



Culture and Performance

A transformational case study

Alan Stevens MD Vector Europe

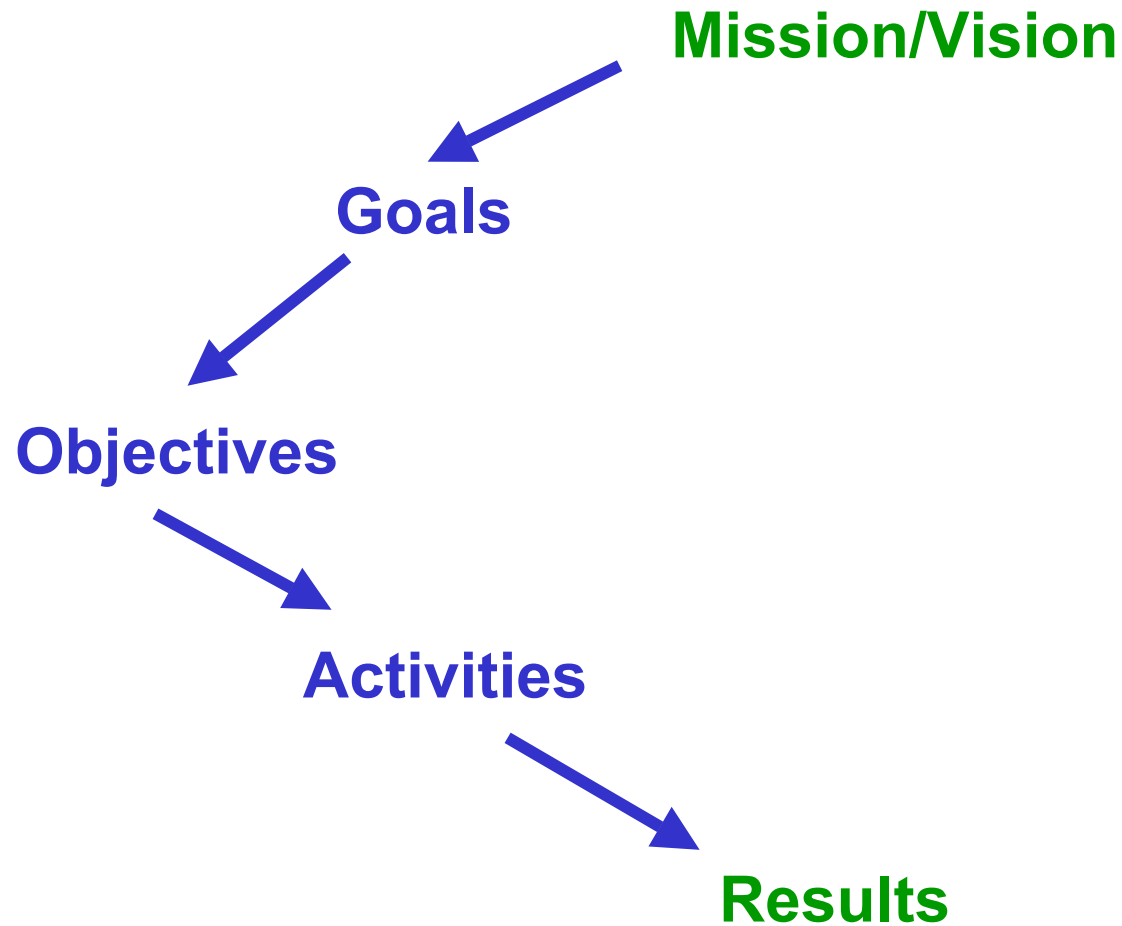
VECTOR
Europe

Some of Our Clients



Organisation alignment model

Organisation alignment model



Emphasis on
WHAT should be
done

Organisation alignment model

Mission/Vision

Values

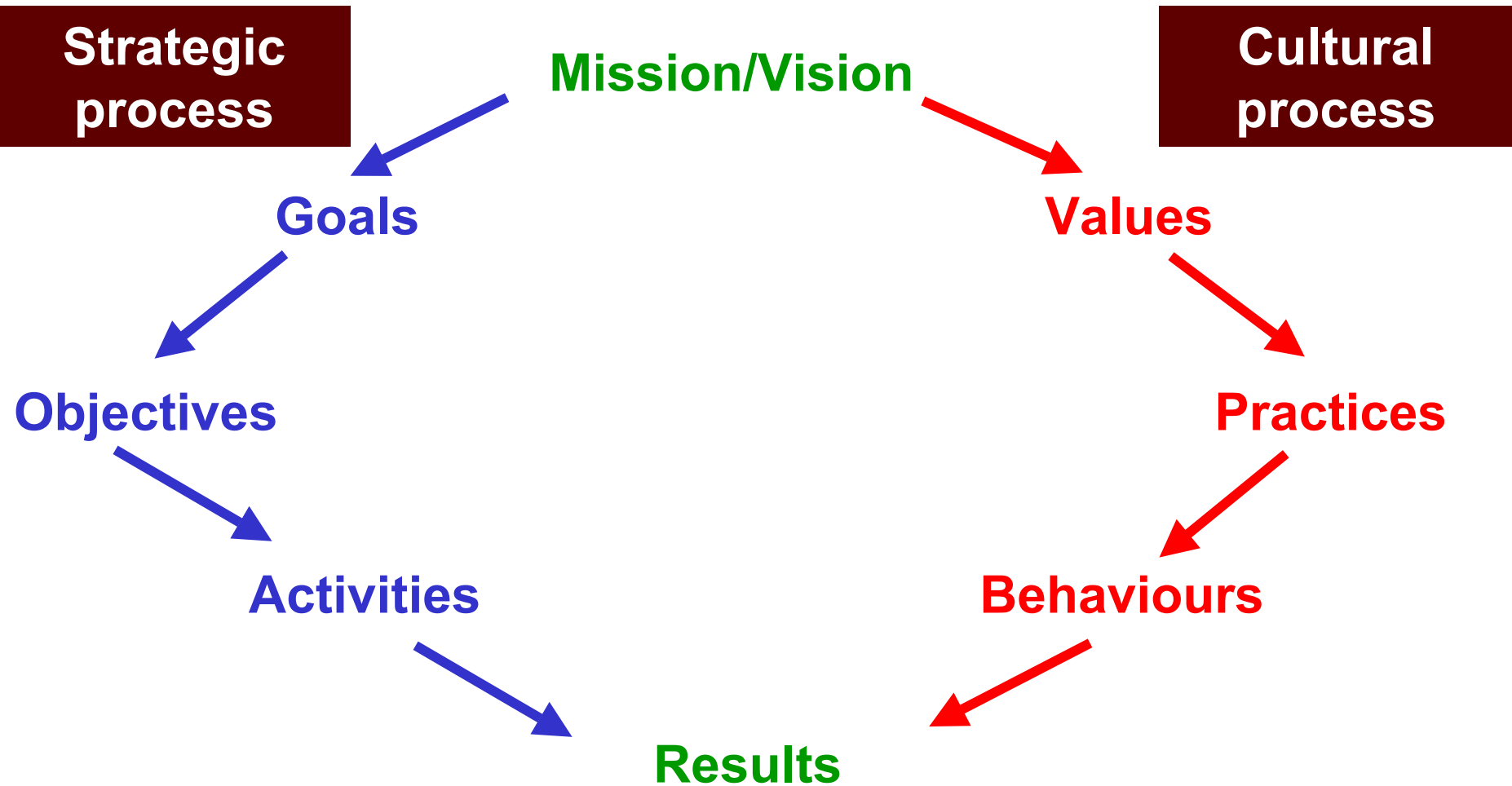
Practices

Behaviours

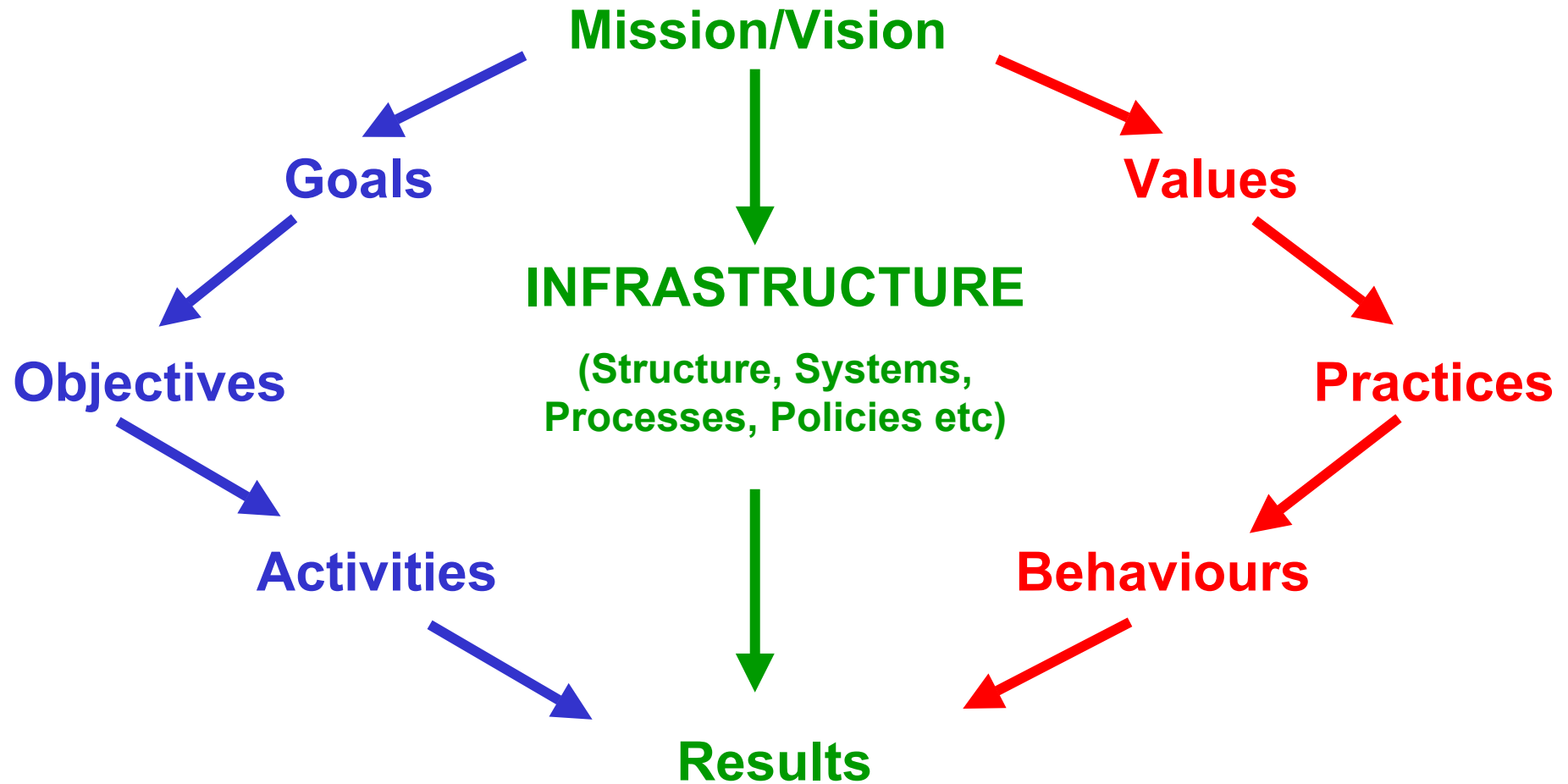
Results

**Emphasis on
HOW it should be
done**

Organisation alignment model



Organisation alignment model



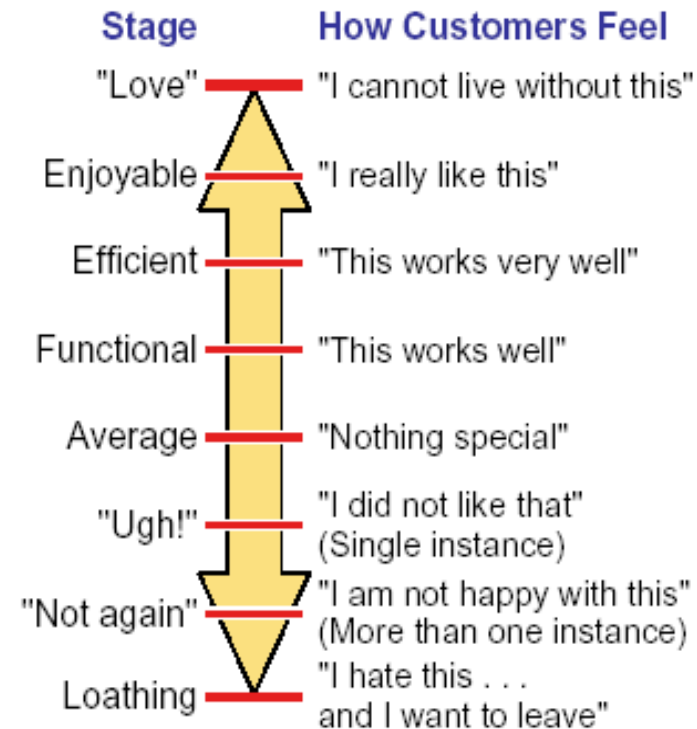
Tangible v Subconscious

"Consumers are driven far less by tangible attributes of products and services than by subconscious sensory and emotional elements derived from the total experience surrounding a transaction."

*Dr. Gerald Zaltman, Harvard Business School,
Laboratory of the Consumer Mind*

- Some customers are loyal just because of the extra benefits they receive by being loyal.
