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Culture change – beating the odds against success

Lessons from a fantastic learning experience with six companies

Research on the success rates of culture change programmes has found that only 10 to 20 percent meet expectations. John Laurent of Action Learning worked as lead consultant in a Ministry of Business, Innovation and Employment (MBIE) funded culture change programme involving six companies during 2012. John shares rare insights into why some of the organisations experiencing the same programme were able to make a successful culture change and others didn't.

Background

The programme was sponsored under the High Performing Working Initiative (HPWI). One goal of the programme was to demonstrate that improving levels of employee engagement would relate to measurable improvements in business performance. The programme was managed by Manukau Institute of Technology's (MIT) Faculty of Business and Information Technology (www.businessatmanukau.co.nz) who engaged John as the lead consultant, assisted by John Clements of Continuous Business Improvement.

The companies were engaged in a wide range of manufacturing activities including pharmaceuticals, sheet metal, plastics, furniture, marine components and large appliances. Each had around 20 staff, some were owner managed and some were part of multinational groups. Each company made a financial contribution to the programme.

A research-based approach

John's approach is based on reliable measurement and applied research. The steps for all companies were:

1. Survey the culture, using an internationally recognised questionnaire, to establish a starting baseline
2. Leadership development through 360 feedback, training and coaching
3. Teaching workgroups how to solve problems through experiential training
4. Enabling workgroups to attack all problems; the ones they think are important as well as the ones management think are important
5. Teaching lean manufacturing techniques and teaching supervisors how to facilitate improvement
6. Retest culture using survey to assess extent of change.

Owners and managers express high levels of satisfaction

At the end of the programme five of the six owners and general managers reported a high level of satisfaction with the programme. They were able to cite measurable improvements such as reduced overhead cost, improved order processing accuracy, higher safety, lower inventories, increased sales and higher product quality. They

John McKay, Production Manager, and Henry Lam, Supervisor, both firm advocates of a Constructive culture at REPLIKA.



agreed that it would take some time for the improvements made to show up in higher productivity or profitability but were confident this would happen.

In the 'softer' areas of teamwork, behavioural change and personal satisfaction, the culture survey retest supported the hypothesis that the companies that reported most improvements also showed the most progress on culture. All companies but one showed some improvement on the culture survey retest. However, the retest showed that two out of the six demonstrated that their cultures had been significantly transformed. This article will now focus on the question: What was it that these two did and the others didn't do, that enabled them to transform their cultures?

Lessons from success and failure

One of the two companies making the culture transformation is REPLIKA Manufacturing and we are able to cite their experience. The experience from the two culture improvers contrasted with the other four to provide these lessons for both internal managers as well as consultants working in this field. The main findings from this comparison were:

1. Make sure people agree that the name of the game is culture. Impress on owners and managers that the real value is to change the culture. Some companies put more emphasis on applying lean methods and paid less attention to the culture change component. They will require continuous management push to keep driving improvement. In contrast, where continuous improvement activity becomes embedded in the culture and becomes as normal for staff as clocking in, the need for managers to drive improvement is much reduced.

2. When culture change requires personal change coaches to take risks. Not to say all participant managers didn't get value, for example at the individual level through the 360 feedback, but putting the value on culture change meant that the REPLIKA managers were more prepared to act on their personal change guidelines. It is easy for coaches to blame the targets of coaching and not look at themselves. Coaches of leaders need to be prepared to risk their relationship with their clients when culture change is at stake by being totally upfront – coaches can fall into the trap of being too nice.

3. Don't always try to change too much. One of the participant companies already had a constructive culture. The bottom up problem solving was quite normal for them and the lean training just refined a lot of what they were doing already.

4. You need some stability if culture isn't sinking the ship. Two companies did not complete all the training workshops. One of these was the company which found that the programme added little value. You must sympathise with them for not turning up to a workshop when all hands had to load containers of manufactured goods for export to China. The other company was sold during the programme. The world of the manufacturer is unpredictable to say the least! Unless culture is seen as something that will sink the organisation, people need to be able to operate in a reasonably stable environment. It takes time and patience and you don't always need or get instant improvement.

