

Johnson Institute

for Responsible Leadership

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Paul O'Neill: Cross-Sector Leadership Principles

Paul O'Neill has held top-level leadership positions in all three sectors – business, government, and not-for-profit. He has faced different challenges and opportunities in each sector, but his fundamental leadership principles and practices are unwavering and have produced significant impact wherever he has worked.

This case study is designed for use in schools of public policy, business administration, healthcare management, and any other educational setting in which enduring leadership values and skills are needed. While O'Neill's experience has been primarily in large and complex organizations, his leadership principles are applicable in smaller enterprises.

Prologue

Paul O'Neill stood before a group of students in the Graduate School of Public and International Affairs at the University of Pittsburgh. He had spent the previous hour describing the twists and turns in his career, from early government work, through leadership of the aluminum giant Alcoa, then service as the 72nd Secretary of the U.S. Treasury, and now head of a firm that helps hospitals improve safety and effectiveness. One of the students noted that it was difficult enough to succeed in one domain, but O'Neill managed to achieve top leadership positions in all three sectors – business, government, and not-for-profit. O'Neill responded, "Well, I suppose you could say that at each stage of my career, I was simply lucky to be at the right place at the right time." There was an awkward silence in the room until the student bravely responded, "Mr. O'Neill, your performance has been consistently excellent in every setting. With all due respect, sir, it doesn't seem to me that luck had much to do with it." O'Neill smiled and said, "Okay, but if there is one message you should remember from today it is this: Try your best be fully prepared in whatever you choose to do in life – from the humblest occupation to the highest level of leadership. Then when opportunity does come your way, you too will be in the right place at the right time."

Early Life

Paul O'Neill was born on December 4, 1935, in St. Louis but spent a large portion of his youth in Anchorage, Alaska, where his father was stationed at a military base. He met his wife Nancy Jo at Anchorage High School, where they graduated in 1954. At that time attending college was not on the horizon for young Paul, so he started as a laborer in various construction projects. Even in these early positions, O'Neill impressed his superiors with his knack for systems analysis and a curious mind and he was quickly promoted to



Paul O'Neill

served as the 72nd United States Secretary of the Treasury for part of President George W. Bush's first term. Prior to his term as Secretary of the Treasury, he was chairman and CEO of Alcoa and chairman of the RAND Corporation.

supervisory and project management jobs. He set his sights on advancing his education, receiving his BS in Economics from California State University in Fresno, followed by the study of advanced Economics at the Claremont Graduate School. A bit later, after joining the government, O'Neill received a Master of Public Administration degree at Indiana University's School of Public and Environmental Affairs (SPEA).¹

Government Service: Building the Framework

In his inaugural address, President John F. Kennedy implored Americans of all ages to contribute to public service: "Ask not what your country can do for you – ask what you can do for your country." O'Neill recalls being deeply moved by those words and impressed by the pool of intellectual talent that President Kennedy had assembled. "I wanted to be part of that effort. I wanted to make a contribution."

O'Neill began his public service as a computer systems analyst with the Veterans Administration, where he worked from 1961 to 1966. He credits this position with honing the analytical skills he relied on for the rest of his career. "In order to write computer programs, you really need a mental framework," he explained. "You need a way of ordering information."² It was this structure and ordering of information that would serve O'Neill for the rest of his career, by providing a framework through which he approached and worked through the various leadership challenges he would encounter. How well are we performing? What's stopping us from doing better? What's stopping us from being the best?

Paul joined the United States Office of Management and Budget in 1967, rising to serve as deputy director of OMB from 1974 to 1977. During his tenure at OMB, he became known for his "fierce analytical crusades," whether in the creation of new programs or dismantling of old programs.³ While OMB is known for its focus on numbers, budgets, and results, O'Neill saw that behind every government program, regardless of its scale or scope, lay an aspirational goal – an ambitious vision of success. The performance of any government program was revealed not only by its budget and quantitative metrics, but by its ambitions.

