younger boss and has felt consistently left out of major decisions. The assistant director had confronted the director about her feelings and threatened to resign. How should the director handle this difficult conversation?

Goran Kapicic at Actavis China

The managing director of a multinational company turns a loss-making business into a profit-making venture by using his unique brand of leadership to change the organizational culture and develop a responsible proactive attitude in his employees. Throughout this process, many difficult personnel decisions must be made, including the decision to remove some senior employees who resist the necessary changes. Once under the new leadership team, recruitment and talent development become essential to the future growth of the company. The managing director wonders how to manage this challenge.

The Reading

On Leadership: Leadership and Loyalty

As Gandz writes, leaders expect their followers to be loyal and to be able to depend on their loyalty. . . . Good leaders understand that there is a difference between real loyalty and a related but different concept—fealty. Smart leaders understand that fealty is demanded, whereas loyalty is earned. In this article, the author notes some things that leaders can do to earn loyalty.

Carnegie Industrial: The Leadership Development Centre

Ken Mark and Michael Sider

Ken Mark wrote this case under the supervision of Professor Michael Sider solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

Introduction

Even though she knew it was coming, Shannon Copley, a director at Carnegie Industrial's Leadership Development Centre, was taken aback by her co-worker's outburst of emotion. Eleanor Galvin, the assistant director, had just issued what sounded like an ultimatum, her voice trembling with anger. Galvin was livid that she was not being considered for a full-time position in Copley's communications program.

It was May 12, 2007, and both women were standing outside Copley's office in Somerville, Massachusetts. With colleagues watching her, Copley wondered how best to respond.

Carnegie Industrial

Carnegie Industrial (Carnegie), headquartered in Stamford, Connecticut, was one of the biggest

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corporations in the United States with $125 billion in annual sales and 45,000 employees. Part of the S&P 500 since 1985, Carnegie was both a manufacturer of products for the engineering and construction industry and an industrial consulting firm, with clients primarily from the U.S. northeast. Carnegie had grown rapidly in the past decade as a result of a series of acquisitions. As a result, its workforce comprised at least four distinct cultures. In an effort to amalgamate the group, a leadership centre, patterned after General Electric's Crotonville facility, was built in Somerville, Massachusetts, in April 2001. Somerville was chosen for its location, which was central to the various Carnegie offices.

The Leadership Development Centre, or LDC, was housed in a refurbished factory, completely renovated to modern standards. A staff of 25 was led by Executive Director Elizabeth Silver and three directors. The LDC offered a menu of courses and leadership development modules. All new hires at Carnegie spent a week at the LDC as part of their orientation at the firm. The curriculum for these new hires focused on team work, financial analysis skills and the basics of project management. The leadership modules were reserved for grooming talent at the mid- and senior-level management ranks. In addition to the specialized programs in team-building, finance and project management, courses in two general areas were available: technical competency (specialized courses in engineering or science) and communications (courses in conflict resolution, negotiation, and written and oral communication).

Shannon Copley and Eleanor Galvin

Shannon Copley had been hired as director of the LDC communications program in April 2006, with a mandate to revive the program, which had foundered in the past three years as evidenced by its poor reviews. Attendees complained that the materials were either outdated or bland, and the instruction uninspiring. Although the former director had been relieved of his duties, Silver had retained the four staff members. Through an executive search firm, the LDC had interviewed several candidates for the director's position and had narrowed its search to two candidates, Copley and Galvin.

Copley, in her early 30s, had recently completed her PhD in English and Communications from a well-respected Eastern U.S. school and for the past three years had been working in the investor relations practice of a prominent Boston-based consulting firm. She was both articulate and approachable and was known for her innovative thinking and her project management skills. Copley had an informal business approach that valued results over decorum and hierarchy. Copley would arrive at work in casual clothing, wearing Birkenstocks. She encouraged her staff, all of whom were in their late 20s and early 30s, to dress in a similar manner. She disliked meetings, preferring to communicate through e-mail or personal contact. When she did gather staff for meetings, she was informal but efficient. She ran her meetings quickly, with lots of casual banter and humor, and her staff seemed to appreciate both the brevity of the meetings and Copley's enthusiasm. When clients addressed her as "Miss Copley," she would correct them with a wave of her hand. "Call me Shannon," she would say. On the other hand, Copley could be business-like when the situation called for it: when the consulting firm faced an accelerated deadline for the completion of a client project, Copley was able to work efficiently within her team setting to complete the job ahead of time. Her collaborative style was appreciated by her co-workers and superiors, and she had been recently promoted to manager level. Most recently, Copley had created an effective communications program for one of the firm's clients, and the program was winning plaudits from users. When