5. Involve head office wherever possible. Two participants were branches of head offices located outside New Zealand. Both had already developed quite constructive cultures but one was held back in what they could do differently by influences beyond their control. Culture improvement is always easier where the top level is in full support. If this is not possible local managers have to at least have a free hand in how they run their operations.

6. Manage people who want to drive performance. Leaders build businesses through their drive and passion. Overused, this drive can become a liability when the leader discovers that others in the business act differently. A 'doom-loop' develops when, frustrated, the leader blames others for not seeing the world through his or her eyes. The targets of the blame then act in ways that reinforce his/her view. The 360 feedback process for the leader is essential to break this cycle. Consensus discussions, involving the top and bottom levels around the deepest issues affecting the business, enables views at all levels to become more aligned with each other.

7. "People don't so much dislike change as they dislike being changed". This wonderful quote by Rosabeth Moss Kanter underlines the approach taken in this programme and relates to point six above. By facilitating consensus-based improvement activities on the issues staff and managers think are important, control is shared with the workforce and the best solutions are arrived at. How motivating is it for a worker to come to believe: "I now come to work, am able to

speak up about what I think is wrong and my manager helps me to improve it myself."?

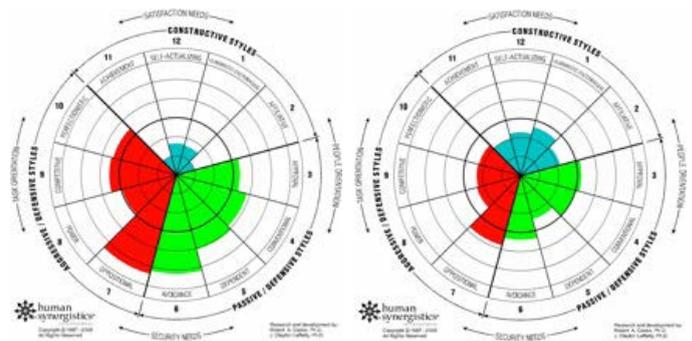
Conclusion

Achieving culture transformation is challenging and the factors described above go some way to explaining why initiatives succeed and others don't live up to expectations. Change agents need to identify when these issues come up and understand how to deal with them. This programme beat the statistical odds against success but the learning gained will help ensure future programmes can do even better.

John also has a personal view that culture change programmes are not attempted because decision makers both don't believe that people can change and/or do not understand how good a team or organisation can become. John says: "I am always amazed by the change in the feel of a workplace where the culture has made a shift. When the workers want to do a haka to celebrate their improvement indicated in their second culture debrief, then that is the most rewarding thing that can happen in my work."

REPLIKA – an example of culture change

REPLIKA Manufacturing produces sheet metal components on a jobbing basis for other manufacturers. During 2012 the entire company took part in a MBIE-sponsored programme of culture change and lean methods development. The diagrams below are produced using the Human Synergetics Organisational Culture Inventory (OCI) and show the culture change achieved within the organisation during this period.



Explanation

By December the workforce perceptions of culture (otherwise known as 'how we do things around here') had made a significant improvement in the blue: constructive behavioural styles of humanistic encouraging, self actualising and achievement. In addition, oppositional and avoidance have reduced substantially.

These would be related by REPLIKA staff as now being expected more to:

- "Be open about what we really think"
- "Be involved in decisions that affect us"
- "Be committed to goals"
- "Work to standards of excellence"
- "Think ahead and plan"

In addition to improvement in culture REPLIKA achieved real changes in internal processes. Management is more actively involved in meetings with staff and the company is experiencing strong sales growth in a shrinking market. In the words of owner, Colin Ploughman: "Our staff now have a much stronger focus on improvement and know how to do it." REPLIKA management is delighted with the HPWI programme as their strategy of being ahead of the market in the deployment of high technology production machinery is now being matched by their strong culture and commitment to continuing lean development. ■

References available on request.