I actually like aspirational goals because I think people respond really well to [them]. And the phrase, The Great Society, always appealed to me because it seemed to me aspirational ... it's not about the government, it's about we the people aspiring to be a great society.⁴

This unlikely marriage between value-driven, idealistic goals and rigorous, ordered intellectual questioning became pillars of O'Neill's leadership style for the entirety of his career. He would ask question after question in order to get to the bottom of a problem, working toward solutions in an evidence-based and methodical way and then communicating those ideas to others in unambiguous language. Even when he was providing answers that were counter to prevailing attitudes or opinions, his methods provided creative, yet simple solutions to complex problems. Geoff Webster, co-founding principal at Value Capture LLC, explains:

What Paul does at the fundamental level is ask very simple, seemingly childlike, questions but the questions are deceptively simple; they challenge logic in fundamental ways ... and cause you to challenge your own thinking. This is how he and anyone else can learn to lead in many types of organizations – because the values and the scientific method are the same whatever industry you work in.

Why is the organization pursuing this goal? Why do the people perform their tasks in this way? How will we know if we have succeeded? Is there possibly another goal or another method that might be better? These are the types of questions Paul O'Neill has asked throughout his professional life.

Having spent 15 years in public sector service honing his methodical approach to problem solving, O'Neill eventually turned his attention and skills to the private sector, where he would spend the next 20 years.



Student Discussion

With his MPA degree from Indiana University, Paul O'Neill's advanced educational credentials are in public administration, not business administration, and his formative professional service was in government, not the corporate sector.

In what ways is government service an excellent training ground for corporate leaders? What public administration ideas and techniques translate particularly well to the private sector?

Corporate Leadership: Refining Values

O'Neill left OMB in 1977 to become vice president (1977-1985) and then president (1985-87) of International Paper, a massive pulp and paper company that supplied the majority of newsprint paper in the country, packaging, and other products. O'Neill readily admits that he had no prior management experience in the paper industry. Nonetheless, he was ready to put to work his inquisitive mind, his curiosity about systems, and his penchant for evidence-based decision making that he had honed at the OMB.

Just before leaving, he guided International Paper through the acquisition of Hammermill Paper Company, paving the way for the company to continue to thrive and prosper after his departure. The principle of *stewardship* demands that leaders endeavor to leave the enterprise stronger and more viable than when they arrived. This requires steady investment in the organization's capacity, in its human talent, and in systems that provide the foundation for growth and sustained performance. As Jim Collins has noted, stewardship also requires leaders to surrender their egos because their capacity-building investments may not bear fruit until after they have departed.⁵

O'Neill left International Paper to become chairman and CEO of the Pittsburgh industrial giant Alcoa (Aluminum Company of America), a position he held from 1987 to 1999. He retired as chairman at the end of 2000.

With his affinity for value-driven goals and emphasis on people as the company's most important resource, he began a campaign to make safety a key priority at Alcoa. Despite shareholder concerns on the emphasis on safety over profit,

"The Safest Company in America"

In October 1987, Paul O'Neill, the new CEO of Alcoa, gave a speech to a large group of New York investment advisors who were curious about how he intended to correct growing problems of product quality and declining profits that had recently shaken Wall Street's confidence in the Pittsburgh-based aluminum giant. O'Neill described in detail the hazardous conditions under which aluminum is made "...metals as hot as 1500 degrees, sweltering factories, and equipment that can rip a man's arm off." He spoke of the moral imperative to "send our workers home safely to their families" but also the tremendous costs in lost work time, insurance, and worker morale. When he concluded his remarks, the audience sat momentarily in stunned silence. Finally, one investor tentatively raised his hand to ask O'Neill about its huge inventory management costs and what he planned to do about it to boost profit margin. O'Neill shot back somewhat impatiently, "I'm not certain you heard [what I have been saying here for the past hour]. If you want to understand how Alcoa is doing, you need to look at our workplace safety figures... Our safety record is better than the general American workforce ... but that is not good enough. I intend to make Alcoa the safest company in America. I intend to go for zero injuries."

Alcoa's market value increased from \$3 billion to \$27.53 billion⁶ during O'Neill's time at the helm. During this time, Alcoa's safety record of lost workday incidents dropped from 1.86 to 0.5 per 100 employees⁷, closing the gap between itself and DuPont, a worldwide industry leader in safety.

O'Neill said that "[he] was prepared to accept the consequences of spending whatever it took to become the safest company in the world."⁸ But he also emphasized to employees that budgeting for safety would not be an acceptable approach: he wanted safety to become part of the day-to-day workings of the company, not an afterthought. In a word, his main strategy at Alcoa was to create a safe workplace for his employees, believing that "values drive value." Somehow O'Neill understood that a focus on safety would have a cascading effect on literally every other aspect of the company – product design, market research, production, operations, finance, and administrative support.

