

CASE STUDY

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CASE STUDY: INCREASING PROFITABILITY AND GROWTH BY OUTTHINKING THE COMPETITION

How UGN leveraged its diversity of thought to transition to Value Based Management and save \$10 million, proving the bottom-line impact of its training investments



OBJECTIVE:

To develop company-wide knowledge and buy-in for the transformation to a Value Based management organization within a three-year timeframe.

Founded in 1986 as a partnership between Nihon Tokushu Toryo Co., Ltd. (Nitoku) and RieterAutomotiveSystems, UGN is the preferred producer of high quality acoustic, interior trim and thermal management products. The company employs 1,200 associates in six locations in the United States who specialize in manufacturing, research, development, testing and service support.

UGN University, the company's dedicated training and development division, fosters continuous improvement and learning with its mission of building a competency-based training curriculum for each job classification and providing all levels of associates with a shared vision of UGN, its values and culture. UGN University serves as a learning laboratory to test new approaches and practices for the design and delivery of both formal and informal learning initiatives.

A driving force within UGN University is the Leadership Excellence Advancement Program (LEAP), where high-priority topics and issues are defined by teams of UGN University staff and consulting partners. These "Action Learning Projects" are presented to the executive team for consideration in the company's overall strategic initiatives.

Whole Brain® Thinking and the Herrmann Brain Dominance Instrument® (HBDI®) assessment are embedded into an array of UGN projects, including those within the LEAP program. To help approach the Action Learning Projects from a Whole Brain® Thinking perspective, diverse teams of four to six people with a balance of thinking preferences are assembled. They are then tasked with applying the Whole Brain® Model to all aspects of interactions, decision making and problem solving—up to and including making recommendations and implementing projects.



CHALLENGE:

Narrower margins and a desire to be more forward thinking necessitate a new approach to managing cash flow and profitability—but major change will require broad-based buy-in.

While experiencing steady growth on an annual basis in gross receipts, UGN was witnessing narrower margins and desired to be more proactive and forward thinking in its approach to managing cash flow and overall profitability. As a result, the company determined that a priority for an Action Learning Project would be to assess and formulate a plan for transforming UGN into a Value Based Management organization within three years. This initiative would drive associate knowledge and buy-in of the core elements of the financial value chain across UGN, with the ultimate outcome of increased profitability.

Budgetary and reporting implications, long-range forecasting, individual departmental impact and a better understanding of UGN's overall financial structure were among the issues the LEAP team initially identified as concerns to be addressed. The team also noted a tendency within the company to view value and profits solely from a traditional analytical/structured perspective (the A and B thinking preferences as depicted in the Whole Brain® Model) when a Whole Brain® approach using all four quadrants has proven to be most effective for improving cash flow and wealth creation initiatives.

After identifying these issues, the team specified the desired outcomes that would be necessary for transitioning to a Value Based Management organization:

- Affirm a company-wide impact of the financial structure of UGN on an associate, department and executive management level.
- Effectively communicate and engage a mindset of Value Based Management and individual impact at all levels of the organization.
- Gain top-level management buy-in and ownership to embrace and champion the transition.
- Evolve into an organization that “outthinks” its competition versus merely outperforming or outengineering them. This critical transformation would help UGN maintain a strategic stronghold that anticipates and proactively pursues next-level advancement, profits and growth.

The team recognized that a Whole Brain® approach would accelerate the process and ensure these desired outcomes were achieved.



SOLUTION:

Leveraging diversity of thought to communicate the advantages and benefits of the transition in a way that considers the perspective of each thinking preference.

The Whole Brain® approach proved to be a critical factor in getting acceptance and buy-in from everyone—at all levels of the company—to move forward.

Using data gathered from a questionnaire distributed to all 1,200 associates, the LEAP team learned that a lack of knowledge about the financial aspects of the organization was a major factor in hampering effective decision making. Not only were there varying perceptions of the company's overall financial objectives and restrictions from department to department, in some cases, there was misalignment within individual departments themselves. This finding pointed to a need for education on terminology, the UGN financial structure and internal processes as well as additional initiatives to optimize the company's existing financial processes.