- Rationally loyal customers work the system and are not more profitable.
- Emotionally loyal customers are loyal because they love an organization.
- Experiences are conveyors of rational and emotional value.

Stages of Customer Experience



What is Culture ?

“The way people in the organisation behave as they go about their work”

“The way we do things around here”.

Culture and Performance

Kotter and Heskett

Examined the largest 9 - 10 firms in 22 different industries in the U.S.A. Total of 207 companies

Over an 11 year period

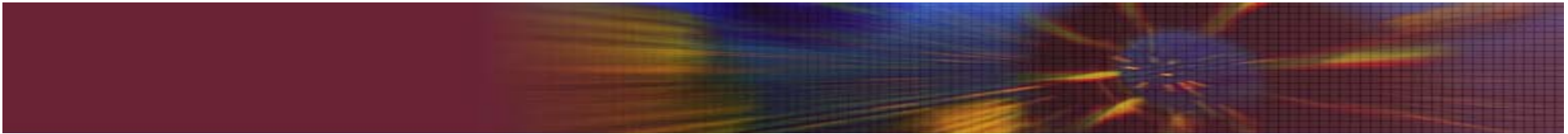
Culture was the only differentiator for performance.

Culture and Performance

Companies with a strong culture that fits their industry and business plan significantly outperform their competitors

Culture and Performance





SIMPLY GOOD BUSINESS

Today's M&A Market

Market is off-track

Track record of success very poor

Recent focus on internal ethics

Expanding the definition of negligence.

