CULTURAL TRANSFORMATION: MEASURING AND IMPROVING THE CULTURE TO ACHIEVE SIGNIFICANT BUSINESS RESULTS

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Summary
Continuous improvement has become one of the most important processes in organizations today. Whatever the specific approach – TQM, Six Sigma, Lean, Process Management and Improvement or Kaizen – the culture of the organization must support that approach. If the culture does not foster the approach, support the behavior and activities, reinforce the discipline, motivate and reward the actions and results, then the continuous improvement process will fail.

Keywords:
Culture, Continuous Improvement, Business Performance

Introduction/Background
The senior leadership team must define what culture they want. They can do this by determining their values or behavioral attributes that represent that culture they want to establish. Once the behavioral attributes are determined, then questions to measure the values, and therefore the culture, can be used to determine the “as is” culture. Once a group of employees answer the questions, then cultural strengths (for leveraging) and areas of opportunity (for improvement) can then be identified for improvement.

Culture can be defined, measured, and changed. It can be changed to support the type of continuous improvement process the organization wants to implement. However, it is hard work and takes time to make the change. The change can be well worth the effort, but must have the commitment, involvement and patience of the senior leadership team.

Interestingly enough, whatever the continuous improvement approach that the organization is utilizing, if it is successful, it can be used to improve the cultural areas of opportunity. The result is a culture strengthened by the continuous improvement process and a continuous improvement process strengthened by the culture. Therefore a new “future state” of the culture is established. This new state enhances the results of the continuous improvement process. Human, as well as financial, measurements prove that, when the culture is strengthened, continuous improvement is more successful. This
improvement in both culture and continuous improvement significantly increases both profit margins and growth of the organization.

**Methodology/Application**

Anderson completed a culture survey, and almost 400 employees participated voluntarily. We called it a culture survey rather than an employee satisfaction survey.

![Corporate Culture](image)

**Corporate Culture**

An organizational way of life that creates employee attitudes, beliefs, behaviors and actions through the accepted, routinely demonstrated management norms, practices, traditions, and symbols that are institutionalized through continuous communication, reward and recognition.

**Figure 1 - Corporate Culture**

Why? The senior leadership team earlier in the year had articulated 7 values. These are values that have been important to Anderson since 1967, but had never been written down. The senior management team, after writing them down, wanted to determine how well they were accepted, adopted, and practiced at API. It was the intent of the senior management team to measure them, so they developed 87 questions around the 7 values.

These values are: **Manage with Information and Metrics**, **Empower Employees**, **Teamwork**, **Respect and Ethical Behavior**, **Improve and Innovate**, **Coach/Mentor and Make a Difference**, and **Surpass Customer Expectations**.

This was done to make it clear throughout the organization what Anderson stands for, how to operate and what we expect from each employee. It is the responsibility of management to hold all employees, including themselves, accountable for adhering to these values as we do our jobs everyday.
Lean Six Sigma

Anderson Packaging, Inc., The Survey

Manage with Information & Metrics:
- Employees are expected to meet all deadlines on time
- Efficiency is a top priority at Anderson Packaging, Inc.
- This company makes decisions quickly enough

Empower Employees:
- Employees here are given the authority to make the decisions that they need to make
- I have had the training [that] I need to do my work well
- I feel free to offer comments and suggestions

Teamwork:
- I feel part of a team with a shared goal
- There is a spirit of teamwork at Anderson Packaging Inc.
- Management seeks employee input to help make decisions

Respect & Ethical Behavior:
- Work-life balance is supported
- All employees are treated with respect
- The people at Anderson Packaging Inc. will not tolerate unethical behavior

Improve and Innovate:
- We are always looking for ways to reduce waste for our customers
- Continuous improvement of our customer processes always is a priority

Coach, Mentor & Make a Difference:
- Management really listens to what employees have to say
- The personal career growth of employees is important to this company
- Management always demonstrates how important our customers and their products are here

Surpass Customer Expectations:
- Customer service is a top priority at Anderson Packaging Inc.
- Decisions are made here with a bias towards the customer
- I know how my work affects or touches the customer

Response Scoring -

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</thead>
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<tr>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
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</table>

Figure 2 - The Survey

Figure 3 - The Survey (Continued)

1. Manage With Information and Metrics:

We should always make decisions and take actions in our work with clear, understandable data and measurements. If we don’t have the appropriate information we should ask for it or ask for help before we act or decide.
2. Empower Employees:

Management should appropriately delegate and instill, in qualified employees, the responsibility and authority to take work actions, make decisions, eliminate waste and continuously improve their work and work area.

3. Teamwork:

Whenever possible, teams should be formed to do work, address issues, remove waste and drive for continuous improvement. Broader diversity, experience, education and backgrounds provide synergy and generate solutions.

4. Respect and Ethical Behavior:

Everyone must respect each other, appreciate their differences and work as teammates. Treat your coworkers as you would like to be treated. Everyone must also follow all procedures, rules, regulations and laws and bring to management’s attention anyone who fails to do so.

5. Improve and Innovate:

It is everyone’s responsibility to look for better ways to do things – everything can be improved and every process has waste. We strive to train every employee with the appropriate level of skills to identify these improvements and waste. Employees, with proper approval, can change the standard way we do things.