Copley was interviewed for the position, she impressed Silver with her candor, innovative thinking and confidence:

> I've seen effective and ineffective programs. And effective programs are typically more than remedial in nature and accessible to employees throughout the business. Your previous communications program was both inaccessible and remedial. It sent the message that, if you used it, you were in need of help. When your managers sent staff to the program, the staff felt they were being criticized—that their communications skills weren't adequate. Furthermore, there were some important areas that the previous program wasn't equipped to handle, like working with the business's growing number of overseas managers whose English language skills put them at a disadvantage here in the U.S. Programs like this should be open to all associates, whether they're native English speakers or not. Everyone can benefit from improved communications. I know there's some apprehension about the costs of such a program—if we make it less remedial and open it up to lots of people as a viable part of their leadership training in the company, there would be many candidates being coached—but we shouldn't limit it to the ones who need remedial help. We should use dedicated personnel for the coaching and have learning teams from the different ranks. Junior team members can learn from seniors and vice versa. If you hire me, some of the program elements may seem avant-garde but they'd represent current thinking in the field. Don't hire me if you don't want change.

Eleanor Galvin, the other candidate for the director's position, held a master's degree in English from Oxford University and had spent 20 years in the human resources department of an international technical services firm, where she had specialized, among other things, in the leadership development of managers for whom English was a second language. Galvin was 50 years old. A conservative person by nature, Galvin preferred formal business attire at all times and dressed immaculately in expensive business suits. She was known for her attention to detail and her love of protocol and process. Galvin was reserved, cool and analytical in her business approach, but beneath the reserve was a professional respect for co-workers and clients. Galvin had been instrumental in working with her team to develop a well-regarded coaching program. Although her team of subordinates had initially envisaged a broad-reaching, high-impact (but costly) program, Galvin was able to work with them to create a more focused and thriftier version. The team never seemed to disagree with Galvin's suggestions because she was the most senior person on the team. Since joining the firm, Galvin had been promoted through four ranks from assistant manager to senior director. Her superiors praised Galvin for her no-nonsense business style. "Miss Galvin's tough but fair," quipped a junior employee. Two months earlier, Galvin left the job to be closer to her family in Somerville and was actively seeking another position.

When Galvin was interviewed for the director's job, Silver was pleased with her grasp of the objectives and her precise answers:

> We should aim to help employees who can improve the most, and we should do this in a cost-effective way. There should be clear deliverables and regular progress updates. Although we would welcome suggestions from our team members—after all, the best ideas can come from anywhere—we need to keep this program focused. The last program was very good, but the material could be refreshed. Let's not throw out the

baby with the bathwater, so to speak. Too much change can be confusing to everyone, especially before we do the required analysis of existing processes.

The "Communicate!" Program Is Created

Although Silver was impressed by both Copley and Galvin, she decided to offer Copley the director's job on the basis of her superior academic credentials and her previous experience creating a communications program, which Silver believed would bolster both Copley's credibility in the training sessions and the LDC's credibility throughout the organization. An assistant director's position was created and offered to Galvin. Silver was delighted when Galvin accepted despite the assistant director's position being only half-time. Silver strongly believed that the skills sets of the two hires were complementary and that both could work together to build an excellent program. Certainly, the two women had different approaches, but Silver believed that increased diversity of thought and personality in the workplace could lead to better results.

"I trust you to turn this program around," Silver said to Copley on her first day of work. "Here is your budget, here are your people, and you have free rein to shape this program. The only caveat is that I would like you to work closely with Eleanor Galvin."

"No problem," replied Copley, confidently. It was April 2006, and Carnegie's recruiting season was just under way. Copley knew that she had at least a month before the new hires were ready for training. In addition, mid-level and senior staff were busy completing mid-year reports and interviewing candidates. Copley called a meeting of her five team members (four from the previous director's team and Galvin) for a brainstorming session. They developed a list of priorities, then identified key action items. The sign-up web page on the intranet was updated, presentations were scheduled for each of the business units and a curriculum outline was developed.

In the first few weeks, Copley sensed that Galvin was having trouble adjusting to her new role as the second-in-charge. On the first day, for example, Galvin had approached Copley and, shaking her hand, congratulated her on her appointment. Galvin had thanked her, assured her that she was looking forward to working with her and then said: "I'm a little confused, though, as to which office should be mine." Silver had previously asked Copley whether it was "okay with her" to share an office with Galvin for a few weeks until better offices became available for both. Copley had agreed with the arrangement and had assumed that Galvin would also have no problems with the arrangement. However, for Galvin, the lack of an office was a bigger deal than Copley had anticipated. "I just feel," said Galvin, "that it looks bad to the staff and to the whole organization to have two directors sharing an office. Can you try to find me an office of my own as soon as possible?"