As part of this emphasis on safety, O'Neill tasked graduates from Carnegie Mellon University to develop a real-time safety-reporting system that would post all Alcoa injuries and incidents within 24 hours after they occur, along with the corresponding root-cause analyses, corrective actions, and involved employees' names. O'Neill explained:

*Because one of the things I've learned is, if you're managing numbers, it feels a lot different than if you're dealing with individuals, human lives, and injuries to people. So, if somebody got hurt, I didn't want to penalize them by calling their name out. But I wanted their co-workers to know, "My friend got hurt. This is another human being. This is not about OSHA recordable rates or something – this is about individual human beings who are part of our family."*⁹

Along the way, O'Neill refined a credo that he believes should define every workplace, whether in government, business, or the not-for-profit sector. He says that everyone at the organization should be able to answer "yes" to the following questions:

1. Am I treated with dignity and respect by every person I encounter, every day, regardless of title?
2. Am I given everything I need to make a contribution to the organization that gives meaning to my life?
3. Am I recognized for my work by someone I respect and whose opinion I value?

O'Neill gives this example: "Why should the hospital cleaning crew be treated any differently than the brain surgeon? They may not have the prestigious credentials, but if they do their work poorly resulting in infections, they can undo all the things accomplished by the surgeon. Moreover, if the hospital's systems and procedures prevent them from doing their job, then the lack of respect given to them is even more unjust and tragic."

Multiple opportunities to test his commitment to safety and transparent reporting presented themselves during O'Neill's tenure at Alcoa. After proclaiming the priority of workplace safety, he received a phone call from a production worker late at night reporting that the conveyor belt in his company had been broken for 2-3 days. O'Neill instructed the plant manager to fix the problem immediately and call back when

the repair was finished. The call came at 5 a.m. Word of the new CEO's commitment to safety began to travel quickly through the company. Says Ken Segel, Value Capture LLC's Managing Director, these "unprecedented levels of transparency at Alcoa made people feel like the company cared about them."

What's more, he never ignored problems related to safety, no matter how trivial it seemed and even fired a vital executive for not following company protocols. In the mid-1990s, Paul was alerted by a report from Sister Mary Margaret and the Coalition for Justice in the Maquiladoras (CJM) to several instances of illness in workers in Mexico. Alcoa was accused of continually exposing its workers to dangerous fumes, although CJM had not visited the plants themselves.

In the absence of any firsthand information, O'Neill followed up by commissioning a committee to investigate the accusations and he personally visited the plants shortly after the investigation report was submitted. As a result of these actions, Paul discovered that there had been unreported carbon monoxide poisoning accidents in two plants that had sickened around 30 employees in each plant. Although the findings reported by the investigation team sent by O'Neill were positive overall, showing the division had far fewer workdays lost than other unit of Alcoa and other similar companies, Paul still fired the plant manager, since he failed to report the illnesses.

How was O'Neill able to improve the safety record of an aluminum company in an industry he knew almost nothing about? "He's used not being a subject matter expert to his advantage," says Ken Segel. Geoff Webster further elaborates:

This is really about values and the scientific method. Universal value and respect for individuals. Scientific method is something any human being can apply to any circumstance. One of the enormous mistakes our world has made is the focus on subject matter expertise. Every human being has problem solving and learning built into us.

Mr. O'Neill had identified an issue that was important to him and he felt should be important to other employees and shareholders as well. He placed an enormous emphasis on the value of each individual person working at Alcoa,

from janitors to senior management. Using his analytical framework and scientific method, he investigated what would be needed to report safety incidents in a timely fashion and then act to prevent similar incidents from occurring in the future. Karen Feinstein, President and CEO of the Jewish Healthcare Foundation, puts it this way:

Paul is one of the most strategic and analytic thinkers I've known. When he engages in solving a problem or advancing a worthy mission, he's the one who sets the agenda, champions the cause, [and] provides the intellectual foundation.

Student Discussion

Paul O'Neill not only made Alcoa one of the safest companies in the world, but also among the most profitable. During his tenure as CEO Alcoa increased its market value by more than 800%. Discuss how his emphasis on safety could not only co-exist with profitability, but actually fuel the engine of growth and earnings.

