the missing component in manufacturing performance improvement

To the casual observer, aircraft manufacturer Airbus UK and pharmaceutical giant GlaxoSmithKline wouldn’t appear to share a lot of common ground. Some would say that the worlds of building airplanes and producing the next blockbuster wonder-drug are light years apart.

Jim Hart, CEO of culture-shaping firm Senn Delaney, a Heidrick & Struggles company, and Dustin Seale, partner and managing director EMEA provide a closer look that shows that these two organisations are more similar than you might initially think.
To the casual observer, aircraft manufacturer Airbus UK and pharmaceutical giant GlaxoSmithKline wouldn’t appear to share a lot of common ground. Some would say that the worlds of building airplanes and producing the next blockbuster wonder-drug are light years apart. A closer look shows that these two organisations are more similar than one might initially think.

Both companies shared a common goal of driving out costs while not sacrificing quality. As a means to achieve that goal, they initially implemented lean-manufacturing processes. However, they became increasingly frustrated when sustainable results were slow to develop.

The inescapable conclusion was that a component was missing — one that addressed the human element of the equation.

Ultimately, leaders at both companies engaged Senn Delaney to guide them in ensuring that their employees were fully engaged and aligned with the organisational goals and objectives. Both companies discovered that by combining lean manufacturing with creating a high-performance culture, they were able to create a sustainable competitive advantage.

As Phil Swash, Vice President of Operations at Airbus, observed: “This year we will achieve about a 14-percent productivity improvement, which is about three times what we have achieved before with lean manufacturing and Six Sigma alone. It greatly exceeds the industry norm of between one and five percent per annum. Absenteeism rates have fallen from about seven percent to about three percent, which, in a plant of the size of ours (with 7,000 employees), has a significant impact on productivity and performance.”

The experiences of Airbus and GSK offer valuable lessons for any organisation focusing on achieving significant bottom-line cost savings and continuous performance improvement.

Airbus: Lean manufacturing alone is not enough to engage workers

The village of Broughton in the United Kingdom is best known among a small group of wine aficionados as the home to some of the world’s best organically produced fruit wines. Not far from the vineyards sits the Airbus facility that manufactures the wings for many of its planes. A look inside this manufacturing operation offers interesting insights on how increased gains in performance improvement can be achieved when the workforce is completely aligned with the overall business objectives.

Airbus, like many manufacturing firms in Europe and North America, is constantly striving to be more efficient. Like many organisations, Airbus had initiated a performance improvement programme utilising the tools of Six Sigma and lean manufacturing first developed by Toyota many years ago.

Although a certain level of performance improvement was achieved, Mr Swash observed, “Things just weren’t sticking because not everyone was participating.”

Swash felt that his employees’ unwillingness to become engaged was limiting the programme’s potential. “Quite frankly, they just didn’t want to be engaged.” Lean manufacturing tools, techniques and processes seemed to be providing only a part of the solution. There must be a missing piece, but what was it?

Interestingly, it was the business press’s fascination with the turnaround at Jaguar that ultimately answered these perplexing questions.

Jaguar’s success in cutting costs from its manufacturing system while at the same time increasing quality had caught the interest of both the European and
international business press. Jaguar’s comeback in productivity and profitability after falling on hard times received much well-deserved coverage. “Perhaps they knew something that we didn’t? It certainly would be worthwhile to visit”, thought Mr Swash.

The trip to Jaguar proved to be an illuminating experience. It set the stage for the initiatives that Swash would soon implement at Airbus. He noticed considerable similarities between the two companies. Jaguar had begun its transformation by putting in place a number of lean-manufacturing processes.

However, as Mr Swash toured the facility, it was readily apparent that the Jaguar workforce was not only engaged, employees were committed to the success of the organisation. And while Jaguar’s bottom-line results spoke for themselves, the most interesting question was, how had Jaguar achieved this elevated level of productivity?

As Mr Swash would reflect later, the ‘ah-ha’ moment came as a result of a conversation he had with one of Jaguar’s senior managers. Their conversation focused on the people side of the equation. The Jaguar executive was candid about the problems that can occur if there is a disconnect between the words and actions of management.

Mr Swash recounts, “This senior Jaguar manager said to me, ‘If you say that standards are important yet you don’t demonstrate in your actions every day that these standards are important to you, then the rest of the workforce won’t take them seriously.’”

Looking back, this became the moment when the pieces came together about what Airbus needed to do in order to realise all of the benefits the company leaders desired from their cost and quality improvement initiatives.

