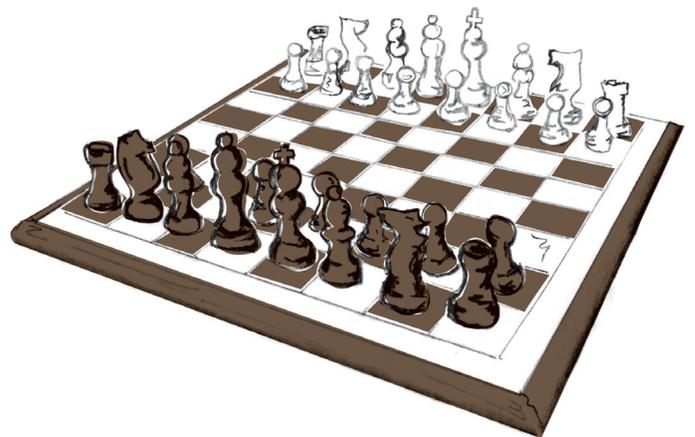


# Managing cultural change to drive productivity and profit

A Grant Thornton white paper for manufacturing and distribution

Wouldn't it be **great** if they were all **on board**—  
for a **change**?

Managing change within a community, a culture or a corporation is never simple. It always creates ripples of complication, and changing a company's processes and systems can have a profound effect on the overall organization. As a species, human beings are good at getting things done. Our ability to recognize patterns and react automatically lets us complete familiar work tasks quickly. The downside to this is that when we encounter new patterns and behaviours, we're pushed out of our comfort zone. We react to emotional stress and productivity is inevitably affected. This means that even a small change in a work culture can end up costing big money if those reactions aren't addressed. Alternatively, if a company takes a structured, goal-oriented, data-driven approach to change, it can actually increase productivity and profitability.



Companies are beginning to realize the financial advantages of implementing a comprehensive cultural change management solution: “Our overall productivity has increased upwards of 28% and is best demonstrated at 44% improvement in various areas throughout our organization.”

Fraser H. Edison, President & CEO, Rutter Inc.

### Changing paces—productivity, profitability and standard of living

The basic equation is straightforward. Productivity is the ratio of output to input: Any change in the numerator or denominator that results in a higher ratio means productivity is up. Improving the ratio will increase the profitability of the company since you’ve decreased the demand on resources in proportion to production. (It’s important to remember that an increase in production is not an increase in productivity if resource demands rise proportionately.)

Furthermore, an increase in your company’s productivity (and profitability) is good for the society we all live in. The standard of living of a country is in large part determined by its productivity. The greater the productivity of individual companies, the greater the country’s aggregate productivity, and the higher the overall standard of living—which is good for everybody.

### To change or not to change?—usually, there’s no question.

What sorts of companies seek out or need a comprehensive cultural change solution? The criteria are fairly clear: **Change is generally required in a corporate culture where processes are loosely controlled and scheduled, where the management tools in use are substandard or outdated, and where the management style is reactive rather than proactive.**

To be more productive, this culture must be replaced by one in which processes are tightly scheduled with short-term goals. Systems and controls should actively assist management in its decision making, quickly anticipating and preventing problems before variances occur. This new organization will be different: proactive, anticipatory, problem-solving and data-driven.

### Understanding change takes more than understanding.

Businesses generally introduce change in order to do business more efficiently. Once you make the decision to introduce change, the next step is usually to assess the business. A comprehensive business analysis is key to determining what changes could benefit the company the most. What sometimes gets overlooked, however, is how those changes will impact a business culture used to doing things a certain way. Such a culture will naturally resist change.

Even more frequently overlooked is the fact that managing change and its repercussions involves much more than quelling emotional objections and concerns. Managing emotional response is crucial—but it isn’t the touchy-feely, pseudo-psychological enterprise you might imagine. You can manage emotional response and resulting behaviours with quantifiable project management methodologies. You can also introduce feedback mechanisms that can measure the success of your changes, creating a goal-based business culture driven by a motivated workforce.

### What must happen to achieve change?

#### Behaviour • Process • System

There’s no question that you can help boost productivity and profitability by improving your company’s internal processes. This, however, is not a simple or a short-term process. How does an organization become more proactive, anticipate and solve problems, and use data to drive decisions? How do they balance the hard and soft aspects of cultural change?

Implement a three-pronged approach that focuses on Behaviour (regular supervisory and management tasks and “softer” issues related to emotional response); Process (the tasks done to convert input into output); and System (documents and meetings that tell people what needs to be done and what the results are).

In practical terms, the tools available within these categories are as follows:

Behaviour	Process	System
• supervisory model	• process mapping	• volume forecasting
• active supervision	• methods analysis	• resource planning
• management style	• activity lists	• cycle controls
• managing emotional response	• observations	• daily production meeting(s)
	• planning guidelines	• operating report
	• problem solving	• process feedback mechanisms
	• “Lean” and statistical tools	• weekly production meeting(s)
		• management reporting

The supervisory and management component is particularly important when it comes to influencing productivity-related behaviour. While other cultural components—workplace attire, for example—appear to have little impact on productivity, experience shows that the impact of supervisor performance is substantial: If the supervisor changes his management style to incorporate the appropriate tools and methodologies, productivity should increase.

