



HOW CULTURE IS TRANSFORMING MANUFACTURING

DWM Holdings, January 2019

Executive Summary

Organizational culture, which typically refers to an atmosphere of shared beliefs and practices within a company, is commonplace in office environments; however, the benefits of a positive corporate culture have been slow to make their way to the factory floor. While there has been a great deal of momentum around changing the face of manufacturing in the U.S. over the past several years, much of the conversation has revolved around the impact of technology, process improvement and cost reduction. It is just recently that the importance of culture in the manufacturing environment has been gaining ground.

TABLE OF CONTENTS

Good News, Bad News	2
Improve Performance with Engaged Team Members	2
Attract and Retain the Right Talent	3
Create a Great Culture by Following the Golden Rule	4
Take a Cue from Proven Management Techniques	5
Position Your Company for the Future	6

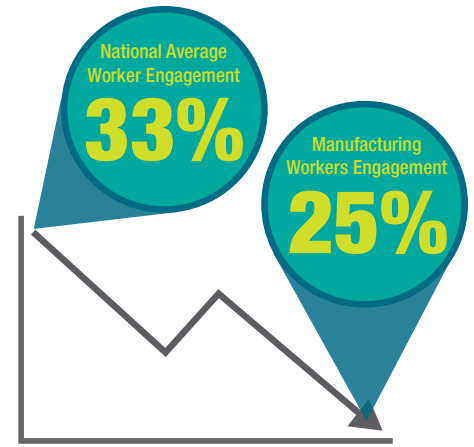
Good News, Bad News

According to the Bureau of Labor Statistics, the U.S. manufacturing sector has been experiencing a rebound. Since manufacturing is considered the backbone of a healthy economy, this bodes well for the future.

Unfortunately, these recent gains in jobs has not proportionately translated into engaged workplace cultures. Gallup's "State of the American Workplace" report found that only 25% of manufacturing workers are engaged at work. This is eight percentage points lower than the national average of 33% employee engagement (and significantly less than many top-performing corporations), which makes manufacturing the least engaged occupation in the U.S.

The problem lies in the fact that many manufacturing companies have not kept pace with the trend toward improved company culture that is occurring across corporate America. This becomes an increasingly more complex issue for organizations as younger team members, who expect to be managed differently than those of previous generations, enter the workforce. Perks such as flex time, having more control over decisions, and greater opportunities for growth are key factors in a candidate's job search.

Admittedly, manufacturers are often restricted by procedures and processes that make it difficult to implement the kind of flexibility and autonomy that enhance office environments, but there are still plenty of ways to improve the culture on a factory floor.



The bottom line:

Evidence suggests that creating the right culture can improve performance, attract and retain employees and make your company more competitive.

Improve Performance with Engaged Team Members

It should come as no surprise that team members who are invested in a company's success and committed to achieving its goals, are more likely to perform better. Just as workers who enjoy coming to work and feel appreciated tend to be more productive. On the other hand, a negative or toxic atmosphere can reduce productivity and, therefore, profitability.

In his book, *The Culture Cycle*, James Haskett affirmed this contention by estimating that an effective culture can account for upwards of 30% of the differential in corporate performance compared to less culturally vibrant competitors.

In a real-world example, Airbus UK implemented cultural changes that resulted in a year-over-year increase in productivity from 2-3% to 14%. They also saw a 60% reduction in absenteeism and a 50-60% improvement in safety. Like many manufacturing firms, Airbus UK was working hard to become more efficient. Though the company had been consistently investing in systems, processes, design, and tools, they were struggling with sluggish productivity while trying to meet increasing demand. They implemented programs to achieve lean, operational excellence, but decided that these tools would be more effective if the culture supported the changes.

Among the changes they made were creating a more purposeful leadership (i.e., the top team must have a common purpose and lead by example), enhancing training programs, and improving communication across the board.

Manufacturers that are Getting it Right

Toyota

Toyota's North America CEO Jim Lentz believes in encouraging collaboration. In their new headquarters in Plano, Texas, they have dedicated a full 50% of the floor plan to collaboration spaces. "The collaborative piece is way beyond conference rooms," according to Lentz. "It may be a couch and a couple of chairs near a stairwell. It may be some highboys where people can bring their laptops and sit down and work together... It's more of an interactive space." Toyota management believes that bringing people together, face-to-face, is what drives innovation, and employees seem to agree.

"Without necessary changes at a behavioral and cultural level, no amount of systems, processes and technology will realize an organization's strategic ambitions for a sustainable future."¹

If we take this one step further, studies show that satisfied workers are also more likely to treat customers better. Although most manufacturing workers do not interact directly with customers, culture is pervasive. So, additional workplace satisfaction is sure to positively impact the relationships with sales reps, sales teams and other service team members.

Of course, employee engagement is a two-way street. According to Forbes, engaged bosses are 59% more prone to having and retaining engaged team members. Building a healthy employee-boss relationship, in which employees feel supported by their supervisors and vice versa, is key to higher productivity and job satisfaction. Engaged managers tend to meet more regularly with their team members, ask for constructive feedback, focus on individuals' strengths and help them grow.



