

Organization Transformation through Cultural Change for Business Impact

R S Dabas*

The case study presents organization transformations interventions adopted by an organization involving 20000+ employees, multi-unit operations, cross-functional approach with the objective of enhancing top-line and bottom-line, enhanced EBITDA, and IT enabled development of leadership at varied levels for succession planning and culture change. This large and diversified business enterprise from the major domain of the automobile sector has been growing very fast, having multiple plants across India. However, it started facing several challenges, which necessitated the organizational transformation.

Business Challenges

1. Bottom-line did not keep pace with the top-line as the margins were becoming thin.
2. Some notable pain areas emerged: cost was getting increased due to
 - (a) increasing rework and rejection
 - (b) increasing inventory,
 - (c) higher manpower, and
 - (d) unutilized machine productivity.
3. Variation increased in operational performance, manufacturing processes and outcomes across units. While one established unit on same parameters was doing very good, the other unit was suffering a lot, and yet there was no proper mechanism for joint sharing of improvements and benchmarking.

* *Dr. R S Dabas, Former CHRO/Chief Organization Transformation Officer/ HR Head in many world class organizations/ MNCs. Former President, National HRD Network*

Cultural Challenges

1. Best practices/technical expertise were not shared with other units due to lack of One Standard way.
2. There was no mechanism of learning from mistakes of own units and other group units.
3. There was lack of focus on empowerment, leadership development & succession planning.
4. The transaction approach – working in silos rather than collaboration – was followed.
5. Short-term/quick-fix approach was adopted by units, rather than following long-term sustainable solutions, without going to the root cause (i.e., the Issue Tree methodology).
6. Performance management and review meetings were event based and were not focused on lead/future indicators, resulting into a blame culture.
7. There was dilution of accountability and capability to drive leadership
8. A mix of dominant leadership styles were blindly used rather than focusing on situational needs and carving out a suitable style from various styles like directive, visionary, affiliative, participative, pacesetter, and coaching.
9. There was organizational culture gap in all dimensions – flexibility, responsibility, standards, rewards, clarity, team commitment.
10. Only one-to-one conversation was adopted in communication rather than following a shared responsibility.

Preparations for integrated change

Complete preparedness was planned for all-round transformation. A Chief Organization Transformation Officer was appointed, who had earlier been CHRO of the group, to give complete focus and facilitate the changes in coordination with all CEOs/Business Heads/Functional Heads/Unit heads/outside consultants, as any lacking might lead to big setbacks and recurrences of failures. Complete preparedness in all areas of man, machine, market, and material was undertaken and Vision was set with strategic plan for taking the Group's all units to the next level. This required:

- One culture
- Sharing and learning from each other's best practices and failures
- All the stakeholders having the same experience across units
- Targeted sales turnover and EBITDA.

Objective of transformations

1. *To minimize and then optimize recurring types of losses.*

The group had an employee strength of 20000+, majority of which was contractual in view of the demand fluctuations. Although its top-line was increasing, the bottom-line was either stagnated or declining. When balance sheet of the last 10 years was analysed, an increasing difference between the top-line and the bottom-line was found with some recurring types of losses. This was the major concern for the management to be addressed prudently. The losses were categorized as follows:

- o Rework and rejection
- o Manpower productivity
- o Machine productivity
- o Inventory control.

2. *To improve EBITA in the business model of thin profit margins, as most units operated on the B-to-B business model.*

The Group had been working with volatile raw material rates and other consumables. While most of business units usually operated under very thin margins any level of underperformance in terms of rejections, rework, machine and manpower productivity, delivery delays and wastage directly hit the business and the bottom-line.

3. *To create uniform culture across the Group.*

Only few units were doing wondrous job on these parameters. Structured and institutionalized manner of improvement and group learning was missing. No platform was there for sharing of best practices and knowledge across units. Involvement of grass-root employees was also lacking as they were hardly aware of the organization's pains; for them the top-line was increasing but downfall in the bottom-line was not visible in the absence of any proper sharing of business challenges with the operating level.

4. *To create benchmarks on business metrics.*

In most of the units, the bottom-line was not keeping pace with the increasing top-line. While variation in operational performance across different units was increasing, there was no central repository for the sharing of knowledge and best practices.

5. *Focus on core values of "Customer Trust & Delight".*

While one of the core values of the Group was Customer Trust & Delight by meeting commitments, it was found that people were not very sensitive to customer needs and in addressing matters with clarity and speed.

It was due to the prevalence of a reactive approach rather than a proactive, systematic and integrated approach in handling a crisis. This needed immediate focus.