6. Coach, Mentor and Make a Difference:

Everyone can be a coach and mentor. When a new employee starts in your department, someone wants to know how your department works, or how you do your job, you can be a teacher or a coach. Helping others become better performers or do new things is exactly what being a coach and mentor is all about and truly makes a difference.

7. Exceed Customer Expectations:

While it is absolutely necessary to meet all of our customers’ standards, specifications, requirements and delivery dates, that is not enough. Everyone should look for ways to exceed these customer requirements and expectations. How can we eliminate waste like scrap? – this saves the customer money. How can we improve the processing? – finish
and be able to ship to the customer sooner. How can we make sure that we don’t have errors on the batch record? – right the first time for the customer.

The purpose was to identify where Anderson was weak, so that we could apply our Lean Six Sigma Process to better reflect our values and improve our culture. You can see from the graph below that the number/percentage of people who answered the survey believe our culture, as defined by our values, is very satisfactory. Our average score is 81.

Table 1 - Survey Score Percent Very Satisfied

<table>
<thead>
<tr>
<th>Trait</th>
<th>Score Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage with Information and Metrics</td>
<td>80%</td>
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<tr>
<td>Empower Employees</td>
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The specific strengths that employees were particularly satisfied with and recognized were: individual learning is encouraged, job enjoyment, meeting customer requirements, continuous improvement within the company, and teamwork/shared goals.

There were some areas where employees were not so satisfied, which included communication, rewards for improving work processes and the importance of personal career growth.

Findings/Implications

The senior leadership was very focused on improving the weaknesses, so they used the Lean Six Sigma process to identify the root causes and put solutions into place.
Actions for improving communications included: formal communication plan, CEO meeting regularly with leadership and all employees, VPs/directors/managers meeting regularly with all their employees, and creation and publication of the newsletter. For rewards for improving work processes, the actions are: individual reward program, team reward program and team competition, and performance appraisal for Belts and team members. The actions for rewarding personal career growth are: implementation of company-wide succession planning, utilization of career development goals to establish development activities, and mentoring in selected areas.

As you can see, senior management took the values and our culture very seriously. They spent the requisite time and resources to make significant improvements.

But the job is not over. We once again will conduct a culture survey to measure the results of these solutions and find the next set of improvement opportunities so we can continue to have superior performance.
Table 2 - Anderson Performance

<table>
<thead>
<tr>
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<th>Actual 2006</th>
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Lean Six Sigma
“Cultural Transformation: Measuring and Improving the Culture to Achieve Significant Business Results”

Charles Aubrey
Vice President Quality & Performance Excellence

Anderson Packaging, Inc. an AmerisourceBergen Company
Corporate Culture

An organizational way of life that creates employee attitudes, beliefs, behaviors and actions through the accepted, routinely demonstrated management norms, practices, traditions, and symbols that are institutionalized through continuous communication, reward and recognition.
**Hypothesis**

- Employee satisfaction (culture) affects organizational performance
- Improvement in employee satisfaction drives a Lean Six Sigma culture and accelerates organizational performance
- Lean Six Sigma can be utilized to improve employee satisfaction (culture)
Human Resources Index (HRI)
Fortune 1000 Industrials

Productivity Improvement

- Highest Employee Satisfaction
- Lowest Employee Satisfaction

Increased Return on Equity

Greater Average Annual Increase in Shareholder’s Equity
For Highest Employee Satisfaction - $14.2MM

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Culture and Performance (Margin/Stock Price)

Top 100 Best Employers Outperform Others

Profit Margin (%)

1996 1998
+10.9% +20%

Share Price Change (%)

1990-1996
+53.3%

Lean Six Sigma

Top 100
Others
Sears 1990’s Turnaround

How much are happier employees, and more satisfied customers, worth?

Sears Turnaround Case Study
The Effects of Satisfaction on Revenues (mid90's)

Employee Satisfaction Index vs. Revenue ($Billion)

$13.8B

Lean Six Sigma
IBM, Rochester

Customer satisfaction and market share
An empirical case study of IBM’s AS/400 Division
From an article by Steven Hoisington and Tze-His Huang of IBM Rochester

Theory versus fact
Take the notion that happy employees produce fewer defects ... would one be comfortable allowing disgruntled employees handling customer service calls

Lean Six Sigma

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IBM, Rochester

Primary Relationships Relative to Market Share

- Market Share: 0.9

- Productivity: 0.4

- Employee Satisfaction: 0.9

- Customer Satisfaction: -0.1

- COQ: -1.1

Primary Relationships Relative to Customer Satisfaction

- Customer Satisfaction: <0.7

- Employee Satisfaction: 0.9

- Productivity: 0.4

- COQ: -0.1

Key Measure
Workforce Management Study

Stock Price Increases in Peer Companies

- High Morale in 11 Companies: 19.4%
- Medium and Low Morale in 13 Companies: 8.0%

Schoeff – Workforce management, 2006
“Culture Surveys are a powerful way to lead.”

