

TI AUTOMOTIVE (A): TRANSFORMING A CORPORATE CULTURE

Research Associate Colleen Lief prepared this case under the supervision of Professor Daniel Denison as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

WARREN, MICHIGAN, 2004. Tim Kuppler, the new vice president and general manager for the global HVAC group of TI Automotive (TI), was excited. He had been down this path before and although he knew it was not going to be easy, he was confident it would work.

TI had long been a worldwide leader in the production of HVAC, brake and fuel line systems, as well as fuel tanks, fuel delivery systems and fuel tank fill pipes, for original equipment manufacturers (OEM) and the automotive aftermarket.

Kuppler was general manager (GM) of the HVAC unit (heating, ventilation, air conditioning) of TI's North American business at their headquarters in Michigan. When he took on the job in 2003, he found the work unit was unclear about its mission and was less than enthused about embracing change. Over the course of 12 months, though, the leadership team was able to help turn around the unit's corporate culture, empower the workers and improve the bottom-line.

The success of the North American group initiative resulted in Kuppler's promotion to a new position in charge of global HVAC operations. But he wondered if they could continue the transformation on a global level.

Some Background

TI was a private company that originated in 1919 in Birmingham, England as Tube Investments Ltd. From the start, it was an industrial company specializing in products for the auto industry. The company served the needs of OEMs and the automotive aftermarket and grew both organically and through acquisitions. TI boasted that over 57 million cars produced each year ran with the help of TI products.

The UK-based firm established its North American headquarters in Warren, Michigan, a suburb of Detroit. By 2009, it operated over 100 facilities in 27 nations located on six continents. Automotive products were produced by approximately 16,000 employees along two main product lines. Fluid carrying systems accounted for about 60% of revenues, while fuel systems constituted the remaining 40% of sales, which generally reached \$2.9 billion annually. Europe generated 50% of sales, North America accounted for 35% and the remainder came from Asia and South America. TI's primary competitors included Cooper Standard, Kautex, Inergy and Visteon.

The firm maintained supplier relationships with every major auto manufacturing company. TI Automotive was owned by private equity firms.

HVAC North America

Kuppler was a veteran employee of TI, having joined the company in 1992. His experience in the company included ten years in quality assurance, followed by a stint in fuel systems. Kuppler became GM of the North American HVAC unit (part of the fluid carrying systems division) following a difficult period during which the group had suffered through multiple management changes, which led to confusion and a disaffected workforce.

Furthermore, work was divided among employees by process, not customer. And, HVAC North America had recently been centralized in Warren, Michigan, resulting in the relocation of some staff and a tighter workspace for all¹. Some employees even found themselves working in trailers in the parking lot. Tensions were at an all-time high when Kuppler and his leadership team took the helm. He sensed, though, receptivity to the urgency of change and an openness to candor, which would be the first steps in revitalizing the work unit.

¹ Love, Kevin G., Emily Bailey, and Tara Thorne (2003). *Using Organization Culture to Drive Strategic Change*. Book Manuscript.

“First” Denison Survey: 2003

The Denison Organizational Culture Survey² had already been used by TI for four years prior to Kuppler becoming the GM of HVAC. (*Refer to **Exhibit 1** for information on the Denison model.*) However, the tool had not been consistently applied. Given what he observed in the early days of his tenure, he believed that the Denison model could be used to diagnose the source of the unit’s troubles and, thereby, help improve the organizational culture at HVAC.

In some ways, the leadership team expected the North American HVAC group’s 2003 survey results. (*Refer to **Exhibit 2** for a graphic containing the 2003 results.*) Kuppler had heard from longtime employees that a real sense of strategy and vision and a readiness for change were needed. The survey feedback showed weak employee consensus and commitment in three of the four traits. The Creating Change, Strategic Direction and Intent, Vision and Capability Development indices, in particular, would require effort to ameliorate.

Addressing the HVAC Group’s Development Needs

It seemed clear that negativity and boredom with the process would creep in if they failed to act quickly. The management team decided to make a strong case for change from the outset. They set in motion activities intended to build the momentum and team spirit they believed employees craved. Recognition, rewards for success and humor would be central. Kuppler’s senior leadership team shared his strong interest in involvement and teamwork, so employees heard a consistent message from all senior managers.

The managers took an inclusive, two-pronged approach to remediation of the areas of concern. Since a lack of flexibility and cohesion were constricting the organization’s potential, programs were instituted to tackle these shortcomings. These included involvement meetings, which addressed the communication and commitment issues limiting HVAC’s success and the establishment of business teams, which acknowledged the acute need for effective, unified teamwork in serving clients operating in an industry under increasing pressure.

Involvement Meetings

The first involvement meetings were held shortly after the results from the Denison Survey were received in July 2003. These meetings served as both a forum for passing along the group’s scores and a platform to begin to craft remedies. They included all employees and were conducted off-site.

