

Overcoming barriers to change



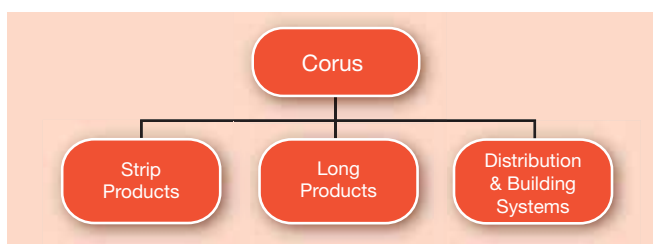
Curriculum Topics

- Reason for change
- Barriers to change
- Overcoming barriers
- Measuring the outcomes

Introduction

The external environment in which businesses operate is continually changing. Businesses must respond to these changes to remain competitive and continue to meet the needs of their customers. They need the commitment and support of key **stakeholder** groups, such as employees, in order to ensure changes are embedded to shape the organisation for the long term.

Corus was formed in 1999 when the former British Steel plc merged with the Dutch company, Hoogovens. Corus is now a **subsidiary** of the Indian-owned Tata Group. Corus has three operating divisions and employs 40,000 people worldwide:



Corus Strip Products UK (CSP UK) is based at Port Talbot and Llanwnern, Newport in South Wales. CSP UK makes steel in strip form. This is used in markets such as vehicle manufacture, construction, electrical appliances, tubes and packaging.

Corus aims to be a leader in the steel industry by providing better products, higher quality customer service and better value for money than its rivals.

In 2005 CSP UK introduced a cultural plan for change called 'The Journey'. The company wanted to address a wide range of business challenges, but the common theme was the fundamental way that people at all levels went about their work. The Journey focused on the values and beliefs of its people. Vitally, this was not limited to employees, but it included contractors, suppliers and other partners. This community of people together re-defined eight core **values**. These provided the guiding principles by which Corus people would work.

By early 2007, all employees had been provided with a booklet outlining the CSP Journey values and the behaviours the company expected them to follow. The new values encourage individuals to be accountable for their actions. For example, previously, there had been tragic accidents on site and other health and safety issues, such as poor driving behaviour. This needed to change. The Journey programme has taken a positive approach so that it now steers everything CSP UK does and underpins the **culture** of the organisation. This case study focuses on how Corus Strip Products UK has overcome barriers to change in order to secure a more prosperous future for the business.

Stakeholders: Individuals and groups with an interest in the activities and decisions a business makes.

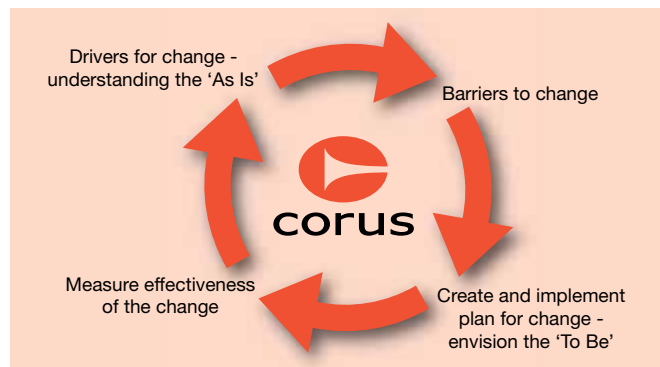
Subsidiary: An organisation that is part of a larger company.

Values: What a company (or person) stands for.

Culture: The typical way of doing things in an organisation.

Reasons for change

Organisational change is a planned and ongoing process and follows clearly structured elements:



Identify the key **drivers for change**. These are forces outside and within the organisation, for example, the growing strength of competitors (external) or health and safety issues within the organisation (internal). Corus employees were encouraged to understand what was happening in the business (the 'As Is') and identify any flaws in the existing way of working.

Identify the **barriers to change**. This often involves people's attitudes. They may want to continue to work as before or cannot see the need for change.

Create and implement a plan for change. This focuses on winning the commitment of all employees, identifying specific solutions to problems areas (for example, cutting staff or investing in new systems) and setting out ways of measuring improvement. Employees were encouraged to envision what the 'To Be' position for CSP UK looked like and make plans to bring it about.

Measure the effectiveness of the change. CSP UK is prepared to make further changes based on the outcomes of the actions.