Resource planning and inventory management tools have allowed us to manage inventory levels and crew to forecasted production volumes. And the margin analysis tool has facilitated negotiations with prospective clientele by providing insight into costing by product lines. The project resulted in an ROI of 2.1:1 and exceeded targeted savings.

Nima Fotovat, General Manager, Shandiz Natural Foods

### The role of change agents

#### External change agent

The external agent—the outside firm brought in to initiate change—obviously has a crucial role. These consultants operate most effectively when they begin by analyzing the organization and then actually stay involved to implement and coach the organization through any recommended changes. The unbiased perspective of the external agent can be invaluable in this capacity. Too often, a consultant’s role comes to an end after the recommendation phase. Companies are left to founder, trying to implement and maintain a new business culture without an experienced guiding hand to help. **An effective consulting firm will remain actively involved in the change implementation process for several months, and it will continue to be available for long-term follow-up.** This provides more hands-on help to organizations seeking change. Consultants who always make long-term involvement their mandate develop greater insight into the overall change process. They can offer clients experience-based methods that firms with limited implementation experience may never have developed.

The external change agent recognizes that the combination of emotional and technical change within an organization will take time. Flexibility and adaptability are necessary parts of the process, and change must continue to be monitored to be effective. Consider this example: A productivity improvement consultant is getting serious push back from the floor manager of a fish processing plant. The manager is flatly against moving a machine from one area of the plant to another, despite the consultant’s reasons supporting the move as an important productivity improvement opportunity. Instead of bluntly insisting on the move or simply abandoning it, the consultant takes the manager’s list of issues and turns it into an action plan. In other words, no permanent move is made until each issue has been dealt with to the manager’s satisfaction. The manager now owns the change, and the potential for success is much greater.

#### Internal change agents (both positive and negative)

Internal change agents are those within the organization who have the authority or the influence to affect the success or failure of the change implementation project. It’s important to seek out positive change agents, those who support the initiative, and leverage their influence within the organization to win over those who are initially resistant. Negative change agents, those who resist change and can potentially lead others to do likewise, must also be identified. They must either be won over or, if necessary, isolated.

### Elements of a structured approach

#### Communication

All levels of an organization must engage in the task of eliminating waste. This will take time and will need to be continually nurtured. The key is communication. From a productivity improvement standpoint, messages and data must communicate specific goals and results. Think of work as a game. You simply can’t let up if you want to score well and win. You must consistently emphasize the knowledge and skills that will drive the score up, and you must continually communicate the score. This “scorekeeping” can be done across the organization with varying frequency, but the shortest reasonable time frame will increase the likelihood that processes will improve.

Reports and tracking applications have been very useful in establishing expectations and for conveying results to the staff and management. Communication at the plant has improved and a better team approach has developed. Staff and management have a better grasp on the goals and expectations of the operation and work together to meet those goals.

Phil LeBlanc, President, IMO Foods

#### Analysis

Start with an analysis designed to identify the level and value of waste in the organization. Various techniques are available, but this generally involves spending full days in specific areas to measure non-value-adding elements. Establish a target for reducing non-value-adding items and use it as a medium-term goal. This goal can then be further analyzed to determine what value it will bring to the business in financial terms.

## Tools

Measure and communicate improvements to inspire confidence. The organization must be relentless in eliminating waste by using whatever tools are available and right for the job. Educate team members in the available tools and how to apply them properly. Sometimes a problem will require a very scientific, statistical approach, and sometimes it will be as easy as brainstorming among those with the most relevant knowledge, then implementing the solution.

## Observations—The objective

- Determine the percentage of time people are performing value-added activities.
- Quantify non-value-added activities which are preventing the organization from getting more results. Get data to make the case for change.
- Provide a base against which future performance can be measured.

## Audit

Constantly audit the system and measure results to achieve continuous improvement. Cultural change can't be accomplished in a short period, and there's always the danger of organizational backsliding.

## In the end, it's the bottom line that has to change

The end goal of a cultural change initiative is not simply to make a business environment more pleasant or make its people "happier." These are laudable goals, certainly, but in the end you must change what people do as well as how they feel. A business culture that blithely welcomes change is pointless unless the changes result in increased productivity and profitability. Happiness is good, but accountability is crucial. In fact, while high morale and increased productivity are correlated, it has not been proven that high morale improves productivity—the causal relationship may well be the other way around, i.e., good productivity may improve morale. A winning team always seems to have better morale than a losing one.

To determine if goals are being achieved, you change the system and monitor the results. Daily/Weekly monitoring allows all stakeholders an instant scorecard on which to assess change-driven performance. Work must be planned and measured because it's productivity—output versus input—that determines the effectiveness and the ultimate value of instituting change in the first place. **If there's no productivity improvement, there's no return on investment (ROI), a connection many fail to make.**

A cultural change solution is a directed, tailored service designed to alleviate the stress of change within a specific workplace culture, and to rebuild that culture to be more productive, profitable, sustainable, goal-oriented and data-driven. With people who are committed to specific objectives that are readily understood and systematically reinforced, the organization will be healthier overall and positioned to drive success in both the short and long terms.

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