As of this writing, nearly 20 years after O'Neill's departure, Alcoa operates across more than 40 countries at a lost workday rate that is 20 times lower than the average rate for American hospitals. Alcoa's continuing emphasis on safety suggests that O'Neill had a profound impact on the culture of the company. In general, how do leaders impact the culture of an organization? In particular, what actions did Paul O'Neill take to shape the culture of Alcoa? How does this relate to the leadership principle of stewardship discussed earlier in the case?

Value-Driven Decisions in Times of Crisis

President George W. Bush nominated Paul O'Neill to serve as 72nd Secretary of the U.S. Treasury on January 20, 2001. O'Neill's leadership at Alcoa was by this time legendary and he had already demonstrated his public policy insights through service on a variety of commissions and task forces.¹⁰

O'Neill arrived at the U.S. Treasury Department not as a disciple of laissez-faire economics like other advisors in the Bush administration, but as a progressive voice on economic issues such as taxes, the environment, and domestic spending. In fact, on many issues O'Neill was a rather

unconventional Republican, holding moderate beliefs that defined and eventually soured his tenuous relationship with the President over time.¹¹

The president certainly had plenty of evidence of O'Neill's philosophy. As Alcoa chairman, for example, he worked together with the United Steelworkers and developed a good relationship with the union president. Moreover, he had advised Bush's father, George H. W. Bush, to break his "no new taxes" pledge and raise taxes to stabilize the economy, a move that pundits saw as critically damaging to Bush's 1992 re-election campaign.¹² In the past, O'Neill also had called for a gas tax hike to support energy conservation. *The Nation*, a left-leaning magazine, said O'Neill "understands the power of activist government to intervene in the private economy and has demonstrated a taste for doing so."

Despite not being completely aligned with the Administration's agenda, President Bush admired O'Neill's turnaround work at Alcoa and wanted O'Neill to bring to the U.S. Treasury Department some of the same principles of data-driven analysis and responsible corporate governance. O'Neill's frank, transparent approach to corporate leadership had contributed to one of the most successful corporate turnarounds in history. He carried this approach through to the public sector, with mixed results.

Less than nine months following O'Neill's Senate confirmation, the 9/11 terrorist attacks occurred, catalyzing public fear, not only for the nation's security but also for the stability of its social and economic fabric. Former Pennsylvania Governor Tom Ridge served as Assistant to the President for Homeland Security during Secretary O'Neill's tenure at the Treasury.

In those challenging days after 9/11, the steady hand and leadership provided by Secretary O'Neill was very much welcomed. Paul was one of only a handful of senior officials in government at that time whose absolute priority was to help the cause rather than protect his turf at Treasury. He spoke strongly to the President and our team, with a sincere commitment to meet the extreme national challenge before us. Believe me when I say, this made him unique in DC circles.

Rowing Against the Current

It is late 2002 and Paul O'Neill is seated at a large table in the Situation Room of the White House. As Secretary of the U.S. Treasury, O'Neill is a member of President George W. Bush's Security Council. Donald Rumsfeld, Secretary of Defense, Vice President Dick Cheney, and Secretary of State General Colin Powell are also in the room. At the end of the table was President Bush himself. Before them on the table was a large map of Iraq and an assortment of satellite photos that depicted, according to the other men, locations where Saddam Hussein had stockpiled biological, chemical, and nuclear weapons.

Hussein had long been a destabilizing force in the Persian Gulf. He was suspected of supporting terrorist organizations and, following the attacks of September 11, 2001, Bush and others began building a case to remove him from office by force. If the administration could produce credible evidence that Hussein was in possession of weapons of mass destruction (WMDs), the case for an invasion of Iraq could be presented to the public.

The other four men around the table looked at the map and the photos with grim satisfaction. Here in front of them was the evidence they needed to build the case. The conversation quickly turned to the military options for the invasion and subsequent stabilization of Iraq.

Secretary O'Neill, however, was unconvinced by the grainy photos in front of him. "Mr. President, I don't see it." The President looked puzzled. "Pardon me?" he asked. "I just don't believe these photos present credible evidence of WMDs," said O'Neill, "And I advise against using this evidence to justify an invasion." Again, as was the case when he met with New York investors years earlier, the room fell momentarily into stunned silence.