Although she was a little surprised at the exchange, Copley talked to Silver, made a few telephone calls, spoke to one of her managers and found an office for Galvin. Galvin seemed delighted with the larger office, which had a window facing the park. Indeed, she spent a day at the company storage building looking for new office furniture.

Within six months, the communications program was generating positive reviews. The program's four managers—who were all in their late 20s—seemed to be excited about the new direction of the program, and they could often be seen spending time on program work after normal business hours. Copley and Galvin led training sessions for the managers once a week. Copley soon felt quite close to her managers, kindred spirits in many ways. Two of them had PhDs, and the other two had MBAs. They were young, bright, enthusiastic and incredibly quick learners. Copley often told Silver that working with them was one of the best things about her new job. These managers were the people who would help popularize the new program throughout the organization and train new program instructors—they were the core of the program—and Copley felt lucky to be able to mentor them.

Galvin, however, had some trouble with the managers. At the first training session, she seemed defensive, as if disconcerted by working with people who had the same if not more education. She spent a lot of time lecturing, used PowerPoint presentations and didn't entertain many questions. Copley, in contrast, passed out readings ahead of time and ran her sessions as small-group discussions. The managers seemed to respond with greater interest to Copley's training, but Copley felt that the difference in style between Galvin and herself was perhaps a good thing—the kind of balance that Silver was looking for in the program. Still, she noticed that the managers spent a lot of time with her and almost invariably brought any problems they encountered to her not to Galvin. Silver was worried that she was unintentionally disempowering Galvin in front of the other staff, a move that would make more work for Copley and cause Galvin obvious concern.

As time went on, Galvin, in Copley's opinion, continued to have trouble adjusting to the more collaborative, informal environment Copley wanted to create. In training sessions or when meeting with others in the organization in an attempt to sell the new program, Galvin continued to be almost rigidly methodical: she was more comfortable with one person after another speaking in turn, preferably starting with junior employees and ending with the most senior employee in the room. Her body language suggested that she had difficulty tolerating "push back" or "constructive criticism," although she had less of an issue when she was addressing the junior staff. Some managers within the company responded well to Galvin's style, however, and Copley continued to feel that Galvin, although quite different from her, was an asset to the program. Furthermore, Copley had by now found several portfolios in which Galvin's training and her aptitude for analysis and process were benefits (the development of communications courses targeted specifically at international leaders, for example), and Copley had made sure that these portfolios kept Galvin away from the more central decision-making process in the program, and, often, away from Copley's office.

Rumors and Reports

In March 2007, one month before the new program had completed its first year of operation, a friend from her old firm called Copley to tell her that he had met Galvin at a conference the week before. According to Copley's friend, Galvin had been actively soliciting offers from other employers at the conference. He had overheard her say that she was quite unhappy with the situation at Carnegie—that she felt "secondary" and "unappreciated" and would welcome a chance to run a program of her own. Her friend had also heard her say that she did not like being subordinate to someone nearly 20 years her junior. Copley recalled that at a dinner that both she and Galvin attended, she had overheard Galvin introducing herself as "one of the two directors" of the communications program. Copley had let it go without saying anything, although her husband, who had also overheard the comment, was angry.

In April 2007, with the program's first annual review of employee performance looming, Copley tried not to let what she had heard affect her judgment. She thought she would give Galvin a "very good," one notch short of "outstanding," because Galvin had indeed attained the goals Copley had set for her, and in the demanding environment of a new initiative. However, Copley felt that Galvin was still trying too hard to lecture to the managers, and that although her guidance was sound, her tone was condescending. One manager confided to Copley that, on more than one occasion, participants had noted on their feedback forms that they found Galvin "arrogant" and "aloof." And yet program enrollment was up 100 per cent, and positive reviews had tripled during the year. Silver was clearly happy at this rapid turnaround. In addition, Copley, Galvin and their team were accomplishing this feat with a smaller budget than before. The communications team was lauded for its success in improving skills across the organization, and Copley received a steady stream of congratulatory e-mails, which she shared with her staff. Talk at the management ranks suggested promoting Copley into an operating role within a few years. Galvin wasn't a great "fit," to be sure, but Copley had to admit she was part of the program's success.