The bottom line:

You can improve performance and customer relationships with a culture of engagement and empowerment.

Attract and Retain the Right Talent

Employee turnover is expensive and negatively impacts overall company performance. Improved work satisfaction naturally leads to better employee retention rates, which, in turn, helps attract talent. While manufacturers may not be able to offer the innovative work environments of companies like Google, which features play areas and individually designed work stations, there are basic tenets that can be “borrowed” from these positive corporate cultures. Examples include: providing clean, inviting spaces for taking breaks, collaborating and eating; offering healthy on-site meal options; encouraging regular breaks; extending opportunities for advanced training/education; holding team-building events; offering financial incentives for innovative ideas; and making work/life balance a priority. These are just a few ways to create a great workplace.

Creating a positive culture is not just a nicety. At a time when many high-paid, high-tech manufacturing jobs remain unfilled and a labor shortage is predicted to continue, it's becoming a necessity for attracting talent. According to a recent article in Industry Week, “for the newest generation of workers, corporate culture is viewed as the most important job benefit,” and this extends to the manufacturing world. Other employment studies confirm this view, stating that the average employee in all sectors considers having a good culture or work environment as important as having a good salary.²

One of the solutions to filling the gap of skilled workers in manufacturing is to cast a wider net for talent, which includes recruiting more women and minorities. Because manufacturing has been predominantly white and male, both on the shop floor and in all management levels, attracting a more diverse talent pool requires a shift in culture. Companies must create an environment that is welcoming and respectful of different genders, races and ethnic groups (more on that to come).

And, of course, in this age of social media, potential employees have greater visibility into your company and its culture. There are websites devoted to reviewing workplaces and providing direct access to employees to receive feedback. You won't be able to satisfy everyone or stop disgruntled employees from making negative comments, but studies show that candidates tend to take a broad view of remarks – discounting the most negative and most positive and focusing on the overall reviews.

If a candidate for employment asked your team members about your company's culture, how would they answer? Would they say it's welcoming, accommodating, innovative and a great place to work? Or, would they say it's stuck in the past?

Manufacturers Getting it Right

Stryker Corporation

Stryker Corporation is a Fortune 500 medical technologies company based in Kalamazoo, Michigan. They attribute their success to a highly-engaged workforce. Eamonn Nestor, a senior director of operations, says the culture created from the top front-line leaders is what keeps team members motivated.

“Engagement can be something that's treated like a fad,” Nestor said, “or it can be treated as a way to brand our company in a certain way that attracts talent.”

Stryker used an employee assessment tool and survey feedback to pinpoint stress points and make improvements companywide. They also used a Gallup program that assesses strengths and weaknesses of managers, using the results to promote the best managers. The company also conducts town halls, where leaders review employee engagement results, tackle issues and address employee questions/concerns.



The bottom line:

A great company culture can help you retain valuable team members and attract top talent.

Create a Great Culture by Following the Golden Rule

“There is no magic formula for great company culture. The key is just treat your employees how you would like to be treated.” — Richard Branson, Founder, Virgin Group

Following the golden rule of treating others the way we want to be treated is the foundation of a positive, productive culture. To begin creating a positive culture, experts suggest asking your team members if they feel respected, regardless of race, gender, background or position within the company.

Some questions you might ask yourself to gauge the current level of respect within your organization include:

- » Do your managers walk the line on the second or third shift of the day, greeting people by name?
- » Does your executive team isolate themselves with separate conference rooms, dining areas or other facilities?
- » Do your engineers work in close proximity with the production line and interact with production workers regularly?
- » Are women and/or minorities turning down interviews or leaving the company because they don't feel welcome or treated fairly?
- » Is there transparency within company communications (i.e., do team members at every level know what the company goals are, how the company is doing, what changes are on the horizon, etc.), which builds trust?
- » Do you regularly address issues such as wellness and safety, which shows you care about the well-being of your team members?

Overall, team members should feel wanted, valued and part of the company's success. In the Harvard Business Review article, “Creating a Culture of Quality,” the authors list the following principles that can contribute to an atmosphere of respect, as well as improve quality in production, which they contend go hand-in-hand:

- » Leaders need to “walk the talk” on issues such as quality, not just pay lip-service.
- » Workers need to hear the importance of quality and how their roles impact it from respected sources in ways that appear to them personally.
- » Workers should be encouraged and empowered to speak up and make changes to improve quality, productivity, and other issues.

Manufacturers Getting it Right

Gray Engineering

When Marty Bryant became head of operations at an automotive supplier, Gray Engineering, he discovered a problem with communication. While his new employer had invested heavily in technology to gather metrics, the information never made it to the shop floor. Therefore, employees involved in production had no idea how the company was doing on a daily basis. One of his solutions was a highly-visible white-board placed where everyone (from the CEO to shop workers) could see which production processes were on track, behind plan, or stalled completely. Color coding makes the information easy to decipher at a glance.

