



Re-engineering the British Manufacturing Company

A common theme in the media is the difficulty of manufacturing in the UK. If you believe what you read and hear you'd think there were no factories left in the UK because it's just not possible for manufacturers to be competitive here. Well there are and it is, and Leighs Paints in Bolton is a living example. A thriving one in fact. And they've succeeded against all the odds in a commodity market – industrial paints. Some companies transform the business by moving out of unattractive markets into more profitable ones. Associated Dairies became a supermarket. General Electric became one of the world's leading financing companies. Leighs Paints didn't do that. They stayed in paint. They simply changed themselves into a better, more specialist paint maker. But it wasn't all that simple as the rest of this article illustrates.

Family business

In 1860, W & J Leigh was founded by brothers William and Joshua. They focused mainly on building, with paint making as a sideline until second generation Herbert Leigh took advantage of the booming marine industry to concentrate

on 'ready to use' coatings for ships. It was third generation Philip Leigh-Bramwell, who entered the business in 1929, and was really responsible for accelerating its growth. Fourth generation Brian Leigh Bramwell is the current Chairman, which means that next year the company (since re-named Leighs Paints), will celebrate its 150th anniversary. What percentage of family owned and run businesses have ever achieved that milestone? To reach it, the company has had to seriously re-invent itself in recent years.

Applications

If you know what you're looking for you can't travel far without seeing Leighs Paints' products in action. If you support Manchester United or Arsenal you'll see it in the stadium, as you will if you're lucky enough to get a ticket for London 2012. Leighs Paints protects oil platforms in the North Sea, the Gulf, the Indian Ocean and in North America. They're still protecting the navy, including HMS Ark Royal, Illustrious and Invincible. The coatings on the Diamond Synchrotron, the biggest new scientific facility built in the UK for over 30 years, provide 60 minutes fire pro-

tection, and for extreme corrosion protection, what about one of the largest wind farms in the world – Arklow Wind Farm in Dublin Bay? If you're travelling through Heathrow Terminal 5 or Stanstead, it's there on the steelwork but for a really awesome sight, you should admire the replica roof at the new St Pancras International rail terminal, or the Forth Rail Bridge, which, needless to say, is protected by Leighs' coatings. But painting the Forth Bridge isn't what it used to be. The latest coating system will last 25 years, allowing the painters a well earned rest before starting again!

Beginning the journey

Ten years ago Leighs' products were not so ubiquitous. The company was losing money. Its main market, the marine industry was in decline. Its biggest account, JCB, was in an industry notorious for demanding year-on-year price reductions, eroding already wafer-thin margins. Primers for steel were commodity products. Suppliers were committing gradual suicide by competing on price and offering customers little or no product differentiation. Then CEO, Brian Leigh-



Bramwell knew that drastic change was needed, but what? Rather than bring in an outsider, Brian took the brave decision to try home grown talent, appointing his Sales and Marketing Director, Dick Frost as CEO. Dick had been consulting with the Leadership Factor on how some manufacturers had transformed their companies by moving from a product-led to a market-led culture and structure.

Market-led

What exactly does market-led mean? In many ways the term 'marketing-led' would be more appropriate, since the concept really has two elements. The first, and most important, is customer-focus. None of the clever strategic plans will make any difference in the long run if customers aren't at the heart of your business, and to be blunt, they weren't. When The Leadership Factor was invited to run a one day workshop with the Board at the beginning of 1996, facilitator Nigel Hill started with an obvious question: "What's the most important thing for this business?" At the time, not one Director said customers! (They all would now.) The

first task was therefore to convince senior management that unless the everyday behaviours of everyone in the company make customers so satisfied that they keep coming back, increase their spend over time and recommend you to others, you never maximise the financial performance of the company. Nearing the end of the first decade of the 21st century this seems an obvious message but it wasn't in the mid-nineties, especially in traditional manufacturing industry.

Build a better mousetrap

A century earlier Ralph Waldo Emerson had uttered his immortal:

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**If a man build a better
mousetrap, even though he
live in a wood, the world will
beat a path to his door.**





Nearly a hundred years later that's what most manufacturers still believed. They were product-led. If you had the best product you would lead your industry. Many companies therefore had armies of people beavering away in R&D coming up with better mousetraps. At least the people in R&D thought they were better mousetraps. But did the customers? In an effort to compensate for the fact that customers often didn't have enough vision to buy the better mousetraps, American business developed the sales concept. What you needed was people out there telling customers about your better mousetrap and convincing them it was just what they needed. This spawned a whole industry of sales managers, territory managers, books on selling techniques and sales trainers – often effective in the short term but a massive additional cost layer.