“It was only through subsequent conversations that I learned about Senn Delaney’s involvement in the Jaguar project. It seemed to me that their expertise provided the missing piece.”

This missing component focused on developing leadership behaviours, breaking down silos and aligning the culture of the organisation with its business objectives.

Airbus was not the only company that had adopted the lean manufacturing process and yet had not yielded the results executive leaders expected. What was not as apparent in the Toyota Production system’s success was the culture that drives it. The attitudes and behaviours of the people are what make the system work.

Lean manufacturing requires high levels of teamwork, decisions for the greater good and empowerment in the sense that people continuously contribute improvement ideas and are willing to stop the line for quality issues when required. Those things have always been in place at Toyota, but not necessarily at other companies that use versions of their lean manufacturing system.

By making a deliberate effort to shape its culture to improve performance, Airbus would be able to realise gains far beyond those that could be achieved through lean-manufacturing techniques alone. “The Senn Delaney process made it considerably easier to implement the manufacturing tools”, Mr Swash commented.

The culture-shaping initiative at Airbus began with an analysis of the current conditions or culture to uncover the factors that were helping or hindering the organisation’s ability to achieve the desired results. Mr Swash observed, “The surveys provided a stark mirror on what my people truly felt and were saying.”

Senn Delaney surveys are specifically designed to obtain a true and accurate picture of the cultural traits and behaviours of the organisation. Questions probe below the surface and are constructed to uncover issues and organisational realities that are often unspoken but very real.

What Mr Swash learned that he didn’t already know

“It was invaluable in helping me put objectivity on the challenges we faced. The survey data and Senn Delaney’s assistance in interpreting the data enabled us to avoid coming up with simplistic solutions to these complex challenges. It would have been easy to say, ‘We just need to change the culture.’ But that wouldn’t have been terribly helpful. What the surveys enabled us to do was to think through what specifically needed to be addressed. It provided us with a structured process for thinking about how to achieve what we needed to achieve.”

In discussions with the Senn Delaney consultants, a select number of key issues were identified.

For Airbus, two of the most crucial issues focused on ensuring that employees felt fully involved, and that management dealt with employees with fairness and consistency. These conclusions from the survey data were incorporated into all the subsequent activities that took place. For example, the design of the culture-shaping sessions drew heavily from the data and the discussions that followed.

As an engineer by training, Mr Swash
wanted to make sure that the Senn Delaney program was fully coordinated with the ongoing manufacturing improvement initiatives. “We viewed these two programs as being very complementary.”

In order to gain maximum acceptance for the culture-shaping process throughout Airbus, the program was rolled out beginning with the very top of the organisation. It linked the Senn Delaney concepts and methodology with a review of the lean-manufacturing approaches.

“This enabled us to fully assess the reality of how the business was doing and fully explore why we were achieving the results we were”, notes Mr Swash. “It also enabled us to focus on individual accountability, which was crucial for our success.”

Aligning individual roles with the quality and cost improvement initiatives was only one method that was used to ensure that the lessons learned in the culture-shaping sessions took hold.

“We wanted to avoid the sheep-dip phenomenon in which managers are dunked in a pleasant hot bath of training but quickly revert back to their old behaviours. One of the many things that attracted me to the Senn Delaney process was that it was just that — a process.”

Senn Delaney’s comprehensive and integrated culture-shaping methodology covers all the elements needed to consistently shift overall cultures so that they better support business results.

“We were only the first component of their overall systematic approach for aligning everyone, from senior management to hourly workers, with our business objectives,” says Mr Swash.

The initial insight-based learning sessions are designed to unfreeze old habits and to connect individuals and teams to healthy, high-performance behaviours.

For those learnings to move beyond concepts, participants in the process received a series of reinforcement messages that provide the continual reminders needed to ensure that changes in behaviours become a conscious way of life.

In addition, a series of surveys was implemented every three months to ensure that change was occurring and challenges were identified. By targeting the smaller business units, Airbus was able to compile metrics on how the Senn Delaney initiative was helping to move the needle in a positive and tangible direction.

As Mr Swash commented, “Many manufacturing leaders spend countless years wishing for a change in culture, but avoid doing anything about it because they don’t know where to start…or because they see it as a soft option. My learning is that … it starts with me and my team and it is anything but the soft option.”

He went on to say, “One very real challenge was successfully addressed as a direct result of Senn Delaney’s assistance. Since many of our people didn’t feel involved, there were a lot of issues being escalated well beyond where the decision should be taking place. As a consequence, senior management was spending more time than it should on relatively minor decisions. We have found that as a result of the work Senn Delaney has done with us decisions are now made at a much more appropriate level.”

