

# How C-Suite Leaders Inspire What's Next



Led by:

**Mike Lamach**  
Former Chairman and CEO of  
Trane Technologies

Constant change is crowding out focus. Leaders are being rushed to absorb rapid advances in AI and geopolitics. Boards demand ambition and safety in the same conversation. And decisions made from a place of fear create whiplash within the organization.

Mike Lamach rebuilt Trane Technologies by cutting out the noise and focusing on creating value. Over eleven years as CEO, he prioritized creating a long-term advantage, committed five points of margin back into the product portfolio every year, and never let productivity lead to layoffs. Under his leadership, Trane delivered more than 700% total shareholder return.

“To my grave, I will tell you, the flywheel starts with talent and engagement.”

**Mike Lamach**

## THE FLYWHEEL

Mike led Trane through a flywheel: trusted leaders built engagement, engagement powered productivity, productivity funded innovation, and innovation attracted the next generation of talent.

### 01 Talent & Engagement

#### Build engagement through trust

Engagement is the extent to which people understand the strategy and trust the key decision-makers to lead it successfully. Engagement leads transformation by about a year. When engagement rises, transformation begins to stick. Where trust is low, even a sound strategy stalls.

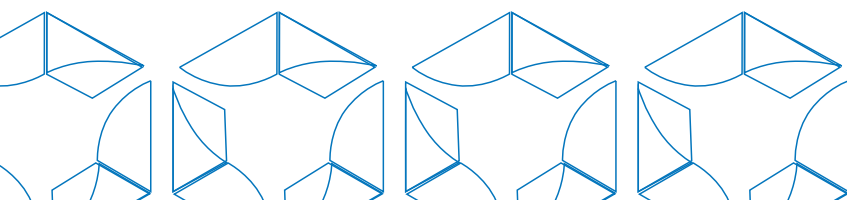
“I can't imagine doing any transformative change where the trust level is low around strategy or leadership.”

**Mike Lamach**

#### Diagnose and reward engagement

Build a measurement system that captures how direct reports experience their immediate leader and how those same employees experience the company. Identify where barriers to engagement may lie.

Recognize the top performers publicly. Engage privately with the bottom performers and provide help where needed. Coach those who are receptive to development, replace those who aren't.



## Protect people through productivity gains

Productivity gains resulting in layoffs instill fear in the workforce that produced them. To encourage and sustain innovative ideas, commit publicly that any roles made redundant by productivity gains will be redeployed.

### CASE STUDY

#### The No-Layoff Commitment

Each rapid improvement event at Trane reduced the headcount needed to run a process. A line that had required 25 people now ran with 15. Mike Lamach committed that the 10 freed up would never be laid off. They became coaches on the next event, mentors to the teams running it, and capacity the business absorbed as it grew.

The commitment held for eleven years. Trane never realized a productivity gain through a reduction in force. The only exits from the company were retirement, attrition, and performance.



## 02 Turn productivity into growth

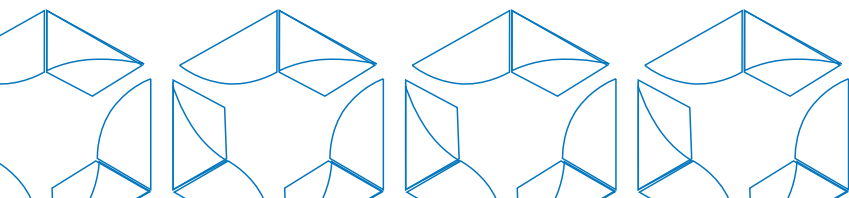
### Fund innovation through operational productivity

Drive a lean culture through manufacturing, supply chain, and the back-office to free up funding for innovation. Focus on the customer experience.

“Lean is doing more of what the customer values, and less of what they don’t.”

**Mike Lamach**

Then reinvest a fixed share of the resulting margin into the product portfolio every year. Use the board to shield against investor resistance. Take the board through the nuts and bolts of the strategy. Most board members are not technical, and they need to understand how the strategy will lead to productivity and growth. Excitement built around the boardroom becomes air cover when investors become impatient.



## Compensate for the outcome you want

Productivity translates into growth when compensation aligns operational owners with commercial outcomes. Pay managers and product owners on market share growth and margin expansion, rather than plant-level efficiencies.

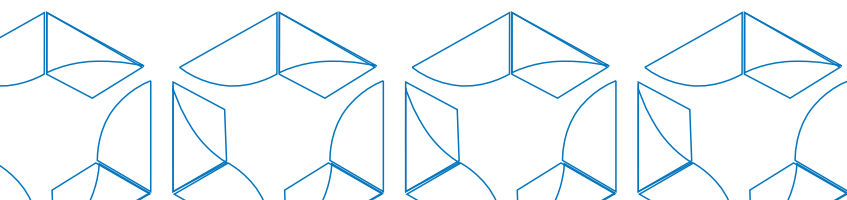
### CASE STUDY

#### Product Growth Team

Trane built a product growth team around each major product line. The team combined three leaders: the plant manager where the product was built, the product manager responsible for its P&L, and the engineering manager responsible for its technical roadmap. Voice of customer and voice of sales sat in on every decision.

The team ran on a fixed cadence. One month of analytics to identify a specific weakness in a competitor's portfolio or customer base. A six- to nine-month window to invest against that weakness with a rapid product improvement. Then the next line.

Product lines with a growth team delivered roughly twice the revenue growth of those without one.



## Price against lifetime cost, not acquisition price

Increased productivity allows for strategic pricing. Anchor pricing against the competitor's total cost of ownership across the asset's life, not the purchase price. The room between competitors' lifecycle costs and yours becomes your pricing band.