The birth of marketing

As early as the 1950s, some enlightened individuals, most notably Peter Drucker, were starting to question what all this effort was achieving. He suggested that the most profitable and sustainable business model was not based on excellence in selling the products the company made but on making products that customers wanted to buy. He advised companies to focus on understanding their markets. Really understanding them. When Peter Drucker was consulting to a tool company in the late 1950s, he was told that the quality of the firm's drill bits was going up and the price was going down but their sales were still declining. After exploring the market, Drucker came back to his client with his renowned statement:



Customers don't buy 1/4 inch drill bits, they buy 1/4 inch holes.



Figure 1: Drivers of change at Leighs Paints

This thinking has transformed the business world, although half a century later, many manufacturers still haven't got the message. In the UK, Leighs Paints was one of the early adopters.

Choosing the right markets

This is the second element of being market led. Companies have to base their business strategy on targeting attractive markets. Since it's extremely difficult to build a business, however good its products and management, if it serves declining, price sensitive or over-competitive markets, it's essential to identify and target the most attractive markets and to continually update that intelligence. To drive the transformation from product- to market-led, Leighs' salesforce was restructured from the traditional territory-based organisation to a market-focused structure, where each market segment had its own Market Manager. This enabled each Market Manager to really understand the industries they now specialised in and, importantly, to bring that knowledge back into the company to drive its strategy.

New product development became customer and market driven rather than R&D-focused and the bi-annual Marketing Audit ensured first that company strategy was focused on the most attractive markets and second that all departmental managers understood the strategy and were operationally and mentally aligned with it.

People

One of Leighs Paints' next challenges was that a long established traditional company can't suddenly become market led and customer focused without the right culture. One of the many benefits of family owned companies is that they tend to be very protective of their people, but a downside of low staff turnover can be a failure to embrace new thinking. In 1999 Leighs Paints employed 366 people - too many of them managers and too few of them willing to embrace change. To make the first element of his strategy work, Frost had to move onto the second, and he took inspiration from another great transformation story in a Lancashire company.



In the 1990s, John Oliver had transformed Leyland Trucks from a traditional command and control manufacturer to an efficient, fast moving company with a flat structure and self-managed teams.

Key to Leyland's success was the belief that everyone has in them more potential than they know. Oliver took Leyland through a profound culture change journey, driven by team working, where the individual could make a difference. This was baptised "Team Enterprise", and it is a people driven approach to Continuous Improvement.

With Oliver's help, Leighs decided to adopt the Leyland model, starting with

their first ever employee survey. According to Dick Frost,

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The results were a huge shock. While the vast majority of employees were supportive of the company, and 80% replied, there was brutal criticism of our management style and culture. It provided a massive catalyst for change.

Team Enterprise

Now made CEO by Brian Leigh-Bramwell, Frost resolved to tackle all the issues raised by the employee survey head on. One of the grumbles was lack of communication from senior management. The approach was changed from

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'tell them nothing' to 'tell them everything'

introducing a company newspaper, team briefings and much more accessible senior management. The first step was to eliminate anything perceived as unfair. So the shop floor – management divide was removed from the canteen, the toilets and the car park, but all of that was easy compared with tackling the pay and management structures. To help him meet this challenge, Frost brought in Mike Green from Leyland as HR Director and moved quickly. In 2000 all the factory supervisors were removed and replaced by a totally flat structure based on self-directed teams, with everyone paid the same salary across the whole of production. Like Ricardo Semler (see Stakeholder Satisfaction December 2003 at: www.stakeholdermagazine.com/articles.)

Looking back now, Dick Frost wonders if

they moved too quickly, as he feels people need more help to suddenly start taking responsibility and making decisions but by this time he was moving onto the third circle, which proved to be the final piece in the jigsaw.

Vision

John Oliver was much influenced by Steven Covey's book *"The 7 Habits of Highly Effective People,"* where Covey explains that real leaders have to be teachers promoting timeless core values and explaining vision. To succeed the best leaders have to be the ultimate role models – always positive, always consistent, principled and always having a clear vision for the future. For more ideas Dick Frost went to the Albert Hall to listen to Steven Covey, who challenged the audience about their companies' vision, making Dick realise that Leighs didn't really have one. Back in Bolton he set up the Corporate Strategy Team, which spent the next 3 years hammering out a detailed vision, strategy and goals "tablets of stone" document and a vision statement that everyone could buy into. On the website: www.leighspaints.co.uk/vision it looks simple: *"To be our customers' first choice"*, but there's a lot involved in making that work and in aligning everyone's day to day behaviours behind it. Making the vision really happen involved three main areas of focus.

1. Changing the Culture

Achieving the Vision couldn't just be an initiative. It had to be a fundamental and permanent part of the culture that everyone bought into. Team Enterprise was the key here. According to Frost it was still a roller coaster ride but he and his team persisted, teaching people, individually if necessary, exactly how they should behave to deliver the vision and demonstrating that everyone would benefit from success. Crucial here was the new bonus scheme, which was based on a percentage of profit but accelerated with exceptional performance. The difference was that everyone receives the same payout, as responsibility is recognised in the salary at Leighs. Gradually the culture



changed. The positive people slowly gained ascendancy over the negative and the next employee survey scores improved. But it hadn't been pain-free. By 2005 one third of the 360 employees had gone, a lot of them supervisors, managers and directors whose years of service were often measured in decades rather than years.

