



Company-Wide Culture Change Eliminates Barriers to Improving Quality

The Situation

This Fortune 50 operating company's quality and reengineering initiatives had ceased to generate improvements. Yet it was clear that many opportunities still existed for achieving better business results. In response, the CEO chartered a task force to identify cost-cutting opportunities. The task force discovered that the barrier to reducing cost was the company's culture—a top-down, authoritarian system that systematically reinforced the wrong behaviors. Employees were not supported for taking initiative or assuming responsibility for change. Instead, the system reinforced the wrong behaviors: passing the buck and concealing both problems and opportunities.

The Solution

Project leaders recognized that the company's culture was reinforcing the wrong behaviors—of resistance to further improvement. The solution was to replace those behaviors with more productive ones that were crucial to future success. Beginning with senior leaders, CLG helped define these behaviors. From top leaders to front-line employees, we developed results scorecards to track behaviors that affected the company's culture. We developed leadership scorecards to ensure that all executives and managers led the right way and cascaded their objectives to direct reports.

CLG worked closely with senior leaders throughout the implementation. Project rollout included CLG's design and execution of a company-wide Vision Performance Conference for the top 250 leaders. CLG followed up by coaching senior leaders in productive leadership behaviors, including getting strategic leverage from positive reinforcement. Managers across the company were trained in the use of positive reinforcement and the scorecards. Teams improved process problems and addressed common difficulties like planning and sorting out roles and responsibilities.

The company also redesigned three major performance systems (performance appraisal, job selection, and career development) to support a culture of reinforcing cost management. To ensure that momentum continued after the intervention, CLG developed a team of internal consultants to apply the tools and methods without external support.

The Results

The CEO publicly recognized the initiative as the finest, smoothest, and best-received performance improvement initiative in the company's history. The company-wide improvements were:

- \$45 million annual savings from improved plant reliability, including a 75% decrease in plant shutdowns
- 30% average improvement on balanced scorecard indicators within six months
- Improvement from worst to first among all corporate operating companies in the employee commitment index, including eliminating all nine vulnerabilities identified in the survey

Targeted programs within specific sites and departments tallied additional results:

- Reduced plant operating expense, reducing spending to 12% below budget
- 550% improvement in the number of savings incidents, due to improved purchasing effectiveness
- Improved on-time shipments from 15% to 98%
- 27% increase in compliance with use of personal protection equipment