

Cultural Change



Culture is a set of communally held norms and beliefs, as well as behaviors that naturally result from those norms and beliefs. Many practitioners focus on training as a way to introduce new norms and beliefs.

At Thomas Group we believe that the ultimate goal of culture change is to change the way people behave and that change can not be accomplished by training alone. Our approach is pragmatic, action oriented, and drives meaningful behavior change in areas that deliver tangible financial results to the business.

Culture change and culture integration are key issues faced by organizations seeking to exploit the synergies of a merger or acquisition. But many established organizations, challenged with new markets and business opportunities, face the same issues as well.

We have witnessed many symptoms of organizations struggling to achieve culture change.

- Business performance is lackluster but the response is just a lot of finger-pointing.
- Functional departments are meeting most of their individual performance targets, but the business is still not doing as well as it should.
- Improvement initiatives tend to stall before achieving their objectives.

- Merged businesses have *incompatible* cultures.
- Each function seems to be operating in its own world, i.e., the organization is not working together as one high-performance team.

The broader issue is that people do not behave as if the company is theirs. They come to work and go through the motions, but lack passion and commitment.

So what is the Thomas Group approach?

When cultural barriers are preventing our clients from reaching their business objectives we:

- Assess the existing business culture and the behaviors that result
- Work with the executive team to architect the new culture necessary for it to be able to meet its business goals and objectives
- Identify current behaviors with the highest change leverage for the organization
- Define and demonstrate the new behaviors that are needed, and the value of those behaviors to the organization
- Install improved performance metrics that align to overall corporate objectives and drive the desired behaviors
- Establish a process to monitor and support the transformation to the new behaviors

We find that, in many cases, behavior is driven by explicit performance metrics. If those metrics are designed to optimize the performance of a single function, they will almost inevitably have a negative impact on total enterprise performance.

We define metrics aligned to the needs of the whole organization, then break down silo cultures to get functions working effectively together to optimize total business performance.

Real World Cultural Change Issues

The following are descriptions of company cultures in need of drastic change. Do any of these look familiar?

A camping equipment manufacturer had traditionally focused on direct labor productivity. By paying a piece rate, they maximized that metric, but at a major cost to the business. A huge amount of cash was invested in inventory, response times were long, and write-offs were high. A more holistic view led to a revised set of metrics designed to optimize total business performance, with a significant financial impact.



Another manufacturing company had also been focused on direct labor productivity. The management culture required a labor productivity improvement target with a detailed plan every year. Over time, labor dropped into the single digits (as a percent of sales) and many other cost reduction opportunities had much higher leverage. But significant resources continued to be focused on making small labor improvements because the performance metrics were never changed to reflect the new realities of the business.



In some cases, companies make assumptions about their customers or business that prove to be quite incorrect...

A manufacturer of circuit breakers had a customer-driven sales culture. A *salesman's role is to sell the customer whatever she or he wants*. Customers routinely requested small volume specials that were always provided.



The prices charged for specials were higher than prices on high volume standard parts, making them look financially attractive. Our investigation showed that the extra costs associated with the specials were either absorbed invisibly or were being allocated across all products. When a more accurate cost picture was created, the client realized that its *profitable* specials were actually big losers. When the sales group was forced to start charging realistic prices for specials, they discovered that most customers could actually find a standard part to fit their application.

The effects of silo cultures can be dramatic...

A medical products company had several major product areas that were independently managed. A line of research that turned out not to be fruitful for one product line might have significant value for another product line. Yet this information was rarely passed on because of the silo mindset, and the R&D groups frequently duplicated work that had already been done by someone else.



In a consumer products company, marketing and manufacturing operated completely in silos. One effect of this was that marketing created promotional plans that were disconnected from operational realities. It was not uncommon for marketing to launch a special promotional campaign on a product that was in short supply and for which manufacturing had no extra capacity. ❏