Merger Statistics

Multiple Studies show 56-77% failure rate

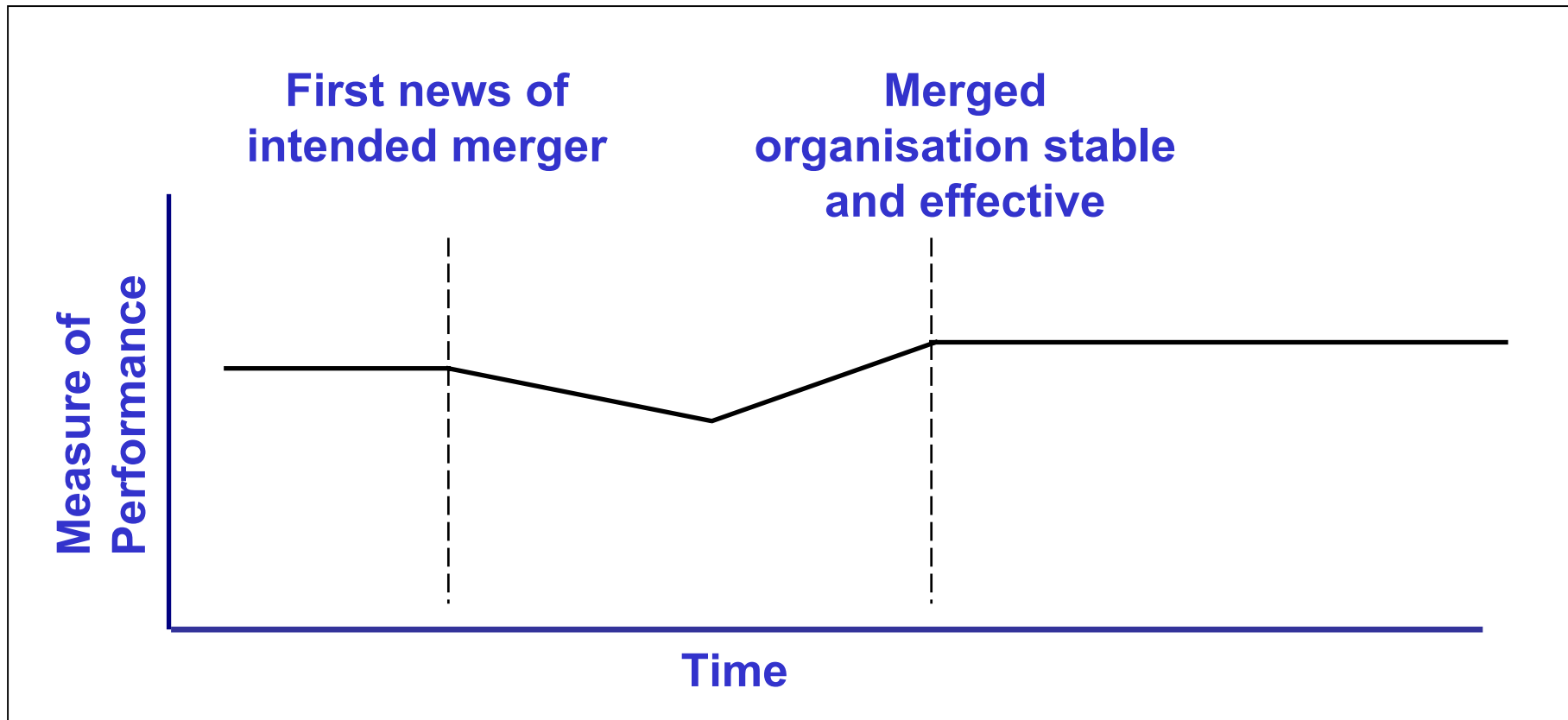
75% of M&A's are outright failures

Business Week Study

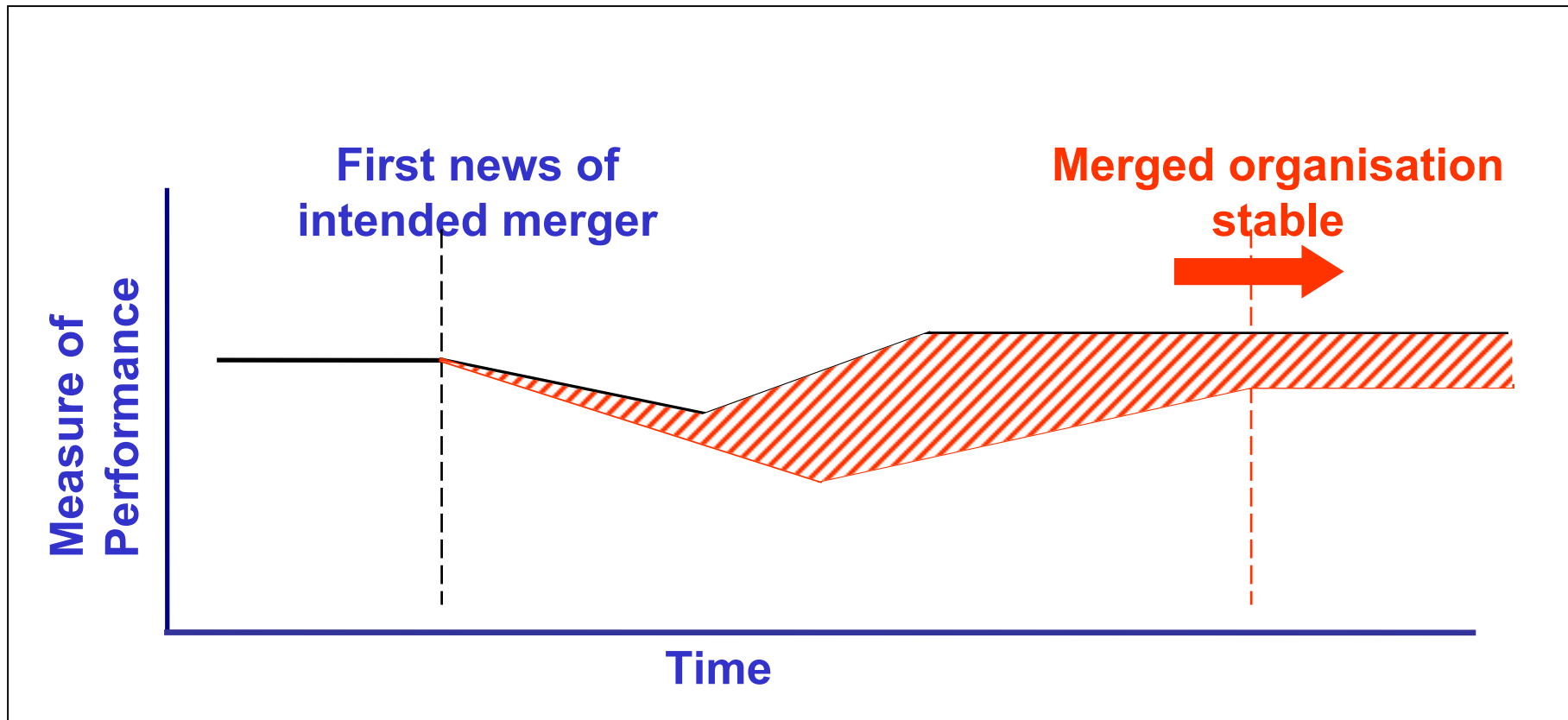
30 years of M&A activity has resulted in an average 3% loss of equity

Fortune Magazine.

Merger Performance As Business Case



Merger Performance - typical



Why Failure ?

85% of failed/troubled mergers are due to “differences in Management Style and Practices.” *Coopers and Lybrand*

“The major factor in failure (of mergers) was the under estimation of difficulties of merging two cultures.” *British Institute of Management*

Easier to make a deal than to make it work

Culture Clash

Cultural clash occurs when two groups have different beliefs about things like:

- Decision-making processes
- Management focus
- Communication
- What is important and what's not ?
- What should be measured ?

Basically; how to run the business.

Culture Clash

Significantly increased internal focus

which equals

Significantly decreased external focus

Case Study

- Europe's largest IT channel distributor
- Work followed expansion & acquisitions in Germany and France
- Market USP was on efficient delivery of goods from a well stocked warehouse
- Customer feedback was worsening
- Industry margins halving each year

007 Objectives

- Improve SLA performance regardless of volume
- Improve quality
- Cost reduction
- Improve customer experience –internal and external
- Improve staff morale
- Coordinated/integrated initiatives.

