Overcoming Silos in Business During a Shrinking Market

Challenge

Tubular Steel, a national steel distributor headquartered in St. Louis, was burdened by politicking and infighting. The heads of each operational department only communicated through the CEO; lateral interaction was nearly nonexistent. The silos in business operation created massive amounts of waste, throttled productivity, and eventually placed at risk the very survival of the organization. The timing of this widespread disfunction could hardly be worse, as the global market demand for Tubular's products was in steep decline.

Yet, despite engaging one of the highest-profile change management consultants in the country, Tubular could not seem to gain any traction. Turnover rates were high, with several of the top performers in the organization leaving in search of less contentious working conditions. After exhausting their repertoire of solutions with little substantive effect, the management consultancy pronounced Tubular's situation "hopeless." The CEO's ineffectual attempts to turn things around turned to desperation as the company he had founded hemorrhaged talent, profit, and potential. Without a dramatic, fundamental change to reconnect the estranged silos in business, Tubular Steel would fail.

Solution

Arbinger began working with Tubular's executive team in weekly training sessions, supplemented by one-on-one sessions with members of the management team. This combination of group training and executive coaching helped company leaders reevaluate their mindsets. They began to understand their impact on each other, see the toll it was having on organization, and reorient their work to account for that impact. The silos in business that had become entrenched as normal operating procedure were systemically dismantled.

This organizational integration was facilitated by the reexamination of longstanding conflicts. One such conflict had been occurring between the sales and credit teams. The teams had been at odds for years, each viewing the other as an obstinate barrier to successful performance. Credit saw the sales team as reckless, fixated only on closing deals without assurance that potential clients could actually afford the agreement. In turn, sales viewed the credit team as overly restrictive, undermining at the last moment deals that had been months in the making. With the help of Arbinger principles and practices, these teams began expanding the scope their objectives, changing their definition and metrics of success to include the enablement of the other team's goals.

As the importance of these shifts began to be felt throughout Tubular, Larry Heitz, the executive assistant to the CEO, delegated all other responsibilities in order to devote his full time and energies to operationalizing Arbinger within the company. This commitment to change reverberated widely. Heitz oversaw various aspects of implementation including the company-wide training of staff and the development of new metrics and processes that would enable each employee to measure their impact on overall company.

Results

Equipped with an outward mindset, the employees at Tubular Steel transformed the company. Silos in business dissolved as collaboration blossomed between historically divided departments. Less than one week after the credit team reoriented their objectives to include the sales team's success, the sales team was overheard freely praising the same coworkers they previously criticized: "If anyone can figure out how to work with customers to help them qualify, it's our credit team." This rapid transition from enmity to genuine goodwill and mutual support unleashed potential in Tubular that was previously inaccessible. Team members devised new and innovative ways to adjust their work to improve productivity and performance. They rallied together to develop unique approaches that created competitive advantage in a declining market. As a result, despite a dramatic decrease in market demand for their products from 10 million tons to 6 million tons, the company's revenue nevertheless grew by a factor of four. "We grew from $30 million to over $100 million and more than quadrupled our profits," said Mr. Heitz, who later became president and CEO.

Within two years of implementing Arbinger methods, Tubular was producing the best return on investment in the industry. To those who might be skeptical regarding the power of shifting organizational mindset, Heitz responds, "This is not soft stuff. Bottom line is that Arbinger can help a company make more profit. You get further ahead with a cooperative culture and you make more money because of it." Unlike so many training initiatives that seem to amount to nothing more than a flash in the pan, the change Arbinger enabled within Tubular Steel was a fundamental change in mindset, buttressed with new ways of working. Remarking on the longevity of this change, Mr. Heitz noted, "The training and infrastructure that was put in place was so deep-rooted that the company has continued to be successful ever since."

> *We were such a basket case that the most effective consulting firm we could find (and it has a very high national profile) could do nothing with us, despite months of trying. Fortunately, this firm was familiar with Arbinger and referred us to them. Nothing has been the same since. We are*

now the most profitable company in our industry—doubling and even tripling the ROI of our nearest competitors. As a result of Arbinger, we have exceeded goals and created camaraderie to an extent completely unprecedented in my career.

Larry Heitz – Former CEO & President | Tubular Steel, Inc.