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# Organizational transformation through improved employee engagement – “How to use effective methodologies to improve business productivity and expand market share”

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## **Abstract**

**Purpose** – *The purpose of this paper is to help businesses understand that as markets change, the way a company does business also must change to stay competitive in their industry. A company needs to know their share of the market to develop strategies to stay competitive and survive. This case study takes you through a successful company's recognition and transformation involving all aspects of the organization. Cross-functional teams were developed to improve existing processes and develop new ones, as well as educate their people along the way.*

**Design/methodology/approach** – *The case study explains the process taken to help the company make the required changes to stay competitive. The company's transformation happened through the application of Agile Construction® and the implementation of design teams to develop and test new or improved company processes and procedures. Once the improvements proved successful, the new standardized way of doing business was introduced to the rest of the organization. Tools were introduced to enhance the new processes and make them visible to the entire organization.*

**Findings** – *It was found that working together as a team and learning together to create standardized processes improved the company's overall profitability, increased sales and expanded their market share. It takes a lot of dedication and hard work along the way to improve. The process also proved that the team has to work toward the same goals for the transformation to be successful.*

**Practical implications** – *Changes to practice that must be made is that communication is key among everyone involved in the organization. Also, there is value in understanding that the organization's way of thinking needs to change to a learning organization.*

**Originality/value** – *Any organization, whether a company or an institution, can benefit from reading this case study. It is important to understand that the way of doing work changes over time and improvements have to be made to be successful in any industry. Team work is also important, so that everyone is reaching for a common goal.*

**Keywords** *Process improvement, Market share, Agile construction, SBPI*

**Paper type** *Case study*

## **1. Introduction**

A market's size and characteristics have been primary indicators of any company and industry's health since the early twentieth century. Understanding changes in such markets is an important element of any company's ability to perform profitably and productively.

Market share is a measure of the performance of an organization relative to its competitors in a particular industry. For any organization to develop a strategy that will allow it to expand or recover its own share of the market, the entire economic market size and its trends must first be correctly and consistently recognized and compared using a common definition.

**“Change in the market share is very often impacted by shifts in the market, customer needs and expectations. When the markets change the paradigms change, which forces the organizations to adopt the change or vanish.”**

Then, to regain or expand market share, all the root causes of erosion or shifts have to be addressed.

Very often the organization's performance has been measured solely based on the stock prices or owner's equity. To increase share of the market and avoid potential disruptive challenges to any organization, a methodology and practices were developed to improve system productivity, which yields higher sales and increases the market share, as well as expands the existing markets.

The method dubbed Agile Construction<sup>®</sup>, which was first used in the construction industry, relies heavily on employee participation on process design and lead indicators controlled by employees, leading to a better financial performance and market share. Full employee involvement throughout the system design is the basis of this methodology, which relies on the application of Toyota Production System in various industries including service and soft industries.

## 2. Reality change in business environment

Change in the market share is very often affected by shifts in the market and customer needs and expectations. When the markets change, the paradigms change, which forces the organizations to adopt the change or vanish.

For a company to change, the leader has to change; for a leader to change, “The Operation Theory” of learning has to change. What led the company to success in its old markets may no longer apply or be relevant in current and future markets. Continuing to play the game with brute force will only exhaust the people and resources when the fundamental rules of the game shift. Transformation can only happen when the new theory is adhered to by all the participants.

When a company embarks on a journey of transformation, the journey is as much a reward as the destination. Once a company crosses the transformation bridge, continuous improvement becomes the overall goal.

In a real case application, we will show how a company can transform itself while allowing employee participation in process design, application and measurement. XYZ Construction (XYZ) (Name is fictitious but based on real results and experiences), a mid-size construction company, transformed itself from a construction contractor to a vibrant business that strives to be an employer of choice, while increasing its productivity, profitability and market share.

## 3. The journey

XYZ was established in 1933 and has since expanded to three offices: Chicago, IL; Springfield, IL; and Milwaukee, WI. The CEO of XYZ emphasized the importance of *recognizing that something needs to be transformed*, communicating this to the employees, providing all employees with educational opportunities to understand that there are better, more productive ways to work. Two major realizations caused the CEO to try to fight the external conditions that the company had no control over:

1. He realized that if he did not figure out a better way to do the work, then someone else would, and XYZ would be sitting on the sideline.
2. He saw that the available workforce to support the industry was diminishing. He had to ensure the current talent worked to their fullest potential.