Solutions implemented

1. Eight hundred key persons were administered leadership style survey & personality profiling. Coaching was imparted for all UTT (Unit Top Team) members, business heads, functional heads, and the Chairman based on their leadership dominant styles to build an action plan for change.
2. Organization culture survey was conducted on six parameters. The survey report was shared with key persons in joint workshops. This facilitated debate on gaps and ideal parameters on culture and thereby helped in finding what was needed to be done jointly.
3. Regular workshops were conducted for UTT, business heads and the Chairman Centre of Excellence (COE) so that they become the change agents and own the whole process. Complete roadmap was shared.
4. Initially, about 150 key persons were trained to identify and jointly solve the root cause, using the Issue Tree Methodology, improved Review Mechanism on performance and Rigorous thinking, Collaboration and Take charge (RCT) behaviour. Then they worked on challenging improvement projects as Pilot Projects, and when improvements were sustained, more teams volunteered or were identified.
5. Eight hundred leaders were further trained on RCT behaviour, Issue Tree Methodology and identifying best practices on operations parameters. These persons later trained their own teams with multiplied impact.
6. Workshops were conducted in all units to inculcate three RCT behaviours for 20000+ employees.
7. Monthly and yearly data were collected unit-wise. The data combined various parameters impacting operations and business results.
8. A UTT of 7–8 people was formed in each unit to steer the momentum of change and undertaking breakthrough improvement projects in areas of pain in each unit.
9. As existing data/base-line, data for the last three months' performance level in the area were collected. The following data related to the resources were used for these performance and quality levels: (a) the manpower number and skill levels, (b) the material yield level achieved, (c) the consumables cost, and (d) the transportation cost.
10. The review mechanism of performance was changed based on the past analysis. Thus, the practice of blame game was proactively changed to give space to improvements and action plans.
11. The reward system was reviewed and a new system was introduced to challenge the existing systems, empower people, develop skills, facilitate performance, identify improvements, and share knowledge and best practices through unit, regional and Pan-India meets/competitions. Circle competitions were organized which offered prizes and recognition for best project, best unit, best regional unit, best COE, best facilitator, and best support.
12. Communication boards/media platforms were created to display and highlight the change exercise and UTT/Unit HR was made responsible for regular updates on performance, improvements, breakthrough ideas, bench-

marking, best practices, recognitions, pain and opportunities, and also invite each and every employee to contribute.

13. Comparatively easy projects were first picked before undertaking more challenging projects, which helped in quick wins and celebrations to boost the morale of all.

14. Each unit had to identify one improvement project as a team project involving varied levels of cross-functional employees. Each team had a target improvement in cost or productivity of minimum Rs. 10 Lac per annum per project. About 800 improvement projects were identified, worked, and implemented organization wide. A project had the following mandatory stages:

- Diagnosis of problems
- Selection of projects
- Root causes
- Frequent dip sticks studies
- Validation of the action plan
- Solutions to be prioritized
- Ensuring the desired progress
- Sustainability period (3 months)
- Rewards and recognition
- Horizontal deployment.

Three RCT behaviours that were inculcated in each employee as part of the organization DNA and this made a great impact.

1. Rigorous thinking (Thinking through and solving for multiple aspects and layers of a situation, focusing on the objective and long-term impact).

- Seeing the big picture (view of the outcome); taking a comprehensive view.

- Recognizing the impact of one aspect on interconnected roles/activities. Planning ahead and be prepared to tackle problems of future.
- Identify best practices and optimal solutions for implementation.
- Solve for the long-term (not creating temporary fixes for a problem).
- Identify the actions that can create maximum value for the organization.
- Forecast opportunities and issues; identify patterns or trends to resolve a problem.
- Spending time to delve deeper into a problem/situation to get to the root cause.

2. Collaboration (Actively working with others for a common agenda by trusting and valuing each other's inputs and contribution)

- Demonstrating faith.
- Sharing and challenging.
- Learnings from others.
- Demonstrating faith and trust in capabilities of others (across roles and functions).
- Sharing actively and challenging others to generate more effective results openly.
- Learning from others and implementing best practices. Keeping colleagues informed and up-to-date about issues that impact them by sharing relevant experience and expertise.
- Evaluating the impact, one's own decisions might have on another department.
- Sharing critical resource with other department to achieve overall objectives.
- Recognize and appreciate interdependencies across roles and functions.

- Seeking suggestions or opinions from others openly. Actively working to break the silo mind-set.

3. **Taking charge** (Making it happen by clarifying roles and holding self and others accountable for results).

- Demonstrating a sense of ownership towards the role/outcome by acting upon all issues that one can have (not passing the buck/blaming external factors).
- Clarifying role and responsibilities for team/individuals and holding them accountable for the same. Providing constructive and actionable feedback to team members regularly to drive accountability & results.
- Leading/driving action to resolve problems (making it happen – no procrastination).
- Establish and demonstrate high standards of performance and work behaviour.
- Taking ownership and doing course correction in situations where results could not be met.

Benefits to the organization

Cultural benefits

- Hundreds of turnaround stories came out in this journey.
- Creativity, empowerment, commitment, trust, fun, enthusiasm, and sharing became clearly visible in teams and all units.
- Challenging own benchmarks become a way of life in the Group.
- Eight hundred key people were developed on the change methodology to cascade down the same to junior levels.