Examples of internal drivers for change (inefficiencies within the business) at CSP UK included:

- Poor delivery - rather than delivering steel to customers on time there were delays, leading to loss of business.
- Competitiveness - steel produced in the UK could be more expensive than from some other countries.
- High wastage - failing to make products right first time meant that they had to be reworked or scrapped.

- Low staff morale – employees were committed but were not motivated by the environment in which they were carrying out their jobs.

External drivers (pressures for change outside the business) came from:

- New competitors – low cost producers in Eastern Europe and the Far East were taking business. This could lead to reduced demand with higher costs.
- Changing customer requirements – for example, the fall in demand for steel for the automotive industry meant that Corus needed to find different types of customers or develop different products.
- New technology meant customers expected higher specifications.
- Perceptions of the steelmaking industry within the community tended to be negative – for example, the industry was seen as having a poor record on environmental issues.

Total Quality Management (TQM) initiatives had previously been implemented to great effect at CSP UK to improve productivity and improve competitiveness. CSP UK had also previously reduced manpower for the same purpose. However, Corus Strip Products is a business with deeply committed people and a relatively low **staff turnover**. Total payroll costs are low compared with its other costs such as energy and raw materials. Labour costs at CSP UK account for around only 13% of total costs. This is considerably less than, for example, an assembly line process where they might be around 40-50% of total costs. It therefore made better sense to enable employees to work more efficiently rather than cut the number of staff.

Barriers to change

Change may challenge peoples' abilities, experience, customs and practice. It may even be seen as a threat. This can create resistance or barriers to change. For example, if job roles are changed, employees and managers may feel that they lose status or power. If jobs are cut, remaining employees may feel insecure. This can cause low morale and lead to poor productivity.

Although Corus Strip Products as a company supported the principles of change and innovation, not all previous programmes had delivered the required results.



Corus is an established business in a traditional industry. This meant that it had set patterns of doing things in some areas of the business. This attitude of 'this is the way we do things around here' made it more difficult to make necessary changes. Some Corus employees had a fear of the unknown and saw new initiatives as a possible threat to their existing teams and positions. Job reductions had been a major theme in the steel industry since the 1970s and some of Corus' previous change initiatives had led to job cuts. Other people did not see a threat to their job because the business had previously survived difficult times. This complacency made change difficult for Corus.

Another issue facing Corus was its ageing workforce. There is a considerable degree of expertise in the company and long-term high rewards kept people within the industry. Older employees with high technical skills stayed because these skills were not easily transferable. Fewer young people were attracted to the industry because of reduced job opportunities and reductions in apprenticeship schemes across the UK.

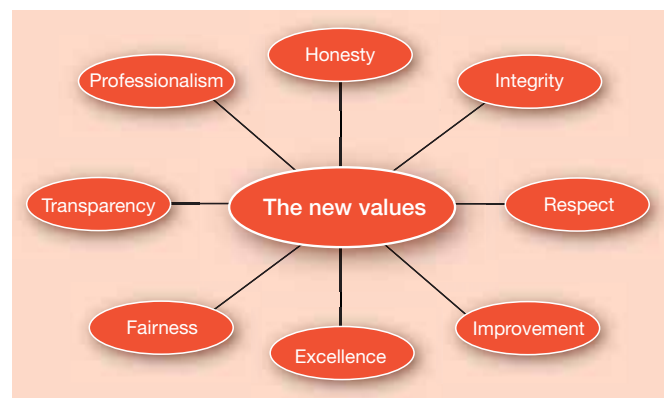
The company also had a history of rewarding 'long service' rather than 'distinguished service'. This means that employees who had been with the company a long time (but who had lower productivity) could be gaining greater rewards than newer employees who were producing more. Corus felt that this was an area that needed major change so that those employees with higher output were suitably rewarded.

Overcoming barriers

'We cannot solve our problems by spending; we cannot solve our problems by cutting back. The only way to meet our challenges is to change how we go about things...' (quote from the Managing Director of CSP UK).

One of the key techniques Corus has used to overcome resistance to change has been to work closely with employees and get them involved as much as possible in the programme.

From the start it was important for the company to share with employees what might happen to the business if it didn't change. Corus put emphasis on getting everyone to take ownership of the new values by physically signing up to the programme. This helped them 'buy-into' the new ways of working. Workers are now more involved in decision making and their contributions and experience are recognised. Through a range of direct and indirect communications, for example, weekly newsletters and workshops, Corus ensures that all employees understand what behaviours it expects of them.