After 9/11, some of Bush's advisors pressed for economic stimulus in the form of permanent tax cuts but, according to O'Neill, proponents of this plan had little evidence to prove this stimulus would be effective. O'Neill viewed the situation as an opportunity to revamp the Treasury's slow, antiquated economic data collection system, and to build strong evidence for opposing the tax plan in the process. O'Neill instituted a task force to analyze key indices for trends on economic performance. He presented information that showed the economy performed well in the final quarter of 2001 following the attacks, despite economic concerns. His use of real-time data provided "a counterweight to anecdotal evidence and the fearful prognostication that flowed from it."¹³

To O'Neill, analytical tools and a knowledge of organizational behavior are critical leadership skills. "For all subjects in which you are going to make decisions, you should learn enough about it so that you do not have to accept the judgment of an 'expert' for things that are principle-based,"¹⁴ O'Neill wrote. In his disagreements with the President and other advisors over economic policy, O'Neill backed up his policy recommendations with data and evidence.

O'Neill also had a reputation as an honest broker since his earlier years as an advisor to President Nixon, who demanded evidence-based memos to settle policy disputes. These lengthy memos presented information, data, positions of all sides of an argument, and strong analysis. O'Neill recalls, "[Nixon] forced us to not only collect the data, and be completely thorough about where all sides stood, but to really think deeply about the ideal of good government and how to get there."¹⁵

"There is more that we have to do to bring analytical rigor, sound information-gathering techniques, and real, cost-benefit analysis to bear on what government does—or what we ought to think about doing—otherwise we're just flying blind. You can't just move on instinct. You end up making too many mistakes,"¹⁶ O'Neill tried to work through Vice President Dick Cheney, who had enormous influence in the Bush presidency, to base all decisions on evidence-based analysis instead of pure political ideology.

His direct methods were further tested following corporate accounting scandals at Enron, Tyco, Worldcom, and other organizations that had shaken investor confidence. In early 2002, President Bush tasked O'Neill with spearheading the effort to press the nation's top CEOs to adopt stronger corporate governance standards. While developing recommendations, he rebuffed White House rival Larry Lindsay, the architect of Bush's \$1 trillion tax cut, who pressed for greater incentives to entice CEOs to behave better. O'Neill insisted a new "value system of responsibility and transparency" placed on CEOs would lead to more informed investors.

Despite this faithfulness to ideals and transparent method of presenting his conclusions, O'Neill resigned from his position December 6, 2002, amid disagreements with the White House's economic advisors and the President himself. The head of the American Enterprise Institute, a conservative think tank, lamented the loss of "rigorous O'Neillian analysis" at the White House following his departure.¹⁷

Student Discussion

Paul O'Neill's unwavering commitment to evidence-based decisions served him well early in his public service at OMB and throughout his tenure in corporate leadership. Yet it created tensions and eventually unresolvable conflicts when he applied the same principles as Secretary of the Treasury in the Bush administration.

In your opinion, what accounts for these dramatically different outcomes? What does this say about the challenges of "speaking truth to power?" Should O'Neill have modified his approach or the way he delivered his message?

President Abraham Lincoln chose a cabinet composed of people who didn't always share his views and who often battled with each other. Some were even political rivals.¹⁸ What does this say about the leadership style of Lincoln versus that of most other presidents, including George W. Bush? What leadership traits does one need to intentionally pick a team that will be challenging and provocative? What leadership skills are needed to effectively manage that type of team?



Challenging the Values of the Health Care Industry

In 2005, Paul O'Neill co-founded Value Capture LLC, a consulting firm aimed at increasing safety, quality, and efficiency of care at health care systems around the country, while also reducing costs¹⁹. But O'Neill had dedicated himself to the improvement of health care service provision and the reduction in medical errors for years prior to Value Capture.

Nine years before, he worked with the Pittsburgh Regional Healthcare Initiative (PRHI) to drive the total number of safety events in hospitals to zero. Geoff Webster remembers the initial pushback of this ambitious goal:

When we first set the goal of zero safety events at [PRHI] in 1998, it was before anyone ever had that idea. It was just assumed that a certain percentage of people would get surgery site infections or would contract an infection from their stay in the hospital. Mr. O'Neill was the person who ... shared the goal of eliminating all harm and that it should be pre-conditional. Immediately, many physicians said, "We don't know how to not give people infections. We don't know if it's possible. How can that be a goal?"

Within a span of 18 months, all health institutions in the Pittsburgh region had signed a commitment to zero infections and zero medical errors. Three of those institutions actually got to zero within 18 months, with 29 hospitals in the region seeing a 63 percent reduction²⁰. According to Geoff, "With courage and conviction, you stand up for the goal...we will never learn how to achieve that goal if we don't pursue it." Karen Feinstein, President of the Jewish Healthcare Foundation which helped lead the effort, takes her praise one step further: "He's reshaped our thinking about performance excellence, and he's helped us re-envision our political, corporate, health, and educational systems."