Cultural Assessment

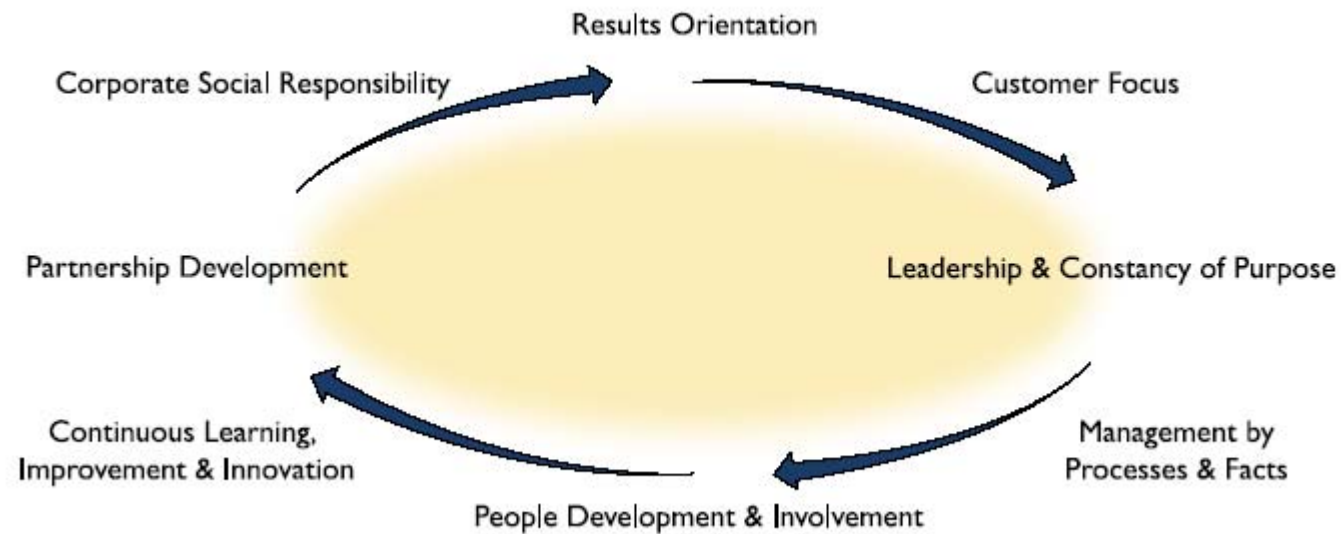
Cultural Assessment

A diagnostic process to ascertain cultural alignment versus non-alignment

The base data from which an action or integration plan can be developed

A mandatory step to maximise organisational efficiency and business success.

EFQM Excellence Model Principles



Cultural assessment – How we do it

Review;

Business plan and current results

Existing documents

Carry out;

– Key Executive interviews

– Management interviews

– Staff focus groups / “*in situ*”
observations

– Surveys.

Organisational culture – The 12 Domains

- Intended Direction and Results
- Key Measures
- Key Business Drivers
- Leadership / Management Practices
- Organisational Practices
- Infrastructure
- Supervisory Practices
- Work Practices
- Technology Utilisation
- Physical Environment
- Perceptions & Expectations
- Cultural Indicators & Artefacts

Scan main findings

Internal view

- No real sense of purpose across teams
- No real people focus
- Staff had basic equipment problems

External view

- Business as usual - worked well
- Unusual requests – more difficult
- Favours – only if you knew who to ask

Change strategy

Participative vs Declarative

Transformational vs Incremental

Change strategy

Participative vs Declarative Change

Transformational vs Incremental Change

9-step alignment process

Steps

1. Review business plan and discuss with Director
2. Complete Org Scan
3. Review results with Director/top team
4. Issues based team Building – top team
5. All managers sessions
6. All staff sessions
7. Infrastructure re-engineering teams
8. Feedback sessions (360-degree)
9. Partnering sessions

Links to the EFQM Model

- Results Orientation
- Customer Focus
- Leadership and Consistency of Purpose
- Management by Processes and Facts
- People Development and Involvement
- Continuous Learning, Improvement & Innovation
- Partnership Development
- CSR

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Leadership Functions

	Present-focused	Future - focused
<i>Direction</i>	Goals and Objectives	Vision and Values
<i>Motivation</i>	Recognition and Rewards	Expectations
<i>Guidance</i>	Feedback	Modelling

New Mission

“By bonding as one team, we will continually delight our customers by exceeding their quality, cost and service expectations to our greatest ability”

New Vision

By 2007, SCS will be a highly respected division:

With well-established great customer and employee satisfaction

Where we are able to win against the best

Where our customers are our best ambassadors

Where others come to us advice

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3-day all manager sessions

	Day One	Day Two	Day Three
AM	<ul style="list-style-type: none"> • Welcome and Introduction • Programme Overview • The Case For Change • Organisational Alignment model • SCS Directional Factors <ul style="list-style-type: none"> • Mission, Vision, Values • Values & Practices self-assessment • Team Review 	<ul style="list-style-type: none"> • Review / Preview <ul style="list-style-type: none"> • Daily Views • Leader-Manager Exercise <ul style="list-style-type: none"> • (Individual – Team – Plenary) • Functional Leadership • Communications Skills Model <ul style="list-style-type: none"> • Trio Skills Practice 	<ul style="list-style-type: none"> • Review / Preview <ul style="list-style-type: none"> • Daily Views • Expectations and Performance • Coaching For results <ul style="list-style-type: none"> • Trio Skills Practice • Individual Action Planning <ul style="list-style-type: none"> • Team Discussion
PM	<ul style="list-style-type: none"> • Individual Action Planning • MBTI <ul style="list-style-type: none"> • Team Review • Work Unit Climate <ul style="list-style-type: none"> • Team discussion • Feedback & Performance <ul style="list-style-type: none"> • Trio skills practice (encouragement) • Summary 	<ul style="list-style-type: none"> • FIRO B <ul style="list-style-type: none"> • Team Review • Team / Individual Action Planning • Feedback & Performance <ul style="list-style-type: none"> • Trio Skills Practice (advice) • Personal Mission Statement 	<ul style="list-style-type: none"> • Partnering Model • Cross-functional Feedback Exercise <ul style="list-style-type: none"> • What's the Message • Energy Investment Model • Closing comments & Review
Eve	<ul style="list-style-type: none"> • Dinner with a Stranger <ul style="list-style-type: none"> • Interview – guess MBTI 	<ul style="list-style-type: none"> • Personal Logo Exercise <ul style="list-style-type: none"> • Teams 	