2. Getting back to Profit

Vision, culture, Team Enterprise, leaders as teachers; it's all very well, but companies have to make money and deliver returns to shareholders. This is completely acknowledged in the Leighs vision document. The company now has specific, measurable objectives for a range of key indicators such as sales growth, ROS, ROCE, percentage of sales from new products, percentage of sales from overseas etc. There was significant investment in training the new Market Managers, and Sales Teams in professional selling techniques, as well as plant and equipment for production and research. In today's fiercely competitive industrial markets, reducing the headcount was actually a key factor in helping Leighs to meet customers' ever more stringent cost demands and drive up margins as well as sales.

3. The Good to Great Journey

As well as focusing individual sales staff on markets and on customers' needs rather than products and selling, the Corporate Strategy Team was totally motivated to implement the market-led philosophy, especially the transition from commodity markets to the most attractive market segments. The Marketing Audit graded markets from red to green and only the most attractive green segments (with acceptable growth rates and margins) made it into the strategic plan. But it's not enough to target attractive market segments, you have to compete in them too, and for this, Dick Frost's final mentor came along at exactly the right time. When we reviewed Jim Collins' 'Good to Great' in the December 2004 edition of Stakeholder Satisfaction, we explained the 'Hedgehog Concept' as follows:

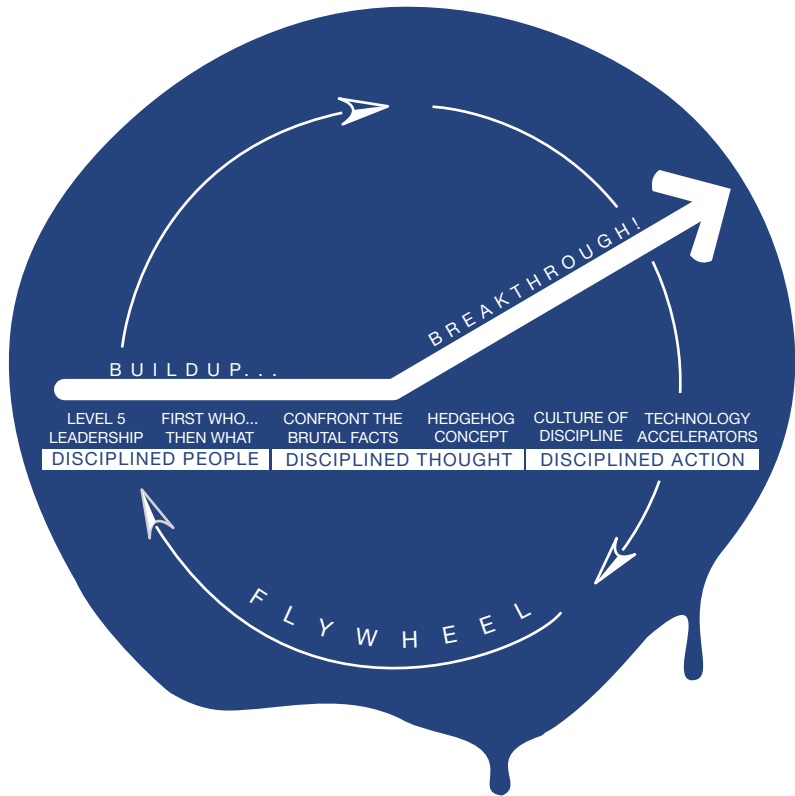


Figure 2: The Good to Great Flywheel

“The good to great companies were guided by a clear, almost simple strategy based on a passionate determination to be the best in their chosen field combined with a clear view of the key principles that would make their activities profitable.”

It was right at the beginning of the breakthrough part of Collins' Flywheel.

Dick didn't just read Good to Great, he lived it. He consults with Jim Collins and visited him in America and credits Good to Great with driving the next step change in the company's transition. The Corporate Strategy Team worked on Leighs' Hedgehog concept for 3 years before it was finalised.

If you want to know what it is, you will

have to join Leighs Paints, but Dick says having a Hedgehog clears the fog in management thinking and accelerates the pace of growth and improvement across the organisation.

Of course, the transformation of Leighs Paints is a never ending journey not a destination, but a lot of miles have been covered since the late nineties. The workforce was cut by a third, and recruitment is only allowed if it is justified by growth in sales and performance. Team Enterprise and Market Led are thriving along with the Hedgehog to drive the company forward. They still do regular employee and customer satisfaction surveys to prevent them becoming complacent because one thing you can be sure of, neither of these stakeholders will pull any punches when asked for their feedback.

If you ask Dick what was the most important lessons, he'll say understanding the importance of customers, people and vision, and getting the right people on Jim Collins' bus, as you can't do it without a great team to help you make it happen. **S**