



WEAKENING CONTAINER GIANT RETURNS TO ITS FORMER GLORY

Restructuring of Internal Environment Allows for Modern Terminals Limited to Handle Exterior Change

In 1997, Modern Terminals Limited, located in Hong Kong, China, and industry leader for a quarter of a century in container production, hit a rapid downward spiral in an attempt to respond to changing market forces. The company moved to alleviate their problems through layoffs. While their measure was necessary at the time, there were serious consequences to its proud culture. However, by 2001 Modern Terminals had made a turnaround that was as dramatic as their initial downfall.



Starting in 2001 employee efficiency skyrocketed, operating costs were under control, business volume doubled, profit increased by nearly 50% and, again, Modern Terminals dominated China's container industry. Modern Terminals attributed its success to a will to better itself and a constructive cultural shift with help from The Pacific Institute.

"It was a huge effort," stated John Lee, Modern Terminal's Director of Operations and form Chief Nuclear Officer for Millstone Nuclear Station (a successful client of The Pacific Institute) "Has it been worth it? Yes. The numbers speak for themselves."

DIAGNOSIS:

Tension, Distrust and Financial Crisis

In late 1997, left unprepared for industrial changes from a financial crisis and increasing competition, Modern Terminals forcibly restructured without considering its internal culture. Management was cut by 30 percent and staff by 21 percent – 400 out of nearly 1800 employees. The restructuring had actually produced confusion, leaving remaining employees with a lack of guidance and the company losing productivity with disconnected workers. Modern Terminals' competition continued to grow while employees reported a loss of trust as the company's market power diminished.

"In the spring of 2000, business conditions took a downward turn," Lee said. "Internally, we observed increased nervousness among the staff [about] their future in the organization...Poor business conditions of the past three years seemed to have had an adverse effect on trust within the organization."

According to Modern Terminals management, the company would not survive with its current culture. "We decided to turn our attention to cultural change within the organization," Lee said. "Consequently, our first objective was to develop and implement a cultural change program."



THE PACIFIC INSTITUTE®

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Starting on their road to recovery, Modern Terminals was attracted to The Pacific Institute's approach to confronting individual and leadership effectiveness.

INTERVENTION:

First Steps Go a Long Way

Using their *Organizational Culture Effectiveness Survey*, The Pacific Institute brought into focus the cultural barriers Lee and his administrators knew existed but couldn't resolve. To recreate their culture, Modern Terminals engaged The Pacific Institute's Australia office to tailor programs specifically attacking the mental barriers dividing the company's vision from its current reality.

"I like the statement, 'As I think, I am,'" Lee said. "It is our belief about ourselves, what we expect of ourselves, and what we believe about our ability to accomplish our goals that is important. **The Pacific Institute's Investment in Excellence® program is excellent for this important personal and organizational development. It is the king of tools that delivered the cultural shift that made the strategy changes possible.**"

The *Investment in Excellence* program was administered to 75 managers and 550 supervisory staff members. Simultaneously Modern Terminals' employees learned about self-efficacy, leadership effectiveness and how to work within the Mission, Vision and Values of their organization. According to Modern Terminal's management, The Pacific Institute's *Investment in Excellence* program and *Leadership Impact Analysis®* exercises (in addition to training 50 internal facilitators) allowed Modern Terminals to start and continue the necessary recovery.

MEASURABLE RESULTS:

The Numbers Speak for Themselves

The quick turnaround of 2001 was sustained in the 2002 and again in 2003. The company is ahead of their organizational goals for 2008, and after eighteen months of training and culture building with The Pacific Institute, Modern Terminals Hong Kong has experienced:

- **8.7% Market Share increase** in Modern's most competitive market
- **12% increase** in Operational Margin
- **17% increase** in Equity Return
- **18% increase** in Asset Return
- **21% decrease** in Soft Costs
- **36% decrease** in Variable Costs
- **62% decrease** in Fixed Costs
- **120% increase** in Shareholder Dividends

"Organizational effectiveness is the result of organizational culture, which in turn is the effect of personal and leadership effectiveness," reports John Lee. **"We are proud of what we have accomplished with The Pacific Institute, and we are totally confident that the cultural change program will get us where we want to go in the years ahead."**

The Pacific Institute, Inc. is a Seattle-based education and consulting company, delivering solutions based on applied psychology and best business practices. Since 1971, the Institute has helped individuals and organizations manage change, achieve goals, and transform culture.



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