### CASE STUDY

## Lifecycle-Cost Pricing

Trane priced its commercial chillers against a specific question: what is the total 30-year cost of ownership of each competitor's equivalent equipment? The answer factored acquisition price, projected energy consumption, and maintenance intervals.

With the benchmark mapped, Trane priced as close to the competitor lifecycle cost as possible. On top of that price, it stacked the differentiators only Trane could offer: the refrigerant mix that met customers' sustainability commitments, and the efficiency improvements that reduced the customer's lifetime energy and maintenance bill.

The result was eight times the initial acquisition profit captured over the service life of each unit.



## 03 Innovate to leapfrog, not catch up

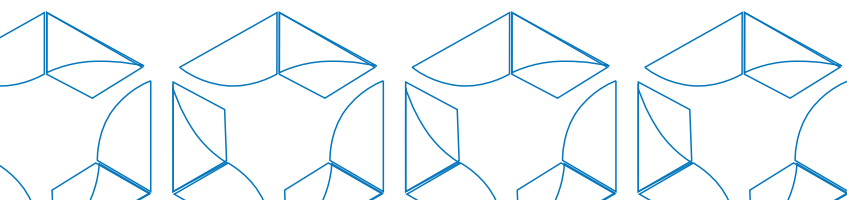
When the market forces a pivot, the comfortable response is to comply and follow. The breakthrough response is to redefine the category.

## Engineer against the cause

Treat the forced moment as a license to solve a bigger problem than the one in front of you. Look past the immediate requirement and engineer against the cause. The product built at that level outlasts the rule that provoked it.

“We can't just meet the market. We're going to have to go back to our roots and figure out how to really reinvent something new.”

**Mike Lamach**



Breakthroughs sit at the intersection of an existential threat and a “what if” posture. The threat unlocks bigger ideas because survival is at stake.

## Run innovation at three horizons

Most innovation lives close to the customer in the short and mid-term. That is the right place for near-term work. Long-horizon innovation belongs at the corporate center, funded from the balance sheet, with the best scientists and engineers exploring what the next generation of products could be.

## Separate technology development from product development

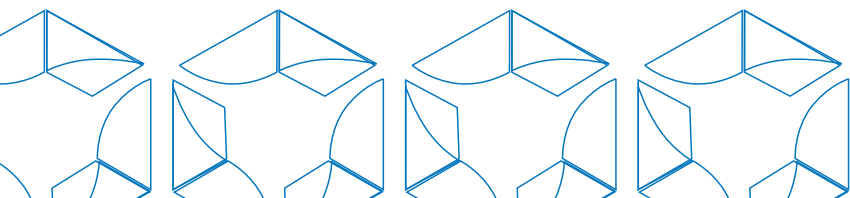
Missed product launches often trace back to technology that was not ready in time. The product roadmap embeds unproven technology, the technology fails, and the product slips with it. Break them apart. Develop the technology first, prove it at a readiness level your engineers can defend, and only then put it on the product roadmap. The separation looks serial, but in practice, it runs faster because products ship on time when the technology they rely on is mature.

### CASE STUDY

## The Trane Reinvention Arc

Mike Lamach stepped into the Trane business inside Ingersoll Rand in June 2008, weeks before the financial crisis. The market cap halved. The bridge loan that financed the acquisition was coming due. Rapid due diligence surfaced a second crisis: a quarter of the Trane portfolio was about to become illegal under new refrigerant rules, and the chlorinated systems that had built 40% of Trane's commercial-industrial share were no longer relevant. The engineering bill to re-engineer was \$500 million against a market cap of six billion.

Trane chose to build past the regulatory minimum. It engineered a commercial chiller with zero direct greenhouse emissions and the industry's best efficiency in a single product. The chiller launched in 2013. Thereafter, Trane did not post a quarter without double-digit revenue growth.



## 04 Lead with discipline

### Print your calendar against your priorities

Mike printed six weeks of his calendar every Sunday night. He read every meeting against his top two or three priorities as CEO and asked whether the meeting was uniquely his or could be run by someone else. Whatever someone else could run, he handed off.

### Defend the focus

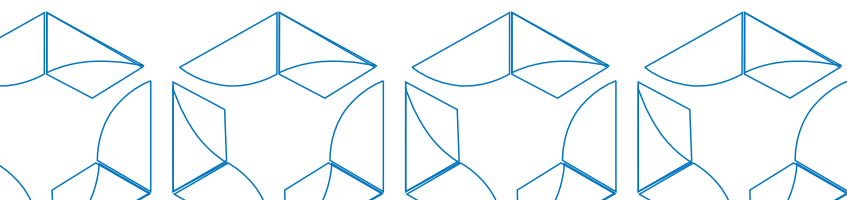
Every policy shift, every AI release, every crisis of the day offers the chance to reshape the company's agenda. Let the signal separate from the noise before the strategy adapts. The executive can pivot in an afternoon. The organization cannot. Consistency of direction is what allows the workforce to keep internalizing the strategy. Leaders who chase shadows find a new one every day.

### Run by guardrails, not metrics

Don't get held back by discussing normal business. Build an explicit picture of what normal is with the leaders who own each metric: revenue, margin, growth, quality, and safety. Once the bands are set, the operating review becomes shorter and more relevant. Bad outliers come onto the agenda because they need intervention. Good outliers come onto the agenda so the patterns producing them can be shared elsewhere in the company. The middle runs itself.

"You need to know what normal is so that you can understand the abnormal. You need to know the guardrails."

**Mike Lamach**





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