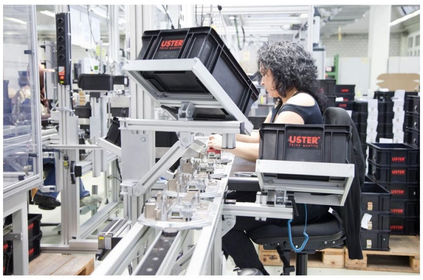
Humatica helps Uster Technologies to shift culture and leadership behaviour to grow value by 3x



THE CHALLENGE

Uster Technologies is a market-leading supplier of quality test equipment to the global cotton and textile industry. As a non-core division, the company was spun out of a well-known Swiss industrial conglomerate with the support of sponsors Quadriga Capital and Capvis. Dr Geoff Scott, current CEO of the company led the first MBO of the firm in 2003.

Scott inherited a company that had gone through several rounds of process re-engineering and cost-cutting, activities which had left their mark on the organisation. Although profitable, Uster was stuck in a niche, with a slowly shrinking top-line. Sponsors and management knew that the secret to unlocking value growth would be to get Uster's top-line to move north. However, with a high market share, this was proving difficult. According to Dr. Scott, "we initiated new product development projects to bolster growth, but these were not progressing as planned". A year into the engagement, Uster's sponsors were getting impatient.

SHIFTING BEHAVIOUR AND CULTURE

Based on an introduction from Capvis, Uster engaged Humatica to look at the root-causes for the stalled product development issues and lack of top-line growth. Results pointed to a top-down leadership style which, at the time, reinforced a symbiotic dependency between leaders and employees. Top-management would tell people what to do. They would do as told. Cost would sink, and profit went-up. Scott recalls: "We were caught in a vicious cycle. Although employees sometimes disliked our authoritarian leadership style, on another level they were comfortable because it meant they did not need to take responsibility, be accountable and take entrepreneurial risk. We had to reverse this culture if we were to grow".

However, how do you shift culture quickly in a company with extensive operations in Asia, Europe and North America? Armed with Humatica's fact-based assessment, Scott set out on a mission which forever changed Uster and contributed to superior value growth through the initial buyout, a secondary transaction, IPO and public-to-private deal.

HOW IT'S DONE

Scott pulled multiple levers which worked together to provide the desired effect. It started with Scott himself, as the CEO, confronting top management with some realities, including a need for different leadership and communication styles. Asking questions and talking directly with front-line employees were uncommon leadership practices in the authoritarian culture where managers had all the answers. Scott initiated a program, 'Take a break with the CEO'. "Spontaneously showing-up on the shop floor to listen to front-line employees was new, and very instructive". According to Scott, "this simple practice had a huge impact on middle management, who no longer had a monopoly of information. They had to interact much more with their people to avoid my asymmetric information in an executive team meeting". Communications between middle management and the front-line improved.

Geoff Scott also made tough executive team decisions. Changes in the top management were made to move towards more collaborative behaviours in the development organisation. Other executive changes followed, until Scott had assembled a team of like-minded leaders seeking to bring out the best in their people – to move to a leadership style that involved employees and encouraged challenge.

Employees also had to change. Scott initiated a program to give them responsibility for coming-up with suggestions on how to improve their working environment and productivity. And, they had to implement. He recalls, "we had a lot of "victims" at the time, who were using our authoritarian leadership style as an excuse not to develop their own ideas and take action". His plan to counteract the victim-mentality by giving responsibility worked! Over 50 projects were defined by the people, for the people. Working hard was never so fun.

THE REWARD

Uster realized a big turn-around in its performace. The decline in sales was reversed within two years, with sustainable increases of EBITA margins to levels in excess of 25%. According to Scott, "some people think that the market was moving, but I am convinced that if we had not released all this potential in the organisation, then we would not have seen growth." Strong top- and bottom-line growth enabled Uster's management and sponsors to execute an outstanding secondary transaction. Following a successful IPO, Uster's success was sustained even through the global financial crisis. When revenues dropped by 50%, Uster's organisation had the resilience to respond quickly, and held EBITA margins above 20%. In 2012 the firm was acquired by Toyota Industries in a public-to-private transaction. From the first MBO to the takeover by Toyota, a 3x increase in enterprise value was achieved. As Scott recalls, "the culture shift we initiated in 2004 enabled short-term value growth and long-term success which financial markets have honored."