As Airbus discovered, combining the tools of lean manufacturing with the creation of a culture of continuous improvement resulted in true synergistic and tangible outcomes.

GlaxoSmithKline: Using the human element to achieve powerful results

GlaxoSmithKline also achieved similar powerful results in a highly challenging manufacturing environment.

After two years of merger discussions and one aborted attempt, in January 2000, Glaxo Wellcome successfully completed its merger with SmithKline Beecham. Like many mergers this one was undertaken with the greatest of hopes tempered by a pragmatic realisation that the really hard work was ahead. It was well understood that the track record of mega-mergers was spotty at best. Far too often cultural conflicts and personality clashes hamper a newly-merged company’s performance.

The success of pharmaceutical companies revolves around research and develop and marketing. Given the enormous investments required to create the next blockbuster drug and bring it to market, cost savings in all other areas becomes crucially important. Maintaining uncompromised quality standards while aggressively cutting costs is a difficult balancing act for any organisation. However, when the products being manufactured have the potential to both heal and harm, the stakes become considerably greater.

The visibility of the merger, one of the largest on record, meant that the steps GSK planned to take to integrate its various functions would be closely observed by the international business community. Operating in such a fishbowl meant that there was little room for error. As a final challenge, the pipeline of new products was unfortunately mostly empty at the time of the merger. This put an even greater emphasis on driving unnecessary
costs out of the system.

One advantage that GSK had was that the two merging companies were themselves successful products of mergers. In 1989 SmithKline, a U.S. firm, merged with Beecham, one of the oldest UK drug companies. Meanwhile, Glaxo Wellcome was created in 1995 — at that time it was the largest merger ever in the UK.

GSK had launched a new image and brand at the time of the merger. This enabled a consistent image and a projection of the identity of the new company. This included a mission to “improve the quality of human life by enabling people to do more, feel better and live longer.”

One of the key challenges was that there were two strong legacy cultures that had to be integrated to create one common GSK culture. At the heart of this was the need to develop a leadership ‘brand’ in the company, whether leaders were in Karachi or Philadelphia. GSK employees needed a consistent experience of leadership.

Understanding how to create the right emphasis in this approach was vital so that GSK could avoid being ‘hopelessly local’ and ‘mindlessly global.’

The company decided to implement a set of leadership principles that was globally appropriate, yet locally applied. This was important to a company focused on international networks and working in teams across the business. A leader’s influence could be seen and felt in many countries, so consistency in leadership behaviours was important.

Senn Delaney was chosen to implement this process, called Leadership Edge. It had the sponsorship of CEO J.P. Garnier and the senior executives of the business.

The participants were deliberately chosen from different functions and locations around the world to ensure a high degree of networking and learning about the new business.

Eighteen months after running the initial culture-shaping sessions, Senn Delaney measured the application of the principles and business relevance and responses from the top 2,000 EVPs, VPs and leaders.

The results showed:

**Significant shift in culture following merger of GlaxoWellcome and SmithKlineBeecham:** 89 percent believed that the process had successfully merged the two heritage cultures.

**Improvement in leadership capability of managers and business performance:** 88 percent of EVPs, VPs and plant leaders felt they were better able to lead effectively and impact performance through behavioural change and 92 percent believe the process had a positive impact on their day-to-day performance at work.

The successful implementation of the Leadership Edge has continued over the last eight years and is now an embedded feature of the GSK culture.

**Culture shaping for operational excellence**

GSK’s Global Manufacturing and Supply division (GMS) realised as early as 2003 that Six Sigma and other lean-manufacturing/quality improvement processes, wrapped up in a project called Operational Excellence, were only likely to achieve a finite amount of results. Much of the low-hanging fruit had been picked and improvements were harder to find. This in an environment where David Pulman, the GMS leader, had been asked to find £300 million in savings in manufacturing.

Part of the problem was traced back to how the lean-manufacturing techniques were being applied. For example, employees struggled with how to use the tools and apply the concepts they were being taught. Naturally, this impacted the overall potential of the lean-manufacturing initiative, since the applications were intended to be broad rather than narrow.

After much discussion, it was concluded that GSK needed to address the human side of the equation. The ability to do things ‘faster, better and cheaper’ relied to a large extent on the collective mindset in the manufacturing organisation.

The GMS senior team decided that a culture-shaping process tailored to its own requirements was needed for its 30,000 employees. This would be based on the same leadership principles that were being deployed across the global organisation by the Senn Delaney Leadership Edge process.