9-step alignment process

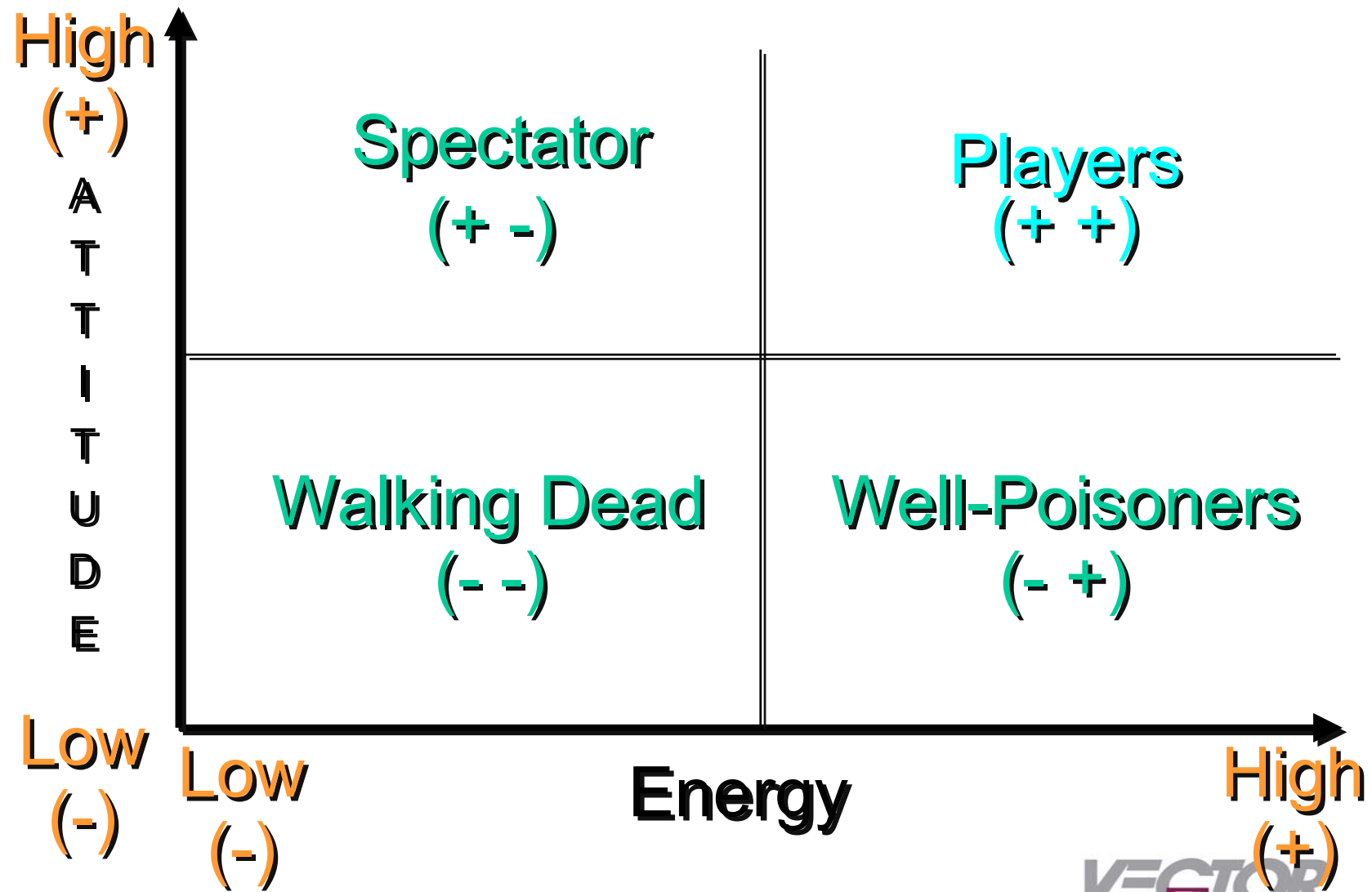
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Energy Investment Model



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Define the “As Is”

RDT's

Current state

How many different types

Manufacturer / part no

How many

Where located

Exact condition

Required condition

How many OK / not OK

Who “owns” them

Current purchase and maintenance costs

Current wasted cost

How serviced

Why aren't they being repaired

What efforts have already been made to repair them

Why did not it work

Pump Trucks

How many do we have

Track them through a full day

How many move

When and where to/from

Why are they moved

How many does each department seem to want

How many man hours wasted

Current wasted cost

Previous efforts at allocation

What was done

Why did not it work

Who “owns them”

Who services them

Current purchase and maintenance costs

Define the “To Be”

RDT's

How many do we need

Where

Examine options

Repair

Replace

Look outside the box

Cost alternatives

Determine recommendation

Prepare presentation

Pump Trucks

How many needed where

Are more required

What is the best system

Move them in an organised way ?

Fixed allocation ?

Cost alternatives

Determine recommendation

Prepare presentation

9-step alignment process

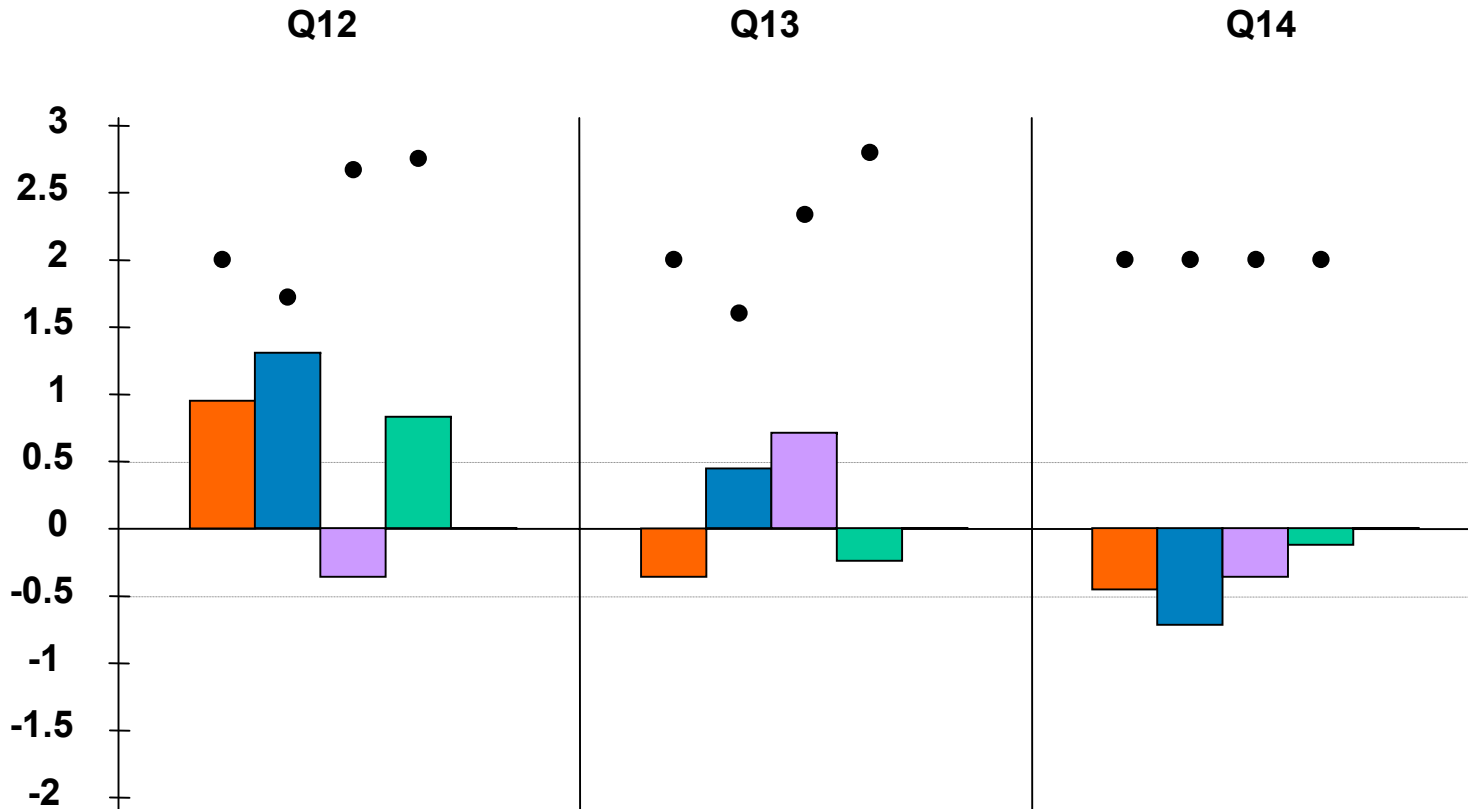
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Free the potential of all to contribute.