Skepticism was pervasive, as past meetings of this type had resulted in few discernable changes. But Kuppler was undeterred. His enthusiasm for making

² *The Denison Organizational Culture Survey developed by Daniel R. Denison and William S. Neale.*

HVAC North America a better place to work was infectious. The first involvement meeting lasted for an entire day and started with a review of HVAC history. Afterwards, the thinking behind the Denison model and survey was fully explained to employees who then heard the results. No one seemed surprised by the news that they had some work to do in the areas of adaptability, mission and involvement.

Kuppler and his team proposed a vision for the HVAC employees to consider. Small work groups then contributed to the proposed vision statement, offering suggestions on enhancing the customer relationship strategy and suggesting ways to address the issues raised by the survey. The process alone seemed to invite and reward involvement in the company and participation in helping form its strategic direction.

Ideas emanating from these small groups were presented to all employees. And because the individuals on the work teams came from all over the unit, the staff received real-world training in effective teamwork and communication.

Follow-up items received attention and the findings were shared. A second involvement meeting was held in November 2003 to evaluate progress against goals. Both management and employees were held responsible for formulating ideas and implementing change. And, as the cultural transformation became perceptible, attitudes appeared to shift throughout the organization. Involvement meetings became a twice yearly and much anticipated event for employees, who came to view these get-togethers as opportunities to catch up with colleagues and contribute to shaping the future of the unit.

Business Teams

After the positive experience of involvement meetings, they next set their sights on the design and creation of teams dedicated to working together effectively to enhance the customer experience at HVAC. The HVAC leadership team formed study groups that considered the optimal structure, composition, goals, responsibilities and metrics of the new business teams. Once these foundational elements were established, the groups initiated the process of training and sharing best practices among members. Five teams, ranging in size from 5 to 20 individuals, were eventually created, with every employee involved in the work of these teams. Leadership selection and operating procedures were left to the discretion of each team. The only provisos for each team were to: 1) meet regularly – to encourage communication and engagement; 2) participate in a charity function annually; 3) update their objectives on a quarterly basis; 4) report progress at monthly business meetings; and 5) maintain a site on the company intranet.

One aspect of the business team concept that did not flow naturally was communication to leverage best practices among teams. Because the teams themselves were so unique and self-styled, identifying a forum to maximize interaction and idea sharing among teams was difficult. In an attempt to tackle this problem, three business teams were required to present best practices and current challenges at monthly all-team meetings.

Follow-up Denison Survey: 2004

A year after its poor showing on the 2003 Denison survey, employees of the North American HVAC unit took another crack at it. They were anxious to see if their many efforts at improving the unit had borne fruit.

Kuppler, his management team and the staff were not disappointed, though maybe a little surprised. Significant improvement was noted in every category. (*Refer to Exhibit 3 for the 2004 Denison survey results.*) Financial performance and safety statistics rose dramatically in 2004. Not only was HVAC no longer viewed as the outcast of the TI organization, but employees now also had an empowered culture of their own, which contributed to their success and enabled a healthy, productive work environment.

Epilogue

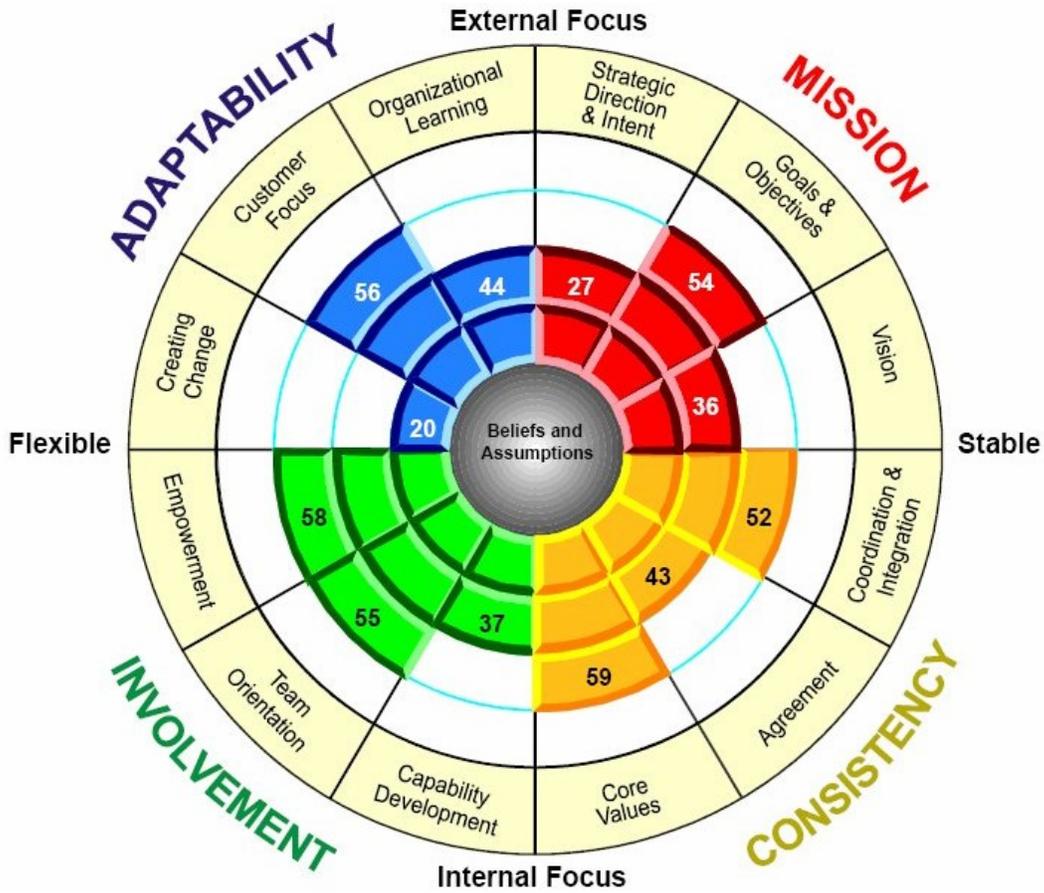
The efforts of Kuppler's team drew the notice of TI corporate executives. He was asked to take on the responsibility for global HVAC operations. While he was convinced that he would implement a change agenda in his new position, he wondered what he should do the same or differently in this new context?