It was with that same courage of conviction that Value Capture was started, says Ken Segel:

Value Capture as an organization [expanded its work] around the country and beyond to work with leaders who understood that Mr. O’Neill’s principles are not just about executing specific projects successfully or improving near-term prospects of their healthcare organization. It’s much more about creating a platform for sustainable excellence that can live for generations rooted in the aspirational nature of human beings wanting to do good work.

Value Capture is a licensed affiliate of the Shingo Institute, a model of principles of behavior that can guide corporate culture. The framework was developed by Dr. Shigeo Shingo as a set of guiding principles and put into practice in the private sector by Toyota executives²¹. These principles reflect O’Neill’s own emphasis on leading with humility, respecting every individual at a company, and thinking systemically. It also provides a helpful tool for consultants working in industries they may not be familiar with. In Geoff Webster’s words:

I am not a doctor, have never been a CEO, but I can help people use the scientific method to improve. O’Neill learned this from Toyota and from other people. These questions cause you to challenge your own thinking. This is why he and anyone else can learn to lead in many types of organizations because the values and the scientific method are the same whatever industry you work in. We often know nothing about the fields we work in, but that works regardless of the context.

Value Capture uses these principles in its consulting work with hospitals, demonstrating to them the importance of developing personnel and aligning organizational operations to goals. They provide training and consulting services to hospitals and health networks around the U.S., forcing organizations to confront key issues and barriers preventing organizational growth.⁴ Critical to this is a focus, not just on systems, but on people who work at every level of the hospital. Webster continues:

I remember walking through a hospital and meeting a frontline nurse. She was drawing blood and the needle came out. Mr. O’Neill asked her what perfect would look like, how to guarantee nothing in the draw would go wrong. No one had asked her that question before... Mr. O’Neill has a profound belief in people and learning and what people can do when set up for success.

Value Capture staff have also taken ownership of the mission themselves, authoring papers in the Harvard Business Review and Shingo Institute blog on how these systems can be leveraged for organizational transformation.²² The emphasis, as in Paul O’Neill’s tenure at Alcoa and at the Treasury Department, is on creating a culture of action that is led by the management team and echoes down the chain of command. These changes are not simply top-down, but an attitude shift within the entire organization. As Ken Segel remembers:

Mr. O’Neill said, “This is your responsibility. I am giving you questions to help you decide how this might be implemented.” This was simultaneously empowering and terrifying. He’s setting the vision, but then expecting people to do everything in their power to move that direction.

The importance of working towards this type of organizational change with respect to each individual is key to O’Neill’s success here as well as at the Shingo Institute.

Hospital Governance

In 2004, Paul O’Neill vocally resigned from the board of directors of Western Pennsylvania’s largest health care system after serving just 20 months. His rationale, which he freely shared with the media, was that the executive team of the health system was not providing the directors with the information they needed to effectively govern the massive institution. In effect, the executive team was hindering the board in the exercise of its fiduciary responsibilities. This captured the attention of the entire business community and the media.

Were the executives engaged in malfeasance or other illegal or unethical behavior? No.

Was the board receiving insufficient data on the operations and performance of the health system? No.

Was the data inaccurate or intentionally misleading? No.

The problem, O’Neill asserted, was that the executive staff buried the board in a blizzard of data before every meeting, usually with briefing books so voluminous that no board member could reasonably be expected to read and absorb the information. Technically, the staff were being transparent with the board but, in a practical sense, board members could not possibly wade through the mountain of briefing materials presented to them before and during their regular meetings. In other words, O’Neill accused the staff of obfuscating their work by providing the board with **too much** information. As in his corporate and government actions, observers were left to ponder Paul O’Neill’s uncompromising standards and views that ran against the current of “expert” opinion.

Transparency is another critical element of being able to communicate the results of his work, not just within the industry, but to the greater public as well. During an early push to create a registry of cardiac surgical groups in the Pittsburgh region to document surgical outcomes and infections, O’Neill encouraged the groups to share their results with each other as well as publicly as an accountability measure. He was met with initial resistance from some hospitals who realized their outcomes were significantly worse than others. According to Geoff,

[He focused] on the fact that [the hospitals] were being an honest broker in the community and [getting] clarity on facts. What could we accomplish if we identify what works well and doesn’t work well in our hospitals? By the end of the meeting, all the hospitals had committed to using the registry.