Q12 : Trusts and supports individuals.

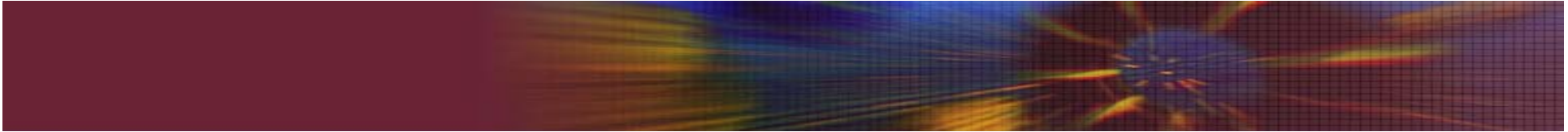
Q13 : Encourages people to take responsibility within a defined structure.

Q14 : Drives own and others' personal development plans to enhance skill sets.

● Importance Rating
 1 = Important
 2 = Very Important
 3 = Critical

- Self
- Boss
- Direct Reports
- Peers
- Other
- Importance Rating





Results

Improve SLA Performance

- **Clear SLA days improved from 25% to 95%**
- Departments working together to hit overall SLA
- Reduction in blame culture – now about learning and listening
- Greater understanding of one areas impact upon another. Proactive support of others
- Substantial improvement in confidence from Sales as to delivery of promise.

Improve Quality

- **Re-work and errors reduced from 3/1000 to 0.8/1000**
- More focus on learning than blaming
- Staff feel issues can be raised and will be dealt with
- Providing and receiving cross-functional feedback positively and constructively
- Balance between SLA and Quality now correct.
Getting it right now more important than getting it out.

