

AMERIN's business transformation process dramatically improves employee engagement and organisational performance



## Designing Healthy Innovative Organisations

You don't often come across an entire workforce cooperating with management to **increase output by more than 12% in less than 6 months, without capital expenditure, while at the same time reducing overtime.**

And it's rare to see production employees, managers, and engineers all working together to **reduce a key manufacturing process from 3 weeks to less than 12 hours in order to compete with low cost imports from Asia.**

But these dramatic results are being achieved as a result of AMERIN's business transformation processes that centre on ***Strategy, Analytics, Organisational Design and Sustaining Performance and Review.***

Our research and change management projects clearly demonstrate that when organisations have **structures based on genuine empowered teams** – that is, self-managing teams that are accountable for meeting agreed goals – there is a **corresponding improvement in employee motivation, increased innovation, and significant improvements in performance.**

The following examples show how AMERIN has helped organisations improve performance by applying our business transformation tools and concepts. One example even highlights how **an organisation that once faced closure is now a thriving enterprise.**

## The AMERIN Business Transformation Process

Our typical change management approach involves the following steps.

### Strategy:

- Strategic plan review / Strategic context setting

### Analytics:

- Organisational Development (OD) analytics
  - Social systems analysis
  - Technical systems analysis
  - Competency analysis

### Organisational Design:

- From Bureaucracy to empowered self-managing teams

### Sustaining Performance:

- Competency-based career paths and remuneration
- OD analytics review

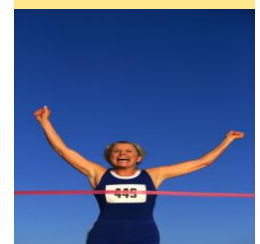
Empowered teams



Motivated employees



Innovation



Success

# Recent AMERIN Business Transformation Projects

## Example 1: An Australian Chemical & Associated Products Manufacturer

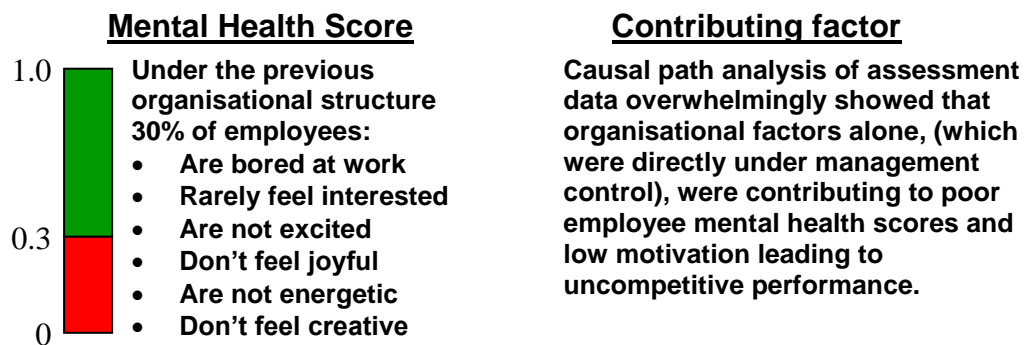
Example 1 involves the Queensland operation of Dyno Nobel, an Australian publicly listed manufacturing company that supplies explosives and related products to the mining and construction industries across the globe.



### Background

The Senior Management Team at the Sydney HO had mandated that the Queensland operation significantly reduce its average product unit cost to compete with low cost Asian imports otherwise it's not a viable operation. Senior management believed that employee empowerment was a critical factor to the success of the business and fully supported a project to implement empowered teams. However, previous attempts to set up teams by management, who had little training and experience in this area, had very poor results.

### A Key Organisational Development Analytics Result



### Organisational Design and Development Outcomes

After receiving recommendations and support from AMERIN, Dyno Nobel redesigned its Queensland manufacturing plant from a bureaucratic, uncompetitive operation to a structure based on empowered self-managing teams that are accountable for meeting agreed goals. Within six months the operation achieved the following unprecedented outcomes:

- **Employees worked out a way to immediately increase overall production by more than 12% without capital expenditure.** And they showed how they could do this by eliminating most overtime too! This makes their operation competitive with low cost imports from China. (Incidentally, management were concerned that a 6% target could not be met.)
- **Employee engagement improved by 81%** (The engagement survey was conducted by an independent company.)
- **Three operational management positions** that became vacant during the project **were not replaced.** The empowered teams incorporated the former management responsibilities into the teams', which included shift production planning and breakdown maintenance.