Numerous case studies from Value Capture detail how this principles-based approach to organizational transformation has not only changed the way the hospitals do business but has also changed the lives of the patients they treat for the better. As with O’Neill’s overhaul of Alcoa’s safety procedures, however, the emphasis is not on money saved. Ken Segel says it’s focused on reducing medical errors and improving the experience for workers and patients.

Very recently, he challenged [Value Capture] that some of our partners are less inspired to work for safety of staff rather than patients. One of the things we really stand for is that organizations who don’t care about staff can’t effectively care enough for their patients. He looked us in the eye and said we have to find a way to work with partner organizations to convince them that these two things go together.

At the University of Virginia Health System (UVA), the hospital has seen 62 percent reduction in hospital-acquired infections; 95 percent reduction in inventory stock-outs (when needed supplies are not available); and an employee injury rate cut in half. These, among other improvements, saved the health system over \$13.5 million in two years. Meanwhile, UPMC Northwest increased safety reporting of events by 500% in the first year, while reducing the number of events that reached a patient by 66%.²³

THE GUIDING PRINCIPLES



Conclusion

Paul O’Neill received the 2018 Exemplary Leadership Award from the Johnson Institute for Responsible Leadership in the Graduate School of Public and International Affairs at the University of Pittsburgh. A person who could not attend the event sent a note saying “Mr. O’Neill, my father worked for Alcoa for decades as a line worker. I remember how proudly he spoke of his work and his respect for you and for Alcoa. I deeply regret that I cannot be present today to shake the hand of the man who changed my father’s life.”

Paul O’Neill’s approach to leadership transcends organizational missions or sector boundaries. These principles are equally applicable in a small nonprofit organization, a giant industrial firm, or a government agency:

- Questioning the status quo: Through O’Neill’s long and storied career, he has repeatedly asked, “What are our priorities? Why are we doing it this way? Can it be done better?” While respectful of experience as a teacher, O’Neill has never subscribed to the notion of doing something just because “we have always done it this way.”
- A systems perspective: Paul O’Neill understood that an emphasis on safety would impact virtually every aspect of Alcoa’s operations and management. He understands the interactions and interdependencies in an organization and knows what changes will have the greatest system-wide effects.
- Concern for people: Mr. O’Neill understands the fundamental principle that an enterprise simply cannot function without people dedicating themselves to giving their best efforts. “Good enough” is simply not good enough for Paul O’Neill. Yet rather than force or drive people to their limits, O’Neill draws on the genuine motivations of human beings – pride in work, confidence that leadership will create a collaborative climate, and commitment to the highest standards of performance.
- Evidence-based decision-making: Paul O’Neill makes decisions based on evidence, not precedent or emotion.

- Stewardship: O’Neill builds capacity in every organization he touches, helping to make the organization stronger. He knows that the fruits of those investments may not ripen till long after he leaves the organization and that someone else might get the credit. That is not his concern. Rather, he is focused on leaving an organization stronger than when it was entrusted to his care.
- Accountability and Integrity: O’Neill demands as much of himself as he does of others. He sets high standards and is transparent about failures as well as successes. Above all, he insists on personal and organizational integrity.

In an era when evidence-based decision-making often falls victim to political expediency or succumbs to a blizzard of social media opposition, Paul O’Neill’s approach to leadership is perhaps viewed as quaint by some cynics. Yet leadership that blends demanding standards of performance with a concern for the individual will always be beneficial to our institutions, our world, and our fellow human beings.

Student Discussion

Today’s political environment is highly polarized, with debates often drawing more on ideology than strong evidence-based analysis. Even in business and not-for-profit organizations pre-ordained solutions, embedded beliefs and assumptions, and even just “tradition” can conspire to mute the voices of those who ask the fundamental but challenging questions like those posed by Paul O’Neill throughout his career.


Is it possible for you, as entry-level professionals, to constructively challenge the status quo? At the opening of this case study Paul O’Neill urges students in the audience to: “Try your best be fully prepared in whatever you choose to do in life – from the humblest occupation to the highest level of leadership. Then when opportunity does come your way, you too will be in the right place at the right time.” Does this advice help you respond to this question?

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References:

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