Exhibit 1 The Denison Model

- To evaluate an organization's culture against four key traits and 12 indices, the Denison Organizational Culture Survey asked questions that measured specific aspects. Employees and managers took a 60 item survey that explored their deeply-held beliefs and core values. Individual survey results were aggregated and reported back to managers for a comprehensive overall picture.
- The model highlighted the four key traits of Mission, Consistency, Involvement and Adaptability that an organization should understand and harness in order to be effective. Each trait was further broken down into three more specific areas for a total of 12 indices. Each of the four traits was represented by a different color on a graphic, which helped provide visual feedback to management.
- Developed over 20 years of research and testing, the Denison Organizational Culture Model described a theory of organizational behavior that linked corporate culture to growth in return on assets, return on investment, sales and market share.

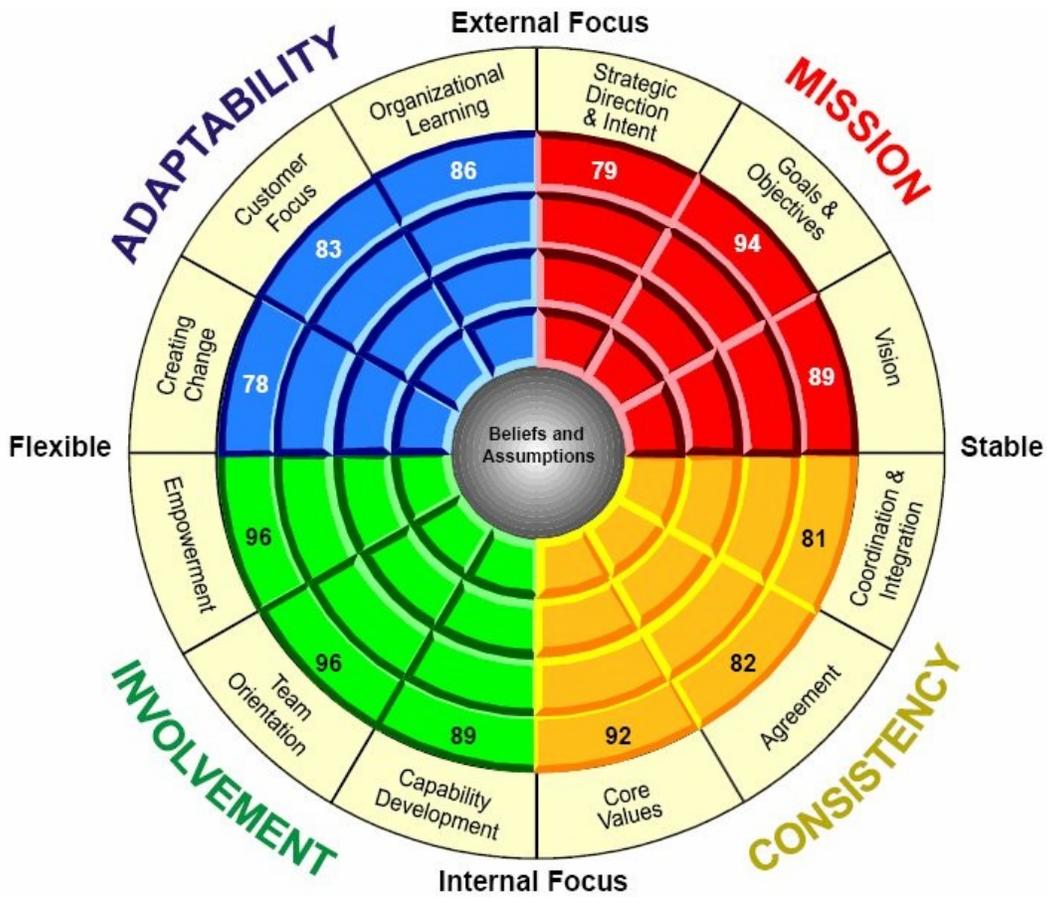
Source: Company information

Exhibit 2
Denison Survey Results: 2003
(HVAC – North America)



Source: Company information

Exhibit 3
Denison Survey Results: 2004
(HVAC – North America)



Source: Company information