

# Case Study

## Culture Change at IBC

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### Background

Bedford Trucks was making losses of about £25 million a year and facing closure.

Two contributing factors were the decline in sales volume and an ageing product line up. A third factor was the culture, endemic in British auto manufacturing at the time, of indifferent product quality, disengaged employees, ruinous productivity and confrontational industrial relations.

In order to save the company, Bedford entered into a joint venture with Isuzu Motors and Japanese-style, Lean working practices were introduced.

As a result, 55 years after it was founded, Bedford Trucks became Isuzu Bedford Vehicles Limited (IBC).

### Brief

The new company name and working practices didn't amount to much unless generations of traditional British manufacturing culture could be transformed.

Lean manufacturing is highly dependent on teamwork, flexibility, continuous improvement and rigorous quality assurance. The way employees and managers are prepared to think and act is critical, and genuine buy-in is required, not just lip service

The brief was to make the transition to the new culture permanent and sustainable.

### Analysis

From a change theory point of view, all the necessary elements were in place.

The need for change was well established. Employees went through many months of insecurity not knowing if they would have a job, and had voted to accept the changes. Expectations had been well defined, widely publicised and understood by everyone. There was expertise and knowledgeable resources available in the form of motivated Isuzu personnel. There was the goal of winning manufacturing rights for a new SUV product, and lastly, senior management buy-in was total at every level.

Theory, however, was just the starting point.

It was expected that during the five or more years required to create irreversible culture change, senior management and CEOs would come and go. It was necessary, therefore, to think beyond vision, values and management buy-in to concrete, HR processes, procedures and actions that could be defined, planned, measured and repeated.

Additionally, it was not expected that a new "culture" could be superimposed. Instead, it was recognised that the change would have to be made from the roots up, replacing the institutions that underpinned the old culture with institutions that nourished the new culture.

The key, therefore, to creating sustainable transformation was to institutionalise the changes.

The 8 key institutions were:

- Union relationship and negotiations
- Single status and job classification
- Communications
- Training
- Teamwork
- Recruitment and staffing
- Leadership
- Performance Management

As interventions, they could be found in many change plans. The key difference is that the solution envisaged created repeatable results and self-sustaining momentum by institutionalising each one.

## Solution

### Union Relationships & Negotiations

The industrial relations solution was formalised in a new Employee Agreement. Historically, all five trade unions had negotiated individually. With the new Agreement, it was established that they would negotiate with a single voice. To aid organisational stability, negotiations of Terms and Conditions were moved from an annual to a 3 year cycle. Also, an arbitration agreement replaced strike action in the dispute procedure. Interestingly, during the change period, over 10 disputes, including a pay dispute, were resolved through pendulum arbitration.

### Single Status & Job Classification

The Employee Agreement also established IBC as a single-status company with all employees enjoying standard benefits and no demarcation between employee groups. This was reinforced by replacing increment-based multiple pay grades with a common structure of 7 classifications covering the whole company. Later this new system was supplemented by a simple skill and knowledge based competence framework.

### Concrete Communications

Institutionalising communications involved concrete actions like stopping the production line every day for Team Leaders to hold team meetings. The communications were, in turn, based on standardised content and standard visual aids which were posted in newly created team areas. Communications were also made more concrete through quarterly "All Employee" briefings designed to update employees on sales, profit and volume projections. Additionally, an annual family Open Day was introduced providing employees the opportunity to walk the production line with their families.

### Training Catalogue & Professional Competence

Training was extensive and formalised. All courses comprised of a theoretical element linked to the company principles backed by practical tools. Importantly, training was not used to "train" people in culture; it focused exclusively on the skills and knowledge required to fulfil roles in the new culture. Therefore, the training catalogue concentrated on professional competence. Culture, on the other hand, was something that was established through leadership behaviour and the institutions that nudged leadership behaviour. The catalogue took years to fully evolve but once a course was developed it became a part of the catalogue and could be improved upon much the same as any part of a Standard Operation could be improved upon.