*Finally, it's worth noting that when the empowered teams were presenting their goals and action plans to management the plant manager stated, "This is the most exciting presentation I've heard in this board room. There's a fantastic opportunity for this plant to become very successful."*

# Recent AMERIN Business Transformation Projects

## Example 2: An Australian Footwear Manufacturer

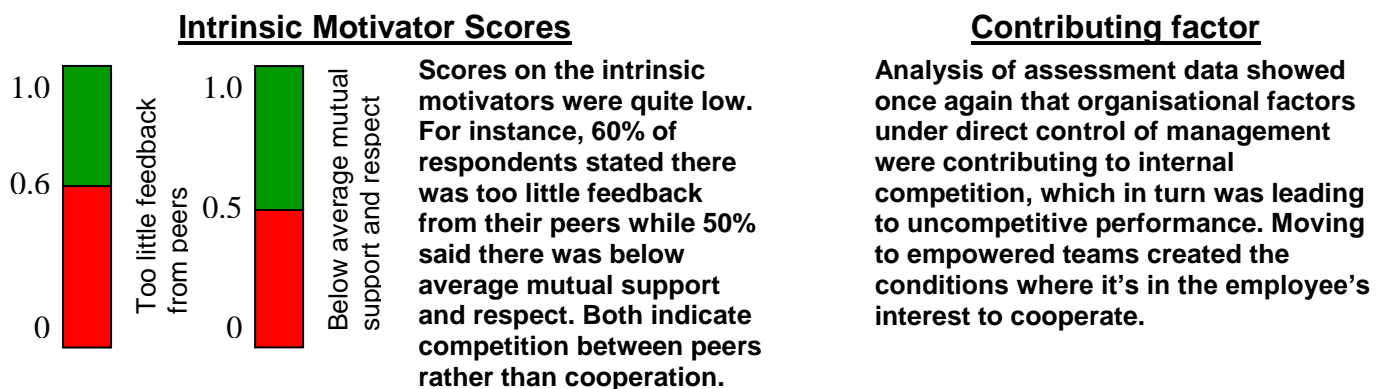
Example 2 involves Sydney-based footwear company J Robins & Sons, which has been designing, manufacturing, and distributing footwear in Australia for over 100 years. Its brands include Sandler, Easy Step, and Widestep.



### Background

Tariff reductions and global competition were threatening J Robin's viability with 500+ jobs at stake. Lean manufacturing concepts reduced shoe manufacturing times from 8 to 3 weeks then leveled off. This improvement was still not good enough to compete with India and China. The production workforce consists mainly of employees with little formal education, who do not have English as their first language.

### A Key Organisational Development Analytics Result



### Organisational Design and Development Outcomes

After several AMERIN led Search Conferences (participative strategic planning workshops), J Robins management repositioned the business and focused on high fashion women's shoes. Management then engaged AMERIN to transform its Sydney operations from a slow moving bureaucracy to a highly adaptive empowered team-based structure by running a number of Participative Design Workshops. Within months the business delivered outstanding results in a highly competitive market.

An overview of J Robin's results can be found in the following summary of a recent interview AMERIN director, Peter Aughton, had with J Robins Managing Director, Phil Butt.

*Phil stated, "Under the old way of working I'd spend most of my time trying to make the plant more efficient. Now the teams are helping to do this, which frees up my time to generate new business."*

*For example, when new European styles were released under our old way of working, our marketers would discuss with the engineers and designers how to make this new style of shoe. Eventually, they would develop a new production process and instruct the operators on what to do. Now the empowered teams, which collectively now hold engineering and design skills, are given the new shoe style and they come back to management with what they require to make a quality shoe in the shortest time possible.*

*Before teams we applied many process improvement techniques including TQM, JIT, and VAM. They produced some good results, but we still could not make a shoe and get it onto the customer's shelf in less than 3 weeks. Now the teams can make a shoe in less than 12 hours, which means we can now take a customer order size of one!*

*This expertise has opened up new markets for us including selling shoes at home shows. And because of our leather making expertise we are now selling other leather products. We are even selling the polyurethane moulding expertise that the teams have acquired!*

*In the last few years our share of Australian production has gone from 12% to over 60%, while many other Australian footwear manufacturers have closed their doors and sent their manufacturing offshore."*

## What are others saying about organisational health?

In an article from the HR Monthly magazine (March 2008), an Australian Human Resources Institute survey indicated that Australian employers are losing \$20Billion per year as staff turnover increases dramatically. On average turnover is running at 18.5% across all organisations and the cost of replacing each employee is approximately 150% of their salary.

And what's being done about it? "All of the indicators suggest that the business executives and managers who are responsible for staff turnover aren't clear what they're supposed to do about it" the survey author, John Asquith, claimed.

Other recent research about the state of organisational health is just as disturbing, including the following:

### Employee profile in typical organisations\*:

- Engaged (30%)
- Not engaged (54%)
- Actively disengaged (16%)

### Mental and emotional health problems take a heavy toll on the workplace in the form of work absences and decreased productivity

- Business cost: \$10,000 per affected employee\*\*
- Cost of presenteeism: \$26billion\*\*\*

\* 'Engagement is not enough: you need passionate employees to achieve your dream', by Keith E. Ayers

\*\* University of Queensland research (May 2007)

\*\*\* Medibank Private research (May 2007)

The May 2007 McKinsey Quarterly featured an article titled 'Better strategy through organizational design'. The authors stated that redesigning an organization to create wealth from today's talent isn't easy, but there can be no better use of a CEO's time. Leading companies in the networked digital age generate increasing profit per employee by designing organizations where it's in employees' interest to work together profitably. Their research showed that:

### From 1995-2005 the 30 companies with the largest market capitalization in 2007 saw:

- Profit per employee from \$35,000 to \$83,000
- Medium market cap from \$34billion to \$168billion
- Total return to shareholders 17% per annum

## Want to know more about the AMERIN business transformation process for designing healthy organisations?

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