- Subject matter experts were developed as COE.
- The exercise turned out to be a revolution with thousands of employees working together on breakthrough improvement projects.
- Culture change was visible very clearly.
- The culture of trust among team members became the key driver of change.
- Work-life balance got improved in many units. Earlier employee's/key persons had to work late to ensure timely dispatches to OEMs and their family life suffered a lot. Now they reported that they could easily go home without any stress.
- Attrition came down at middle and top levels as well as at the operating level.
- Many new leaders were found during this drive.
- Risk taking & experimentation got encouraged.
- Culture of collaboration and continuous improvement became a norm.
- There was a shift of culture from blame to trust, openness, and sharing of learning/challenges.
- Hundreds of best practices were established in manufacturing excellence and were posted on internal portal for learning and horizontal deployment.
- Three prominent RCT behaviors were inculcated in the DNA of the organization. Ownership of ideas, actions, results got inculcated.

Monetary benefits

- Improvement in EBITDA level by 1% was targeted for the Group through this Organization Transformation Interventions facilitated by Chief Org Transformation Officer and his team in coordination of all units/business.

- Projects with the potential of direct savings worth about Rs. 100 crore per annum were identified, and were mostly achieved.
- “One Organization” culture was created, which was integrated to business, values and the Vision.

A new way of problem solving evolved

The Issue Tree Methodology became a way of life in all areas (a node cannot be solved independently by any function; it is a cumulative effort of cross-functional teams). For example, the HR department of a unit used Issue Tree Methodology to jointly solve water consumption issue, reduce food wastage in canteen, and minimize attrition and absenteeism. These are just some examples of how this tool helped in solving joint problems. It worked on the principles of

- In-depth analysis of the problem
- Analysis of all causes leading to the problem
- Identifying and solving the root cause
- Working together to solve the problem.

Besides the above benefits, the Group also benefited from the review mechanism, which became more proactive and participative. Improved communication, recognition, launching of a knowledge portal, a Newsletter on turnaround stories were a few more notable gains.

Tangible monetary achievements of transformation

1. Significant cost reduction/productivity improvement in manpower could be achieved through reduction in rework/rejection and inventory with the help of 800+ improvement projects. Similarly, horizontal deployment also started.

2. Examples of achievements:

- Indicative projects out of more than 800 projects were undertaken.
- Rework/Rejection went down from 20% to 2% in a few units.
- Space saved upto 30% for future expansion in one unit.
- 30% inventory reduction could be seen in one unit.
- Productivity increased from 15% to even 70% in different units.
- Raw material cost went down in different units with big impact on profitability & EBITDA, as raw material is a major cost in production, and in some units it accounted for around 70% or above of the total sale.
- Design time reduction was recorded to 70%.
- 25% reduction in processing expenses was achieved.
- Consumable cost was reduced.
- Strokes improvement was recorded in press shops, leading to crores of savings/gain per annum.
- CO2 gas consumption reduced to less than half in one unit; the sharing of the learning helped other units as well.
- Productivity increased in many areas/units.
- Consumable cost was reduced by 30% in one unit.
- A few units recorded contribution/saving through various projects beyond Rs. 4 crores each, and there were total of 30+ units in the Group.

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- EBITDA increase ranged from 0.50% to 7% in different units as against the targeted 1% increase for the Group.
 - Learnings from improvements in one unit was broadcast and shared with other units for horizontal deployment and multiple recurring yearly gains, which was the real benefit in the long term.

Key principles for any successful change

- Prepare well before the launch of the Organization Transformation Initiative. Motivate for the larger cause. Think Big and enthusiasm is very vital. Give the momentum a name.
- Involve people in setting their objectives and ensure that achievement becomes their mission. Setting and working against challenges will harness creativity/potential of people. Let them make presentations of possibilities, allow them to learn from mistakes and encourage self-responsibility.
- Listen to people and their ideas. It leads to ownership of ideas/self-responsibility. Recognize and celebrate more. Don't wait for big results.
- Create benchmarks with top performers. Create platforms for mutual learning, sharing and inter-unit/team competition.
- Put authority, responsibility and resources in the hands of those who need them to get the job done. Use visual management.
- Discuss openly the GLAD, SAD and MAD factors.
- Expect high performance from people. Once agreed for certain standards of performance or conduct, expect people to comply to them fully. Recognize those who follow these and punish or correct those who violate.
- While positive motivation is vital in utilizing the hidden creativity of people, a fear motivation may also become essential to bring certain people out of their comfort zones, which depends on their individual nature and should be used only as exception, and not as a norm.
- Manage employee expectations continuously in tune with current reality and future challenges. Review the incentive and rewards system regularly. Regular communication about the Vision/long-term plans with the operating level is essential. To start new chapter, it is better admit to any mistakes committed.
- Focus on innovative solutions through joint problem solving. Don't allow a blame-oriented culture.
- Many of today's problems are yesterday's compromises. Stop compromising.
- The ceiling is truly unlimited, but it first requires a change of mindsets and sharing of pains and opportunities.