### Teamwork in Practice

Teamwork was an essential element of the new working practices. As each Team Member was required to know the job of all other team members, the solution involved a formal process of ongoing cross training and measurement. Teamwork was also supported tangentially by the broad classifications and by some team orientated pay elements.

### Merit-based Recruitment & Promotions

Recruitment and internal selection were overhauled to support the new culture. Historically, hires and promotions were made through a subjective panel interview methodology with no criteria identified to differentiate between candidates. The implementation of Assessment Centres using psychometric testing, role playing, structured interview and group working was implemented for all positions across the organisation.

### Structured Leadership Development

Leadership Development programmes were implemented at all levels of leadership. Self-nomination and self-motivated learning was introduced for leadership training so that courses were available to those self-motivated enough to undertake management courses in their own time and sometimes at their own expense. Eventually, applications for leadership positions, from Team Leaders through to Managers, was only open to those who had been motivated enough to complete the relevant Leadership Development programmes.

### Performance Management for all

The final piece of the solution was Performance Management. The single status classification system, creation of a simple competence framework and extensive training catalogue provided a sound foundation. As the new Operations culture took root, Standard Operating Procedures, measurement and metrics became the norm across the company. Consequently, the new Performance Appraisal system was able to include all employees and comprised of standard collective and individual objective setting elements.

## Implementation

Recognition that it would take a long time to truly transform the culture at IBC was fundamental to the change approach.

Significantly, the transformation could not be "programme" orientated; it had to become part of "business as usual" for the management team and the HR Director, and something that could be passed from one CEO to the next.

The length of time allowed for a strategic implementation:

- Each institution was developed to be mutually supportive of the others, and the solution was, therefore, holistic and integrated.
- The institutions were developed in layers so that each layer underpinned the next.
- Institutions were implemented in phases so the supporting layer was stable before the next layer was added.
- Skills that required time to nurture were identified and seeds were planted early so that they were fully mature when needed.

For example, in aiming, from a vision perspective, for an "engaged" workforce, IBC did

not launch an "Employee Engagement" programme. Instead, it started by creating smaller teams, and institutionalised daily team meetings which required training Team Leaders to encourage employee involvement in the team meetings. It then trained employees in problem solving skills so that Team Leaders could involve employees in solving problems they had identified in team meetings. Then came a "Suggestion Scheme" modelled on encouraging many small improvement ideas with small cash awards rather than few big improvements with large cash awards. Very much later, when an element of performance related pay was introduced, the number of improvement ideas generated by each employee or a team was included as a performance factor. Small institutional changes like these built up, over time, to deliver higher (though, it should be admitted, never perfect) Employee Engagement.

Keeping the need for change fresh over a long implementation period was a challenge. However, the product lifecycle of a car meant that there was a natural bidding process every 5 years or so to win manufacturing deals. The competitiveness of the company was regularly included in communications and the metrics of competitiveness are very simple to distil for general consumption. As a result the need to stay competitive and win orders for the next generation product remained fresh.

Most importantly of all, the implementation plan incorporated the transformation of production and business methods, Quality Assurance, Supplier Management and Assembly processes changed so that there were literal and physical differences in the way people worked.

The culture, therefore, changed to support the new business methods. In this way, the culture was not regarded as separate from the operation, nor something that needed to change whilst everything else stayed the same. The culture needed to change because the business was changing. The implementation was about bringing HR institutions in line with Operations needs at the right time.

## Conclusion

From a point where Bedford Trucks was facing closure, IBC Vehicles has continued successively building first Frontera and then Vivaro, while many traditional auto manufacturing facilities in the UK have closed down.

IBC is one of the unsung success stories in the UK Motor industry and remains so today by retaining its competitiveness with even the largest auto manufacturing plants in Europe.

It was the first brownfield Japanese transformation in Europe, and one of the first to successfully adopt lean manufacturing methods. This was only possible because of the institutional change in culture that was achieved.

### Authors

The authors of this study are D. Knapman, P. Davies and M. Oke of Debunk who, as successive Personnel Directors at IBC Vehicles, steered the IBC transformation from beginning to end.