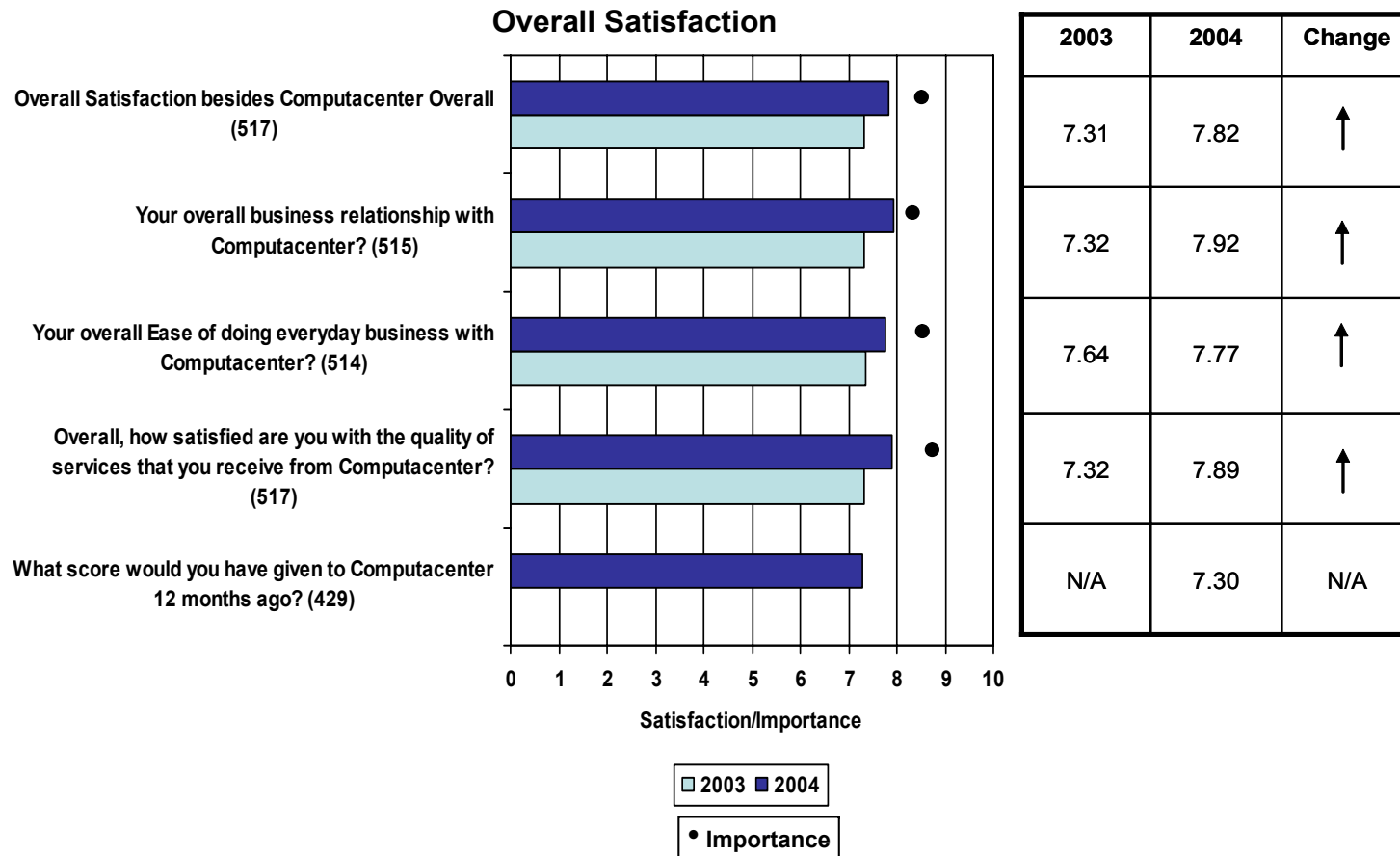
Cost reduction

- Consciousness of cost management now on removal rather than apportioning elsewhere. **£5.8 million saved in 2005 alone (and still saving!)**
- Improved controls in place to prevent errors
- Increased cost sensitivity
- Commercial awareness and culture of everyone owning cost control, not just mgt.

Improved customer experience

- Huge shift in sales perception of SCS, now viewing less defensiveness and more customer driven behaviour – more understanding of their issues.
- Sales now more understanding of SCS issues
- Purchasing relationships now improved at multi-levels
- **Staff mindsets firmly fixed on end-customer needs**
- Increased internal customer confidence in SCS
- Internal departments more aware of impacts on end-end value chain.