The difference was that this was to be done in intact teams **locally** to ensure that each of the manufacturing sites used a common approach to the implementation of Operational Excellence. Consequently, the leadership teams within 86 manufacturing sites in 42 countries completed a custom-designed culture-shaping process under the Leadership Edge brand. This was delivered in 14 different languages over the period of 12 months.

Senn Delaney’s methodology was of particular interest to GSK because of its strong track record in helping organisations realise tangible bottom-line results by addressing the human behavioural feature of the GSK culture.
issues that impact business initiatives. Moreover, given GSK’s vast global presence, it needed to partner with a firm that had considerable experience in implementing multi-country solutions that transcended cultural boundaries.

In an environment such as GSK’s, success depended on employees assuming greater individual ownership for their work. “When we look at success and failure, it ultimately traces back to the actions of an individual. Senn Delaney enabled us to humanise operational excellence,” says GSK Vice President of Operational Excellence Tan Kay Yong.

Given the global nature of its business, GSK wanted to ensure that the initiative had lasting and tangible benefits.

“One key factor in the success of the culture-shaping process was the way that Senn Delaney introduced a language of Operational Excellence that gave us a common vocabulary that reflected the concepts,” says GSK Site Director Joe Foley. “This simple language had the long-term effect of triggering adjustments in behaviour long after the culture-shaping session was over.”

In the evaluation of the culture-shaping process, it was important to know whether the messages had, in Mr Foley’s words, a ‘stickiness’, so that the learning stayed with people over the long term. There were two important factors in this: application and facilitation.

Mr Foley comments: “Senn Delaney approached the whole process in a way that enabled us to understand how Operational Excellence was implemented on a day-to-day level in the way that we worked together and led our business. Everything was very well thought out, the lessons that we learned were as much about the way that we led our lives as the way that we worked.

The Leadership Edge process addressed the unique challenges facing the organisation. However, as effective as the structure of the programme was, what truly made it powerful from GSK’s perspective was the facilitation capabilities of the Senn Delaney team.

“The programme would never have accomplished what it did without the high degree of sincerity and passionate belief in their work that all of the Senn Delaney facilitators demonstrated. It was their skill that enabled us to get comfortable discussing things that we might otherwise not be willing to talk about. By sharing our experiences and discussing why they occurred, we were able to see how we could apply what we were discussing to situations that would likely arise in the future.”

A skeptic might suggest that this approach, with its emphasis on shifting the mindset of leaders and teams, is too soft for most organisations. “Not from the perspective of this engineer,” replies Mr Foley. “At a point in my career I had to make the decision if I wanted to go on as an engineer, making and maintaining big pharmaceutical sites or make the transition to being a leader of these sites. I decided that I wanted to lead, and that means engaging people to do the best they can and provide an environment that allows those people to thrive and succeed. For me this is all about developing a sustainable edge. We need to reduce employee turnover and create a workplace in which people are encouraged to be empowered and accountable.”

Additionally, from a highly pragmatic perspective, employee engagement scores increased by five percentage points as measured by the annual survey.

**Conclusion**

So, what do the experiences of GSK and Airbus teach us, and how might they apply to improve your manufacturing organisation’s performance?

It is clear that Six Sigma and other lean-manufacturing techniques are highly effective at providing tools that help drive unnecessary costs out of the system. However, the experiences of these two companies, in which tangible change was slow in coming, suggests that lean manufacturing, without addressing the cultural and human elements, will only achieve a certain level of operational improvement.

The GSK example illustrates this. Although employees learned lean-manufacturing tools that could be applied to a broad range of manufacturing situations, there was a tendency to apply them to a small number of situations. Much of this was due to people’s mindsets and the encouragement they received from their leaders.

Senn Delaney’s approach allowed greater levels of collaboration and learning across teams. The source of this transformation came through a change in the leaders’ beliefs about how to get results through people.

Addressing these human barriers is crucial for forward-thinking organisations that are passionately committed to building a sustainable competitive edge.
about the authors

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about Senn Delaney

Senn Delaney is the culture-shaping firm of Heidrick & Struggles International, Inc., the premier provider of Executive Search, Culture Shaping and Leadership Consulting services worldwide.

Founded in 1978, Senn Delaney was the first firm in the world to focus exclusively on transforming cultures, essentially creating the corporate culture consulting industry. A singular mission of creating healthy, high-performance cultures has made us the leading international authority and successful practitioner of culture shaping that enhances the spirit and performance of organizations.

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