Before actually writing Galvin's review, Copley met with her to discuss the process that would be used for the review. Galvin expressed concern with the use of "360-degree" feedback that incorporated managers' reviews of their superiors. Copley argued that she felt the managers' feedback was vital, given their centrality to the program and their very strong qualifications and performance. By this time, Copley was growing weary of Galvin's constant conservatism. She seemed to be trying to protect the status quo. Galvin, however, continued to argue vociferously that only her superior should provide feedback. Finally, Copley said, "Okay, if you only want my feedback, then I'm happy to limit the appraisal to my response alone." Galvin looked shocked. "I wasn't talking about your feedback, Shannon," she said. "I was talking about direct feedback from Elizabeth." Copley, confused, told her that Galvin reported directly to her, not to Silver. Galvin insisted that, as one of the two program directors, she reported to Silver, and angrily left the office. A few minutes later, Silver phoned Copley to say that she had just met with Galvin, who was unclear about the chain of command, and that Silver had informed Galvin "in the clearest possible terms" that Galvin reported to Copley.

Two weeks after the reviews were completed, Silver approached Copley:

> We're very pleased with your performance, Shannon, and we hope that you're happy with your role. We certainly want to keep you here. I want to tell you this in person because, as you know, the firm is facing difficult times and we have cutbacks across the organization. Fortunately, I made it clear that your program has my full support and, as a result, we shielded it from the cuts. The unfortunate thing is that we won't be able to expand the program as we discussed a year ago. In fact, I don't know if we'll be able to put in a budget increase in the next two years or so. I hope you understand.

Copley replied, "I can work quite well with the budget you've given us, Elizabeth. We'll make do." As she walked out of Copley's small office, Silver said, "I should also tell you that we're looking for your enrollment numbers to increase and your ratings to increase next year. This was the condition the management team asked of us, in exchange for protecting the current level of funding." Copley looked back and smiled.

A Difficult Conversation

Although Copley was happy to accept the challenge of increasing program enrollment and ratings on the current budget, she knew that the decision to freeze funding would not be taken well by Galvin, who wanted a full-time position. Indeed, Copley had just met with Galvin to talk about Galvin's completed performance review. Deciding that she did not want what might be simply differences in leadership style to affect the objectivity of her review, Copley had, at the last minute, decided to give Galvin an "outstanding" rating, despite her own reservations about Galvin's performance and the equivocal feedback from the managers. However, during the meeting, Galvin had used Copley's review to suggest that she be given a full-time position. Copley had told her that funds were frozen. Galvin had suggested letting one or two of the managers go, thereby freeing funds for a full-time position. Copley had responded that her suggestion wasn't an option. Galvin had left the meeting angrily and had called in sick the next day.

On May 12, 2007, Galvin approached Copley's office, and, standing in the doorway, burst out in tears:

> It's not fair to me not to provide me with a full-time position. I've worked really hard—as hard as you—over the past year, and my contributions have been central to this program's success. But you, Shannon, have basically alienated me from the managers, and you've deliberately kept me out of the loop during some of the most important program decisions this year. You don't trust me, and this is the first place I've ever worked where I wasn't trusted. It really hurts, and I can't go on like this. You either tell me right now how you feel about me and whether you'll ever support a full-time position, or I quit.

Goran Kapicic at Actavis China

Lowe Joo Yong

Professor Lowe Joo Yong wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

Goran Kapicic could look back at his time with Actavis China with much pride and satisfaction. By January 2012, the firm had finally earned a profit—a rare feat for a foreign generic drug-maker in China. Thinking back on his arrival at Actavis two years before, Kapicic knew he had come a long way, having made some difficult personnel decisions and overcome tremendous cross-cultural and international challenges, including threats to his life.

A capable and reliable core team was now in place to take Actavis China to the next stage of growth. Kapicic had realized that to succeed in China's extremely competitive generic drug market, there was a need to raise quality and gain consumer confidence. His strategy was to produce drugs of European quality that would be priced attractively to the Chinese market, but this plan would require a heavy investment in the recruitment and development of human capital talents. Given the low margins and difficulty of earning a profit, how should he strike a balance between the need to spend prudently and the need for employee development?

The announcement of the acquisition of Actavis by Watson Pharmaceuticals also meant uncertainty for Kapicic and his people. How would this change affect his employees, and how should he prepare them for the integration of Watson and Actavis? Would he have a new role? Would he still have his job?

Goran Kapicic

Kapicic was born in Croatia to an engineer father and a college-teacher mother. He credited much of his character to his traditional Croatian father, who was strict and uncompromising. Kapicic recalled: