Jeph Booth, Finance Manager GD&C

### Living the Values

Understanding that the merger between Guinness and GrandMet was announced officially in November 1997 and the first day of trading of Diageo was 1 July 1998, the GD&C team wanted to develop a new aligned culture. Questions that they asked were to do with the values that should drive the Diageo business. Four core values that filtered down through their organisation – combined with some strategic imperatives – would drive Diageo as one of the world's leading consumer goods companies. The team wanted to drive a programme for lasting change which would translate the values into behaviours – they were keen to avoid promoting the values by simply transferring them onto T-shirts or coffee mugs.

Translating values into behaviours is not an easy task but the team agreed to pursue this approach using the four Diageo Values and ask themselves; what do we need to do to create 'Freedom to Succeed'? What does it mean to 'Be the Best'? What does 'Proud of what we Do' mean – what does this mean to operators and engineers who have to live this value? The fourth Diageo value reads 'Passionate about Consumers' but the Grain & Coopering Team have consciously changed this value to reflect their position

in the UK supply chain. So, how can 'Passionate about our Brands' create excitement about the most outstanding spirits portfolio in the world?

### Leading the Vision

A key starting point was to ensure the team were seamless in their understanding of the role they were to play and ensure they all displayed the same vision for the business. Three long days in November 1998 were put aside for the Leadership Team to work together – to develop strong relationships within the Team and a clear strategy for the Division. These days were spent in Drummur Castle – the brand home of J&B 40 miles west of Aberdeen. Although a magnificent setting, there was little time to soak up the atmosphere – the Leadership Team worked through the potential issues and barriers that had to be confronted to ensure success.

Prior to attending the Workshop, they agreed to assess the key issues facing the business by pursuing individual pre-workshop material. Specifically, Phil Atkinson interviewed each member of the Leadership Team to compile a list of issues that were thought to be critical for resolution. This process broke these issues down into hard and soft categories. Hard issues are concerned with anything to do

with strategy, structure of the business and systems and protocols. The soft issues, are central to culture change but are more difficult to resolve. These soft S's were broken down into staff, skills, style and shared values. A 'superdocument' was created which reflected the core aspirations and visions of the Leadership Team and was circulated to each member prior to the Drummur Castle event. This document became a key reference source to support their work.

Although the completed document provided the bedrock of thinking for setting up a strong leadership culture, the Team also devoted an enormous amount of time to examining the impact of their style of management or leadership on others. Sensitively, they used Myers Briggs to examine leadership and team behaviour and various other typologies were used to explore team working. All profiles were rigorously endorsed and 'expert system' feedback was available as well as time for 1:1 discussion. This event was called the Leadership Development Process - Stage I.

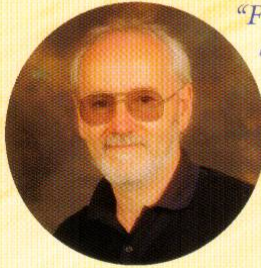
Freedom  
to Succeed

be the  
Best

Proud  
of what we do

Passionate  
about consumers





*"For the first time in my career, I was being given an opportunity to drive our part of the business forward by developing a clearly focussed vision and a culture based on values and behaviours."*

**John Reekie, Process Development Manager GD&C**

### **Tangible Action Plans**

The team left Drummur Castle with an action plan for change which was focused on using leadership to drive performance improvement. Responsibility for engaging the population of GD&C was shared and an onward communications strategy was agreed in December 1998 for the middle manager population. In particular, the action plan had focused more on hard S strategic issues than the soft S's. It had delivered a vision statement distilled from hours of discussion and debate. The statement was **SUCCESS THROUGH TRANSFORMATION AND PARTNERSHIP** which gave equal consideration to both the 'what' and 'how' of business performance.

