

Case Study for The Organizational Performance Management System™

Date: 2011 to 2013

Industry: Automotive Parts Manufacturing

Size: 10 Senior Managers; 12 Managers; 256 Employees

Payroll: Approximately \$12 Million

Time Frame: 24 Months for Phases 1 through 3 and part of Phase 4

Investment: \$198,000 with **RDS**; **0.8% of payroll annually**

Overview: The target organization is located in the Southeastern United States, and is the North American operations for a foreign headquartered organization with additional locations in Europe, China, and South America. This unit operates in a semi-autonomous manner. The organization manufactures OEM parts for several automotive and truck manufacturers, as well as supplying aftermarket products for these manufacturers and the retail markets.

We began our relationship by conducting our typical entry program, Team Quest™, working with the Senior Managers of the organization in order to get them working more efficiently and effectively as a team. Team trustbuilding was the primary focus, and was accomplished through the use of Whole Person Dynamics™, DiSC® Profiles, and setting an organizational Impact Goal™, a goal that the team could accomplish in about 6 months that would have a dramatic impact on the organization's performance. The Impact Goal chosen was to reduce scrap, which is a measure that the organization continues to monitor.

Towards the end of Phase 1 the Senior Management Team made a decision to continue on with the program and committed to the following Phases: Phase 2, Leadership Connections: Engaging Performance™; Phase 3 and 4, Vision Quest™ (strategy development and Strategy Execution), which includes the Work Engagement Survey™. At this time all of Phases 1 through 3 have been completed, along with the Work Engagement Survey™. Several sessions of Phase 4 remain to be completed, as well as Phase 5.

Results Overview: At the time we began the project the organization had a Payroll Efficiency Factor™ that was typical of the Average organization; 63%. This meant that it was losing \$4.44 Million in the Cost of Lost Engagement™. Over the course of Phases 1 through 3 the organization saw an increase in its PEF to 68%, or an 8% increase, including a reduction of its Actively Disengaged Employees to only 7%, which is typical of an Exceptional Organization.

Detailed information on the results obtained so far in this project is contained on the reverse.

Results

Trust and communication has increased dramatically on our leadership team. Communication has also increased throughout our entire organization. Productivity is up and drama on the manufacturing floor has dramatically decreased. We are much better now than when we began.

Robb J., CEO

Payroll Efficiency Factor™

| <u>Kinds of Employees</u> | <u>At Start</u> | <u>Now</u> |
|----------------------------|-----------------------|------------------------|
| Engaged | 25% | 33% |
| Unengaged | 60% | 60% |
| Actively Disengaged | 15% | 7% (World Class Level) |
| Payroll Efficiency Factor™ | 63% (typical Average) | 68% |

The 5 point increase in the Payroll Efficiency Factor™, an 8% increase, with a Payroll of \$12M provides an impact of **\$600,000 annual increase in Payroll Efficiency**. This translates into more work being done that is of higher quality and targeted towards those tasks and outcomes that are important for achieving the organization's goals.

| Employee Turnover | <u>At Start</u> | <u>Now</u> |
|--------------------------|-----------------|------------|
| Full Time | 35% | 12.5% |

There has been a 36% decrease in turnover of full time employees. Using a conservative calculation, the cost of turnovers at 1/3 of annual pay @ \$10/hr equals \$6000 per position in costs. Given this, then the reduction in turnover rate results in an **annual savings of over \$324,000**

| Operational Impacts | <u>At Start</u> | <u>Now</u> |
|------------------------------|-----------------|--|
| Scrap | 2.3% | 0.92% (as a percentage of sales) |
| Inventory Accuracy | >1.0% | 0.57% (shrink/COGS; smaller is better) |
| Incident Rate | >10 | 2.99 (Average for Calendar Year) |
| Organizational Effectiveness | <65% | 75.09% (organizational specific measure) |

The reduction in Scrap results in a savings of approximately \$1,380,000 per year alone. The increase in Inventory Accuracy results in approximately another \$215,000 annually. These two measures alone account for an **annual savings of over \$1,595,000**. There are other savings, including cost savings in Workers Compensation costs from a reduced incident rate.

The Total Annual Savings is Over \$2.5 Million!

ROI exceeds 1200% for One Year Alone!

That Return Keeps Occurring Year after Year!

See our whitepaper **The Cost of Being Good Enough** for more information on the Payroll Efficiency Factor™.

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