The bottom line:



One thing all great companies have in common is a feeling of respect throughout the organization.



Take a Cue from Proven Management Techniques

Respect is based on the premise that good employees want to do good work and make a positive difference. However, team members who don't feel like their contributions are valued or that they're simply a cog in the wheel, are likely to disengage. This leads to disconnected employees who do their specific task and no more (i.e., "That's not my job.") versus employees with a teamwork mindset. To change this attitude, companies can:

- » Include team members in meetings and decision-making processes, when possible.
- » Ask for feedback on a regular basis and let individuals know how that feedback was used.
- » Clearly communicate the company's goals and how each job impacts those goals. Make sure team members are clear about priorities. Have them set personal objectives that support company targets.
- » Create clear pathways for job advancement, education and training, including cross-training. Challenge team members to learn continuously and try things outside their comfort zone.
- » Invite customers to visit the factory and meet team members from across the organization. This simple act fosters a sense of pride and connection to the larger success of the company.

If you want to change your company's culture, but are not sure where to start, you can begin by reviewing some well-known successful manufacturing management techniques, such as 5S, Kaizen and the Toyota Way. These programs can help you get a quick start and inspire other ideas that are unique to your environment.

Although every company must create its own unique culture, there are some commonalities among high-performing manufacturers, which include:

Open communication. All team members should understand the company's mission, core values and performance metrics. They should also know what impact they have on the company's success. Communication should flow in both directions, so employees have plenty of opportunity to provide suggestions for improvements and solutions to problems. The goal is to create an atmosphere of transparency and trust that extends not just to employees, but to suppliers and customers.

Autonomy. In manufacturing, much of the work is based on a specific process, which allows very little leeway for scheduling changes or individual decision-making. However, the best manufacturers look for ways to give employees the most control over their schedules and jobs. Manufacturers in all sectors have come up with creative ways to break the norm in areas that were once considered "unchangeable."

Accountability. Work with team members to establish how everyone can be accountable. When done right, accountability creates higher engagement. This means, of course, that managers must address situations when employees are not performing well, as well as rewarding those who meet goals. Everyone should understand where they fit into the larger scheme of things.

Have fun! Who says team-building events, spontaneous pizza parties or ice-cream socials, and other "just for fun" occasions can only be done in an office environment? Hosting breakfast for the night shift once a month, for instance, brings your team together in a positive way, while showing your appreciation for their work. It's also important to recognize and celebrate individual and company successes. These are the little touches that can have a big impact on employee satisfaction.

Manufacturers Getting it Right

Arthex, EOG Resources and FONA International

An increasing number of leading manufacturing companies are focusing on health and wellness for their employees. For example, three companies ranked on Fortune magazine's list of Great Workplaces in Manufacturing and Production feature extensive health and wellness benefits. Ranked 4th, Arthex, a maker of surgical products covers 100% of worker health and dental benefits; reimburses gym memberships and provides on-site medical facilities. EOG Resources, ranked 6th on the list, is an oil exploration company that promotes well-being with fitness reimbursements of up to \$300 per year. Finally, FONA International, a provider of food additives and flavorings, ranked 13th by helping its employees stay mentally and physically fit with free yoga and exercise classes.

The bottom line:

You don't have to reinvent the wheel to drive a positive culture, there are plenty of ideas you can borrow from.



Position Your Company for the Future

It's been said that the only constant in life is change. Many experts contend that we are seeing the most sweeping changes in all sectors of business, including manufacturing, that we have experienced since the industrial revolution. New technologies impacting automation and communication; a new generation of workers with different expectations; and a shifting global economy are just a few of the major factors forcing companies to evolve.

Creating a culture that supports these changes can mean the difference between survival and extinction.

To learn more about the unique company culture at DWM Holdings and how it positively impacts our relationship with customers and suppliers, check out ***"The Best Businesses are Built with Purpose."***

DWM Holdings is the umbrella company for a portfolio of light pole manufacturing brands: United Lighting Standards; General Structures, Inc.; Lyte Poles; and UniPost Systems. The business was founded by Douglas William MacVoy in 1971. Since that time, it has grown both with and ahead of the lighting industry — all of which has shaped a company steeped in a rich tradition of developing outstanding partnerships. We are doing things differently — and having a lot of fun along the way.

Sources

¹"How Can You Build a Better Culture in Your Manufacturing Facility," Formaspace, January 29, 2018.

²"Organizational Culture & Employee Performance," by Kimberlee Leonard, Small Business-Chron.com, April 5, 2018.

"5 Keys to Boosting Workplace Culture in Manufacturing," by Art Swift, Business Journal, 2018.

"State of the American Workplace," Gallup News, 2017.

"The Importance of Working for a Boss That Supports You," by Sarah Landrum, Forbes, 2017.

"Three External Factors Driving Corporate Cultural Change Today," by Stephen Gold, Industry Week, 2017.