As part of implementation, Corus needed to highlight how people were behaving (the 'As Is'). It created a programme with 'shock tactics' to show managers and employees the condition of the plant, to identify weaknesses and encourage employees to make changes. For example, 150 senior managers were invited to the Millennium Stadium in Cardiff. This impressive venue raised expectations. However, they were served cold tea and given a presentation on a ripped projector screen.

The fact that attendees did not comment on this demonstrated that people did not see they had a 'right to challenge'. It also highlighted that employees had become accustomed to working with limited resources and were willing to accept low standards. This would be an important aspect to work on during the culture change. Managers were also shown videos of poor working conditions and interviews with local schoolchildren in which they said they would not work at the plant because of their perception of a poor outlook and a poor working environment.

Around 150 workshops were held to spread the messages. Fortnightly newspapers clarified these values and repeated the key messages through articles on various activities, such as employees taking part in the redesigning of a control room to improve layout and safety. Billboards, intranet, video programmes and most of all, direct one-to-one conversations all reinforced the messages.

The Journey also raised important questions about how the company managed key issues, such as alcohol or drug misuse.

Due to the high standards of safety associated with Corus processes, all working sites are alcohol-free. Understandably, before the change programme, anyone offending in this way was likely to face disciplinary action and this is still the case in most working environments. The new CSP UK values focus on helping employees who are willing to accept assistance to improve their performance, rather than taking disciplinary action against them for poor behaviour. This approach, with support and guidance from the company and counselling services, has resulted in over 50 employees that previously would have lost their jobs being retained in work.

Measuring the outcomes of change

The Journey change programme at Corus Strip Products contributes to **sustainability** for the business. By facing up to its internal weaknesses, Corus Strip Products has improved efficiency, increased output, lowered costs and reduced waste in an increasingly competitive steel market. This has enabled the business not just to survive but also to grow - even during the economic recession of 2008 and 2009. Thanks to the Journey programme, CSP UK expects to reduce costs for the 2009/10 financial year by around £250 million.

To make sure that actions delivered results, Corus established clear targets and standards. Milestones (intermediate steps) were set so everyone would know how far CSP UK had gone to achieving the targets. This made it easier to review and measure progress and achievements or to set new deadlines. There have been a huge number of 'quick wins' which add up to a great gain overall. **Key performance indicators** have shown significant progress and include:

- production capacity has increased by 4.5% to a run rate of 5 million tonnes
- the plant is on track to achieve a 20% reduction in the cost of producing steel
- 5,000 employees have signed up to the values and beliefs of the business



- a reduction in absenteeism
- measurable improvements in levels of quality and service for customers
- tighter targets for Health and Safety - new safety teams contribute towards accident-free production
- carbon dioxide emissions have reduced by 10%. CSP UK now exceeds government standards
- measurable improvements in the company's impact on the local community.

Individuals, teams and departments all support the improvement culture and are more engaged and committed to achieving company values and targets. This culture shift is of critical value as it will enable further improvement. For example, Corus has implemented top-level security with controlled access for the 5000+ vehicles which enter the Corus site each day. This provides a new enhanced 'entry experience' for employees, contractors and suppliers and demonstrates that Corus Strip Products is now seen as an organisation that is proud of itself.

Conclusion

All organisations need to manage change. If they fail to do so they may be left behind by the competition. Change management at Corus Strip Products UK involved bringing the issues out into the open, confronting barriers to change, winning the commitment and support of all employees and delivering an effective plan for change.

The Journey has helped CSP UK to 'weather the storm'. The company is now exploiting the benefits the programme has given. The results of the change management programme show that Corus Strip Products is a company that is sustainable and can continue to make profits in spite of the recession. Demonstrating ongoing improvement has the additional benefit of winning government grants to support the important economic sector of steel production.

1. Using examples, explain what is meant by internal and external drivers for change.
2. What barriers to change existed at Corus?
3. Analyse the approaches Corus used to overcome these barriers.
4. Evaluate the effectiveness of the change programme so far.

QUESTIONS

Sustainability: Practices which do not affect adversely the future use of resources.

Key performance indicators: Financial and non-financial measures to monitor performance across a range of activities within a function, department or role.