Overall Trends



Improved staff morale

- At all levels of management a significant improvement
- Positive comments on life now more like the strong cross functional relationships pre-merger
- **Sickness levels halved**
- Productivity levels increased whilst volume static
- More confidence in immediate supervisor
- Management more willing to listen and interested in staff issues
- More confidence that suggestions and needs will be acted upon.

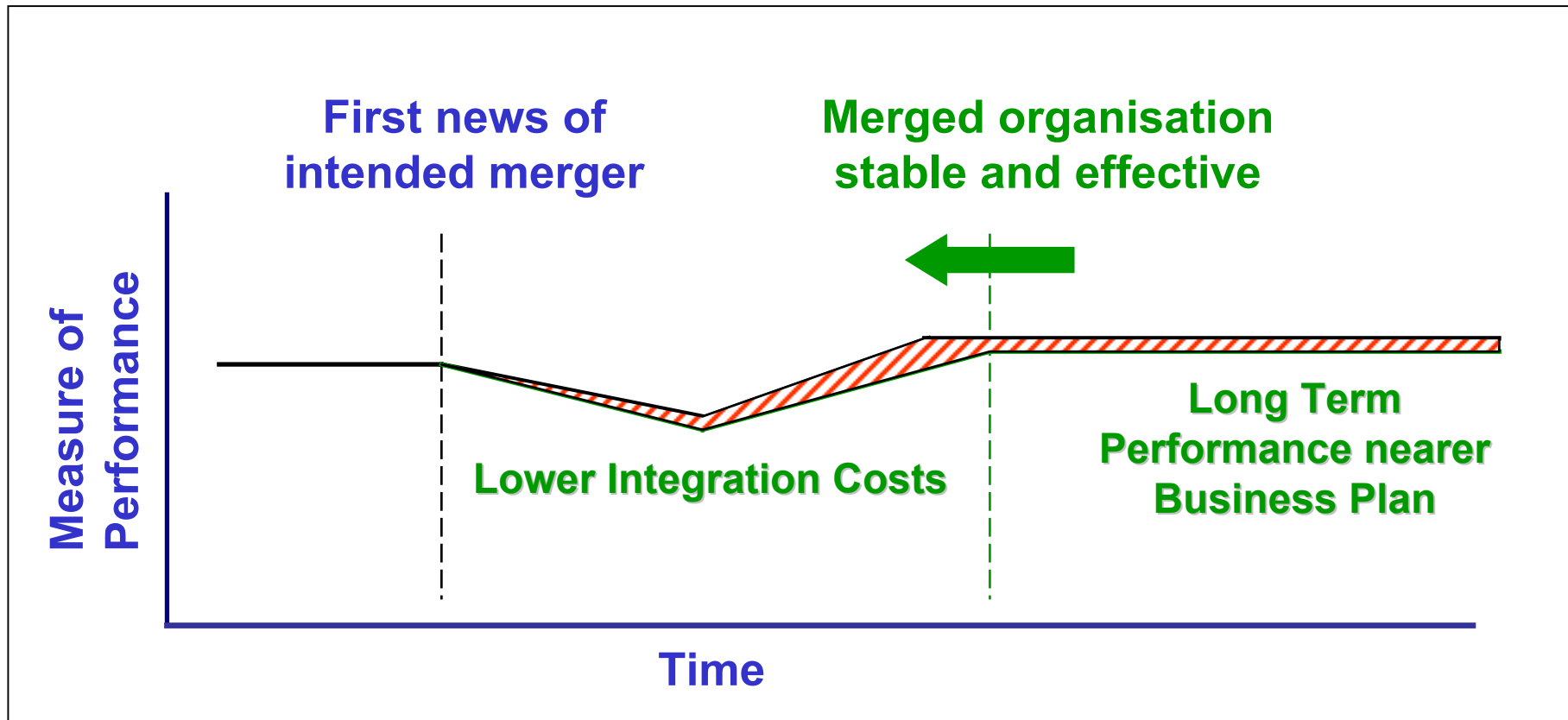
Award Win

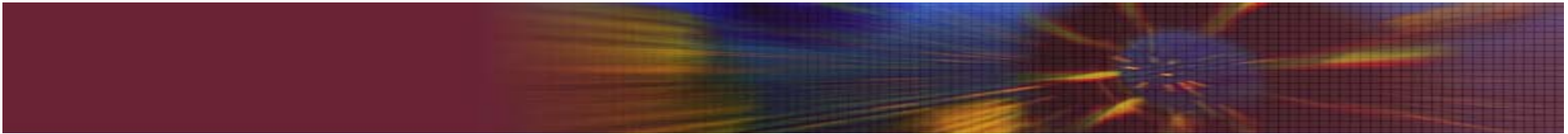
International Society for Performance
Improvement – *Outstanding Human
Performance Intervention Global award*

1st European company to win

Vancouver April 2005

Merger Performance With Cultural Focus





SIMPLY GOOD BUSINESS