So XYZ pledged to make a fundamental change in the way workers thought about their jobs. This change pushed XYZ to be more proactive and completely changed its culture. The company's transformation has allowed it to compete in larger markets while maintaining its relationships with long-time customers.

Calling it emotional would be an understatement, when the CEO stood in front of over 100 construction executives, workers, project managers and office staff announcing and celebrating his company's graduation from a long journey of transformation through the application of Agile Construction®. The CEO was talking as a keynote speaker at a semi-annual symposium conducted by MCA Inc. for all the contractors on the journey of transformation.

Here are some of the CEO's "lessons learned":

- It is a lot easier to change someone who has not had great success than someone who has had a lot of success doing work a certain way.
- It is important to get involved in networking opportunities to learn from other companies involved in all types of work.
- Do not get hung up on the tools (including IT) and procedures. A good employee has to understand the concepts of how the business transfers its resources into outcomes for its customers, the processes that support that transfer and then consider ways in which the tool can be used best. However, *it is not about the tool; it is about the process.*
- Be committed. Look at whatever transformation that needs to be made, decide if it is good for the company and be committed. *If you are not 100 per cent committed, then transformation will not be successful.*

#### 4. Structure and setup

In July of 2005, MCA Inc. facilitated and guided a two-day strategic offsite. XYZ's then-executive members met in Kalamazoo, MI, to draw the roadmap for transformation. They realized that 10 years down the road, approximately half of them will be retired. However, they had to plan for the transformation to keep XYZ going beyond any individual's longevity.

The following events occurred over the two-day session. Some expectations of the group were to:

- learn more about XYZ's processes;
- determine its current level of productivity;
- learn how to become better leaders; and
- be willing to work as a group to implement change.

**“More often than not accountants are thought of as the recorders of activity, documenting after the fact. This put our team on the front line, planning, developing and then measuring.”**

**“Symposium participants unanimously agreed that the one thing common about the XYZ’s operation was passion: every single employee was passionate about their position within the company and their day to day work.”**

This steering committee (SC) of executive team members explored the current state of the company and performed a financial assessment of each XYZ branch. Everyone explained what he or she could contribute to shift XYZ’s paradigms. Some of the suggestions included:

- invest in a project management school;
- adopt a zero-tolerance policy for safety violations;
- focus on procurement;
- change the “only me” attitude; emphasize “customer first”;
- take time to go beyond what is been done in the past (company transition);
- select improvements to XYZ that are long term;
- develop a way to feedback information from job to estimation, accounting, etc.; and
- capture knowledge that exists within the company.

The transformation of XYZ from a construction contractor to a vibrant business that strives to be an employer of choice was a bit different than the stories read in the media. In this case, contrary to either a typically passive or even sometimes contradictory role of the various support departments including accounting in the transformation process, all the departments of the company, especially accounting, played a major role in connecting the field labor and operations with the financial end of the company. Due to the CFO’s intense involvement, the productivity gained as a result of the transformation quickly turned into better cash-flow, gross margins and elimination of under billings. The dashboards of financial performance worked hand in hand with operational indicators, becoming the guiding posts for measurement of the transformation progress:

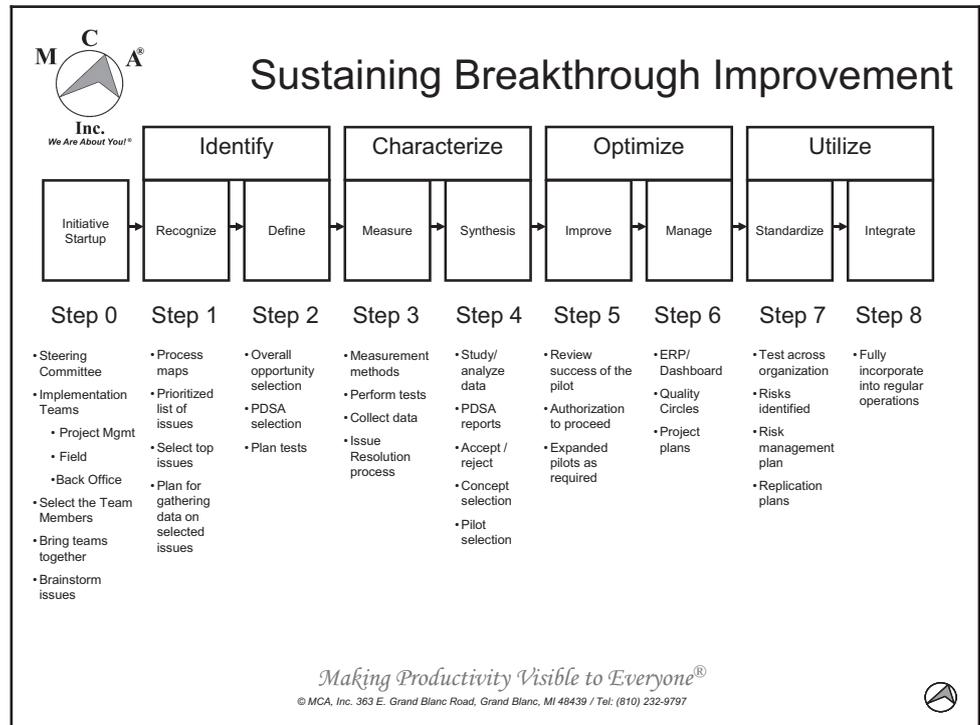
There is a different way to build a system on the job and, in order to do so; we have to come together as a team to make it happen (CEO of XYZ).