They had also identified four high level objectives which were to guide all actions and resource allocation towards achieving this vision. The objectives were:

#### **PEOPLE**

Create an environment which attracts and develops the best people

#### **ASSETS**

Innovate to maximise asset utilisation

#### **COST**

Become the lowest cost producer as benchmarked against the rest of industry

#### **CUSTOMER SERVICE**

Develop seamless supply through active partnerships with our customers

By the end of the Drummur

event the team had also started to script the behaviours which would be fundamental in defining the new GD&C culture - behaviours linked directly to the Diageo values. In addition, relationships had developed further amongst members of the Leadership Team, something which was later to prove critical in delivering these outputs to the rest of the Division with real passion and credibility. These outputs were summarised in a document entitled 'Undiscovered Country'.

### **Engaging the GD&C Population**

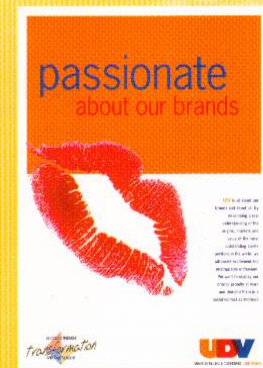
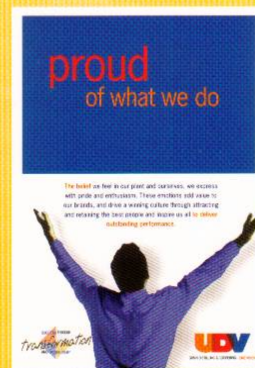
Between December 1998 and March 1999, the Leadership Team worked to develop the vision statement and finalise the behaviours which were to

become the local interpretation of the Diageo values. Once the definitions were complete, the Leadership Team committed to living the values. The final wording to describe, for example, Freedom to Succeed was:

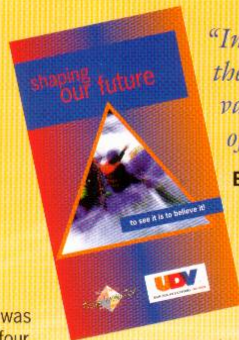
"Our culture is about showing mutual respect and listening to one another. In our daily actions we trust our colleagues to deliver - demonstrating fairness in our judgements and always being constructive in our feedback. By encouraging innovation and measured risk taking, we empower everyone to seize every opportunity. Continually we show we are prepared to be challenged and to challenge others."

*"As we worked at developing our vision and values, discussed our behaviours, listened and built on each others opinions and ideas, I came to realise the very process of doing this was welding us together - this was real team building in action."*

**Robert McElroy**







*"In these early discussions, we could see the emerging potential of the Diageo values - they were to become the bedrock of the new GD&C culture."*

**Erik Schmidt - Human Resources Manager GD&C**

These definitions (and one was developed for each of the four values) were combined with the four high level objectives and vision statement into a highly professional and eye-catching communications programme including launch sessions, full colour posters and a GD&C video entitled 'Shaping our Future'.

The first part of the communications plan involved engaging middle managers. This was done by the Leadership Team with assistance from the central Communications Group. All 35 managers were introduced to the key messages from Undiscovered Country and offered the opportunity to give their reaction to what they had heard. It was stressed that this was a "home grown

initiative", not something parachuted in from Diageo and that success was dependent on everyone getting involved. It was about changing behaviour and influencing the way others behaved in order to achieve our business targets. The Leadership Team inspired the group by conveying the passion and belief they had generated in producing the direction they were now communicating. The messages were radically different from anything this part of the business had used before, and represented a watershed in terms of starting to clarify future direction. However, the opportunity was now there for all managers (as well as their teams) and to develop the strategy, tactics and Key Performance

Indicators which would drive superior business performance.

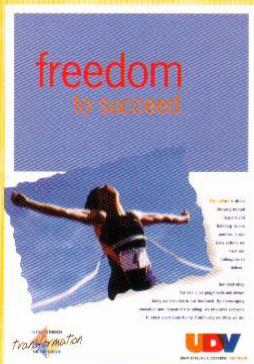
Needless to say, some of the key messages took some time to filter through and really only by mid to late summer did the results start to appear. A large group of coopers were taken to Hampden Stadium (the home of Scottish football) to explore the possibilities which the values now presented. Likewise, all the process operators from Cameronbridge Distillery used Murrayfield Stadium (Scottish Rugby Union's home ground) to consider new ways of working and their contribution to the high level objectives. A key soundbyte was "simply doing the things we do today better, will not get us to where we want to be" - this was about

radical transformation. The Leadership Team expected to see change, the objectives to be met and a transformed culture to develop. They decided the vision and objectives could not be changed but input on the behaviours which would form the culture of the new Division, was welcomed. Middle managers left these launch sessions tasked with taking these messages to the rest of the GD&C population by the end of May 1999. They understood that they had a part to play in this culture change - and they would be the drivers for change at their level.



*"I have been impressed by the attitude of our managers to our transformation agenda, especially those who have seen Undiscovered Country as a real opportunity, not as a threat, either for themselves or for GD&C."*

**Don Wyllie, Engineering Services Manager GD&C**







*"Our 360 degree feedback tool has probably been the single most effective means of reinforcing the behaviours we have all committed to demonstrate."*

Erik Schmidt

#### **Leadership Development Process Stage II**

In May, the Leadership Team returned to Drummur Castle to focus on the rest of the soft S's with three specific objectives:

- to examine the soft S's to generate a culture supportive of transformation
- to review the dynamics of the Leadership Team
- to pilot 360 degree assessment based on the value definitions and to 'get comfortable' giving and receiving feedback linked to observed behaviour

Key outputs from LDP II were agreement to progress with a programme of capability

transformation known as Managing towards the Millennium (see below) and having piloted the 360 degree assessment tool based on value behaviours, to now ask the middle managers to undertake a similar exercise.

This tool was developed largely in-house by the HR Team and Leadership Team. It was finalised and printed for wider use. Its first application had been considered a success because it drove numerous meaningful conversations one-on-one between members of the Leadership Team – which meant behavioural issues were being tackled. This impacted on team performance and reinforced that senior manager behaviours had to be aligned with the values, or Undiscovered Country

would fail. 'What's it like to receive my behaviour' was the driver which created this very powerful 360 degree assessment tool which all the Leadership Team completed on each other. A selection of direct reports and others in the supply chain across the business also had an input.

#### **Capability Transformation**

Capability transformation or Managing towards the Millennium, as they called it, brings the GD&C journey almost up-to-date. During July and August 1999, the Leadership Team kept the momentum going with Involvement Workshops to develop strategy and tactics and small group meetings were also held to continue to convey the passion and

energy felt by the Leadership Team to the middle manager population. They did this knowing that one day very soon, this key group of managers would spark the initiatives for themselves (Freedom to Succeed) and radical actions would start to appear.

Managing towards the Millennium (MttM) was about the soft S's of staff, style and skills. Using the platform of some new and transformational Diageo leadership capabilities, the Leadership Team again 'localised' this central work to fit the messages from Undiscovered Country. This was about clearly explaining the number, style and focus for manager or leader roles within GD&C in the future. It was specifically targeted at the current middle manager group.

*"We have included all our people in the process by encouraging involvement through the use of our vision and values - after all, what better way to secure your future than to be part of its development. Now pockets of creativity and innovation are being seen daily."*

Andy Graham, Port Dundas Distillery Manager





*"There was little point to saying we needed the right people to take us forward - it was incumbent on us to define what the right people looked like then develop a process to support the transformation."*

**Robert McElroy**

Leaders were expected to demonstrate strong performance as assessed against the capabilities entitled Ideas, Living the Values, Edge, Emotional Energy and People Performance - or "I LEEP!" for short. The primary focus for all roles had to be about People and Communication, with the traditional technical focus in large part being devolved to team members - many of whom were developing in a self-managed team environment. The Leadership Team wanted leaders of people more than technical doers. And finally, leadership style had to be far more about being visionary, inspirational, creative and living with ambiguity than it ever was in the past. This was radically different but was aligned with the People objective and would be implemented in line with the values.

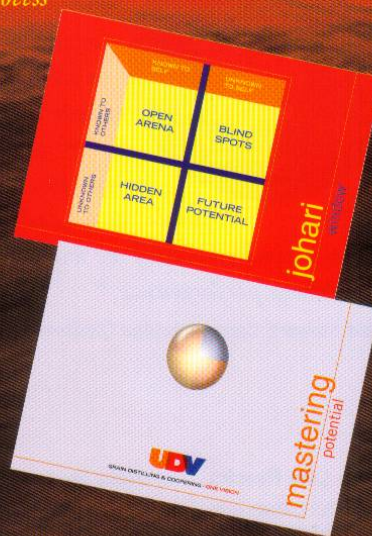
Comprehensive development centres were the vehicle used to help managers 'establish where they stood'. A range of techniques were used to help reinforce the key messages from MttM as well as to provide the managers with high quality feedback in terms of how their current contribution related to the new capabilities:

- **an introduction to Johari's Window**
- **Myers Briggs questionnaire**
- **360 degree feedback on the values**
- **peer feedback**
- **a presentation on maximising people potential**
- **a group exercise on strategy development**

In addition, we jointly developed a Leadership

Style Questionnaire based around the key aspects of leadership style which had been communicated earlier in the summer. This was normed using responses given by the Leadership Team which enabled a narrative to be generated to complement other sources of feedback.

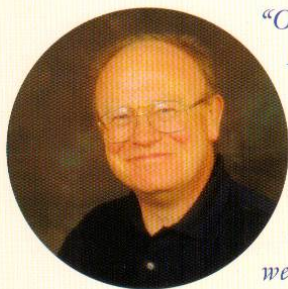
The style of the centres was deliberately open and upbeat, with a strong development focus. The reaction from the managers was that they had approached the centres with some apprehension but found them to be "productive" in terms of clarifying their strengths and development needs. In living the Freedom to Succeed value, managers understood that compiling their development plan and actioning its content was now their responsibility.



*"The creation of development centres for middle managers brought together new ideas and stimulated emotional energy within elements of this population."*

**Ronnie Henderson, Dundashill Cooperage Manager**





*"Our new agenda for the Division is fresh, exciting and dynamic. This is a journey of discovery for us all - we don't know where we'll get to. What we are confident of is that we will have grown as people, as a Leadership Team, and as a division - and we will have delivered an outstanding performance."*

**Donald Stewart, Cameronbridge Distillery Manager**



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#### Bottom Line Results

If leadership culture is to drive business performance, it must deliver improvements. With the first anniversary of GD&C now passed, many of the key business measures are looking very positive, with excellent progress having been made. Quantifying the precise contribution of an emerging leadership culture to these measures may be premature, but what is clear is that the early building blocks have been put in place by Robert McElroy and the GD&C Leadership Team. They have driven a culture which will not only deliver short term gains, but also provide the scope for long-term transformation.

#### Next Steps

The GD&C Leadership Team are the first to recognise that their journey is still in its early stages. Over the coming months a series of key events are planned - Leadership Development Process Stage III, this time focusing on business goals for the next 12 months, continuing the development of their people skills and reviewing the progress of Undiscovered Country one year on. In February 2000, the Team will also make appointments to the new fluid Millennium organisation for GD&C which will move away from firmly defined roles and fully embrace cross-site working. Commissioning the new plant for Gordon's, Tanqueray, Smirnoff, Malibu

and Archers will also be key milestone.

What is obvious is that GD&C is a very different place from 12 months ago and will in turn be a very different place in 12 months time. The Team are confident they will have delivered the combination of strong business performance and cultural transformation which will make it a highly appealing place to work - this will come as no surprise considering the People objective talks about "attracting and developing the best people". GD&C has and will continue to invest in its people and has taken the leap of faith which not only sees them as the means to transform their business but has truly taken radical steps to achieve this.

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