“I wasn’t convinced to proceed with Six Sigma until I got survey feedback from employees who wanted change.”

Jack Welch
29 Jan, 2008

Lean Six Sigma
Desired culture can be articulated in
• Our Place in the Universe,
• Vision,
• Mission and
• Values

Once articulated, culture can be measured by means of a Culture Survey to assess strengths and areas for improvement.
Anderson Packaging, Inc., **OPITU**
*(Our Place in the Universe)*

Our place in this universe is to provide pharmaceutical packaging **excellence & innovation** to the world’s pharmaceutical manufacturers so that they may effectively bring life changing and life saving medicines to patients.

Lean Six Sigma
**Anderson Packaging, Inc., Vision**

Anderson Packaging will be the recognized leader in pharmaceutical packaging through industry leading performance in quality, compliance, operational excellence and customer satisfaction.
Anderson Packaging, Inc., Values

Manage with Information and Metrics
Empower Employees
Teamwork
Respect & Ethical Behavior
Improve and Innovate
Coach, Mentor & Make a Difference
Surpass Customer Expectations

Lean Six Sigma
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Anderson Packaging, Inc., The Survey

**Improve and Innovate:**
- I am encouraged to have new ideas
- We are always looking for ways to reduce waste for our customers
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<td>Strongly</td>
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<td>Neutral</td>
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</tr>
<tr>
<td>Strongly</td>
<td>Somewhat</td>
<td>Strongly</td>
<td></td>
</tr>
</tbody>
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1..2..3..4..5..6
Lean Six Sigma

Anderson Packaging, Inc. 2007 Corporate Culture Survey

Average Net Agreement Percentage by Core Values Category

- Surpass Customer Expectations: 92.2%
- Coach, Mentor, & Make a Difference: 65.4%
- Improve & Innovate: 83.0%
- Respect & Ethical Behavior: 77.8%
- Teamwork: 72.6%
- Empower Employees: 78.9%
- Manage with Information & Metrics: 81.0%
Define the purpose and scope. Collect background info.
- Charter
- SIPOC
- VOC
- Affinity Diagram
- CTQ Defined
- Oper. Definitions
- Pareto
- Communication Plan
- Gantt Chart

Measure
Understand the current process
- Data Collection/Sampling Plan
- Run Time/Control Charts
- Frequency Plots
- Scatter Plots
- Test for Normality
- Transformations
- Process Sigma
- Flowcharts
- Histograms

Analyze
Identify and confirm root causes w/data
- Hypothesis tests
- C&E Diagrams
- Run/Control Charts
- Histograms
- Stratified Frequency Plots
- Regression
- DOE
- Validated Root Cause List

Improve
Pilot solutions, evaluate resulting data
- Pugh Matrix
- FMEA
- New Pareto
- New Process Sigma
- Ideal Flowcharts
- Pilot Studies
- Commitment Scale
- Tree Diagrams
- Gantt Charts
- Planning Grids
- Affinity Diagram

Control
Maintain the gain, standardize
- Standardization
- Training
- Control Plans
- Run/Control Charts
- Process Audits
- Communication Plans
- Ownership transition
- Multiply Solutions
# Anderson Packaging’s Employee Participation by Skill Set:

<table>
<thead>
<tr>
<th>Skill Set</th>
<th>Task Description</th>
<th>Count</th>
<th>Training Time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Black Belts</strong></td>
<td>Very complex Improvement Projects</td>
<td>6</td>
<td>(160 hrs training + project)</td>
</tr>
<tr>
<td><strong>Green Belts</strong></td>
<td>Complex Improvement Projects</td>
<td>178</td>
<td>(40 hrs training + project)</td>
</tr>
<tr>
<td><strong>Certified Lean Mechanics</strong></td>
<td>Set-up/mechanical trouble-shooting, waste removal</td>
<td>47</td>
<td>(24 hrs. training + skill demo)</td>
</tr>
<tr>
<td><strong>Kaizen Team Members</strong></td>
<td>Identify and eliminate waste in processes</td>
<td>117</td>
<td>(3 days training + event)</td>
</tr>
<tr>
<td><strong>Yellow Belts</strong></td>
<td>Remove waste in daily work</td>
<td>784</td>
<td>(3 hrs. training + skill demo)</td>
</tr>
<tr>
<td><strong>Lean Supv. Certification</strong></td>
<td>Shop Floor Lean coaching/mentoring – emphasis in real time</td>
<td>28</td>
<td>(32 hrs. training + skill demo)</td>
</tr>
</tbody>
</table>

Lean Six Sigma
Areas of Strength

• “Individual learning is encouraged”
• “I enjoy my job and the type of work I do”
• “We meet our customer’s requirements as much as possible”
• “This company strives for constant improvement”
• “I feel part of a team with shared goals”
Areas for Improvement

• “There is excellent communication up and down in this company”
• “Employees are rewarded for improving work processes”
• “Personal career growth of employees is important”
## Anderson Performance

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Lean Six Sigma
Summary

• Employee satisfaction (culture) drives organizational performance
• Employee satisfaction (culture) can be measured and Lean Six Sigma can improve employee satisfaction
• The culture makes a difference in driving the business forward

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