MCA Inc. and XYZ worked together to make a fundamental change in the way workers thought about their work, their role in the company and how to best serve the customer. In a market that was shifting underneath their feet, relying on the old “best ways” to install and build would no longer cut it. XYZ was going to embark on work that would require them to be competitive at a cost lower than they were comfortable with. To get there, the entire team at XYZ had to shift its focus to “Lowest Installed Cost” and identifying any and all ways that the company could support reducing non-installation time on its jobsites. Everyone was able to “lead from where they stand” in the company and contribute, test and train on the ideas they generated as long as they contributed to the Lowest Installed Cost. This change pushed XYZ to be a more proactive company rather than a reactive company and completely changed the culture of the company.

#### **4.1 The process**

The process XYZ used for transformation is Strategic Breakthrough Process Improvement (SBPI®), as shown further in the paper and in [Figure 1](#). An organization cannot stop its operations to go through transformation. The SBPI® enables an operating contractor to apply

**Figure 1** Strategic breakthrough process improvement steps



the principles used in the transformation process in manageable sections without losing sight of the overall transformation.

In this initial offsite in 2005, the SC learned SBPI® and set out to work within the company to use it for transformation.

By systemically applying the four phases and eight deliverables of the SBPI® process, an organization can transform itself into a near perfect delivery system for products and services.

The four phases of implementation are:

1. Identification;
2. Characterization;
3. Optimization; and
4. Utilization.

Each phase supports two major deliverable activities, as they provide structure for first identifying the areas of the organization with opportunities for improvement and then characterizing those issues for optimizing within the system. Learning tools, operational measurement and process control tools allow the contractor to build a learning organization that will enable continuous study and improvement through designed processes and control points, ultimately to utilize standardized processes and improvement strategies throughout the organization.

#### 4.2 The design teams

The vehicle used to drive the SBPI® process to function are cross-functional process design teams. In XYZ, teams were developed to focus attention on three specific areas:

1. office operations;
2. field operations; and
3. project management.

The CFO of the company was put in charge of the office team to integrate the project management and field team's input into measurable and tractable outcome dashboards in a form of:

Time – Schedules and planning.

Cost – Flow and Profits.

Quality – Productivity and Safety.

The office team started with a team charter below:

*4.2.1 General description.* The office support team will address all aspects of internal company operations that support the field operations. Areas such as human resources, employee training, project tracking, material procurement, purchasing and information management are just a few of the functions that the team will investigate for potential improvement.

*4.2.2 Expected results.*

1. Map the pertinent processes of human resource management, accounting, training, purchasing and procurement as they exist today at each location.
2. Identify the potential activities that could be improved and standardized.
3. Suggest improvements and test on a small scale.
4. Confirmed improvements will have the following characteristics:
  - Improve the process by more than 30 per cent (capacity of the company's overhead).
  - Support the improvement of GP by more than 5 per cent.
  - Improvements are consistent throughout the organization.
  - Improvements are sustainable, without dependency upon specific individuals.

Make significant movement toward accomplishing these objectives by December 30, 2005.

### **4.3 Perspectives**

*4.3.1 The CFO's.* Going through this transformation process definitely put our financial team in uncharted territory, especially for a group of "number crunchers". More often than not, accountants are thought of as the recorders of activity, documenting after the fact. This put our team on the front line, planning, developing and then measuring.

Our cross-functional office team has taken on many roles during this process. Right off the bat, there was the development of better tools for job planning and documentation. This moved into assessing the information needed to the manage work and then into proper job close-out. All along this path, the office team operated from the view point that our group has a vast pool of information at their fingertips and needed to find a way to organize and filter the data to help our team members do their jobs more effectively and efficiently. The need for education at all levels of the organization rose to the top of the list during this time. Our team took on the role of developing XYZ university to fill those needs.

As time progressed, the desire for more information developed into providing data to many levels of our organization. Financial strength is measured and shared. Financial dashboards were developed providing snapshots and trends of several key aspects of our business. As more data are provided, our teams use it to make informed changes which lead to better cash flow, better margins and to an overall stronger financial position.

The path this process has led us down brings to light the need for communication at and between all levels of our company. Communication on financial status, job obstacles, scheduling, performance expectations and documentation needs are just a few.

The most exciting part of this voyage has been that our financial team is not just in the background, playing a supporting role, but has been a key part of the force leading this whole venture.

*4.3.2 The general manager's.* The Vice President and General Manager of XYZ's Springfield operation explained that seven years ago, when XYZ's leadership met in Kalamazoo, he challenged the leadership to restructure the operating procedures. A major part of the change was putting together three teams: field team, office team and project management team and consequently sub-teams such as service, estimating and prefabrication. Additionally, XYZ began to integrate productivity measuring tools such as JPAC<sup>®</sup> and Short Interval Scheduling (SIS<sup>®</sup>) into their daily operations. SIS<sup>®</sup> allows the foreman to assign tasks and helps the workers manage their time and to improve productivity.

*4.3.3 Insight and leadership from the CEO.* This has been and continues to be a fascinating journey. I know we have made several mistakes along the way, and sometimes, it is easy to question if it is worth the effort. When I begin to doubt, I look at the successes we have had over the past seven years. We have spent more money in training, safety and development of key employees than we have ever done in the past and continue to have a great bottom line during some very difficult times in the construction industry. We flourished, while many of our peers floundered or went out of business.

I truly believe that we can be more competitive and profitable, because of the things we have learned. That alone is worth the effort. If we can collectively bring these kinds of methods to a whole construction team, then we can then add drastic improvement to the industry. There are better ways to build buildings, and as construction companies, we must take the lead.

## 5. Lessons learned from XYZ

Symposium participants unanimously agreed that the one thing common about the XYZ's operation was passion: Every single employee was passionate about their position within the company and their day-to-day work. This is because through the structure put in place at XYZ and the CEO's leadership, every employee touched the work and the customer. There were no "departments" or "jobs" that were more than one step removed from the field worksite in the transformed organization. We know it can be done but it helps to see it." Symposium participants also commented on XYZ's:

- JPAC<sup>®</sup> breakdown into very small tasks;
- sharing of "secrets" and visibility of the work;
- focus on constantly improving the process;
- intricate thought process in getting every job done efficiently; and
- interest in not only improving them but, more importantly, improving the industry.

The XYZ employees discussed what they had to do to get their transformation started. A variety of project managers, general managers and field workers summarized their responses as follow:

- recognize the need to transform and, using outside involvement, to get the process underway;
- always put the customer first;
- get all the levels of people involved in the process to improve all aspects of what is at hand;
- pre-plan and continue to have meetings between field workers and foreman as the project progresses;

- be transparent and keep open lines of communication between the project manager and supervision;
- give the employees the best software and tools to move the business forward; and
- build trust between the field and the office.

### *5.1 The journey continues*

The symposium closed by gathering insights from the group. Participants listening to XYZ's experience expressed that the session was well worth the travel, and the concept of company transformation is exciting. The difficulties of transformation were also acknowledged and clearly require effort and paradigm shifts to achieve.

However, XYZ gave "proof" to the concept that working as a team with a bottom-up approach of learning and process design led to such outcomes as:

- increased sales;
- improved profitability;
- expanded market share in existing and new markets;
- engaged employees and strengthened loyalty to the company; and
- improvement in the communities that XYZ serves by offering lower cost, faster and higher-quality construction projects than were available before.

With a win-win goal in mind, transformation requires commitment and trust on all levels. Once the CEO made the hard decision of seeing the need for change, it was his team that led the mission by using the proven practices of Agile Construction<sup>®</sup>. It took a lot of sweat and dedication, but it has paid off for the employees and their families who have a better place to work and better community for this commitment to XYZ and its products and services.

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