The LEAP team used a Whole Brain® approach to effectively communicate these findings and obtain buy-in from all stakeholders. The team spoke to each element of a Value Based Management organization from a Whole Brain® perspective, covering Strategic Planning (Quadrant D) relative to Budgeting (Quadrant B) and Financial Reporting (Quadrant A) relative to Incentive Compensation (Quadrant C). By intentionally presenting opposing quadrants in a unified manner, the team helped bridge the gap between those with typically opposite thinking preferences.

Ultimately, this Whole Brain® approach proved to be a critical factor in the team's ability to gain acceptance and buy-in from everyone at all levels of the company to move forward. The CEO took leadership of the effort and assigned a senior-level staff member to take action based on the recommendations of the LEAP Value Based Management Project Team.

The graphic below shows how UGN then applied Whole Brain® Thinking throughout the Value Based Management transformation process.

A Quadrant Bottom-Line Impact

- Focused on the facts within the organization, not opinions.
- Analysis and data gathering provided the foundation for the initial plan.
- Clear objectives and financial ROI were built in.

D Quadrant Strategic Impact

- Recognized that systems are dynamic and constantly changing during such a process.
- Focused on strategy and business issues initially and then introduced the measurables.
- Reviewed with key management processes to determine alignment and identify what signals the resulting process may send to those throughout the company.

B Quadrant Process Impact

- Built early successes through specific localized activities throughout the organization that demonstrated value-added results.
- Planned on a two- to three-year process for the implementation to take effect.
- Tracked and documented results through the initiative.

C Quadrant Culture and Associate Impact

- Worked to create understanding first across all levels of the company.
- Included an incentive compensation component and remained diligent about upholding its merits.
- Strengthened communications and relationships within and between departments.

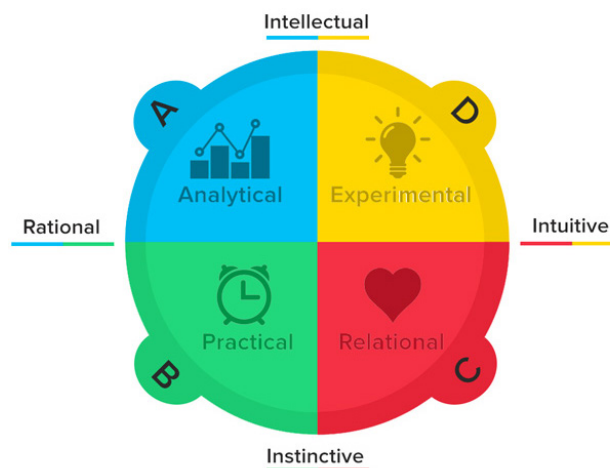
RESULTS:

Value Based Management contributed to a cost savings of over \$10 million per year, and training investments have steadily increased on the strength of their bottom-line impact.

Integrating a Whole Brain® approach into the implementation of the Value Based Management initiative resulted in associate buy-in, which resonated at every level of the company and created a company-wide ownership of and participation in the transformation process. By deliberately communicating the advantages and benefits in a way that considered the perspective of each thinking preference, associates across all areas of the company were able to embrace and participate in cost reduction and value creation activities. This process was further accelerated because they had a complete understanding of the whys and the hows.

Two years after Value Based Management's initial introduction, UGN was able to attribute a cost savings of over \$10 million per year due to incorporating the principles of Value Based Management in combination with other initiatives that evolved out of the LEAP program.

In addition, the effectiveness of the LEAP program, which embeds Whole Brain® Thinking into all aspects of the Action Learning Projects, has resulted in consistent annual increases to dedicated spending for training and development. These increases are in direct correlation with the measured and attained bottom-line results realized from the learning programs. By using the Whole Brain® Model, each project team is effectively able to quantify and measure return on investment in a manner that speaks to each quadrant preference on an individual and organization level.



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