

# PRIMED FOR A MATERIAL CHANGE

## BACKGROUND

Our client is a major Australian steelmaker. The company has revenues of A\$3 billion, operates over 200 sites in Australia and New Zealand, has more than 30,000 customers and employs approximately 7,400 people. The company's steelworks, situated 400 km north of Adelaide in South Australia, is the powerhouse of the business.

Project Magnet is a \$330m initiative to switch the iron ore used in the steelmaking process from Haematite to Magnetite. The conversion to Magnetite will reduce the costs of production by a significant dollar value. The project is scheduled to take more than three years before it is completed and begins paying a dividend.

Both Haematite and Magnetite are extracted from a nearby mine, owned by the company and operated as part of the steelworks. The surplus Haematite iron ore is to be exported.

## OBJECTIVES

The conversion to Magnetite requires a large number of operational changes. Our firm was engaged to put in place the project methodology, planning and implementation-management to enable these changes to transpire in an orderly and controlled manner. This includes developing an implementation plan for each business unit, and transferring the necessary skills to the company's project managers.

## KEY RESULTS

An architecture was developed, based on the company's business excellence model, to ensure that integration of Project Magnet into the existing operations will be seamless and that nothing of importance is omitted. Implementation plans are in place for each business unit, and a trained team of project managers is on board.



The conversion to Magnetite requires operational changes across the entire production process. Some major, some subtle. But all of them too important to leave to chance.

Project Magnet is a substantial investment that will have a profound impact on the company's operations and profitability. By using Magnetite in place of Haematite the company will be able to take advantage of large iron ore deposits sitting on their doorstep, substantially reduce production costs while maintaining the same product quality, extend the life of the mine through to 2027 and generate a new revenue stream by exporting the surplus Haematite iron ore.

In addition to the infrastructure and technical changes, the conversion from one type of iron ore to another requires operational and behavioural changes throughout the entire manufacturing process. Our client lacked both the internal resources and expertise to ensure that these were correctly developed, designed and implemented. The company's senior management – fully aware of the consequences of getting this wrong – sought unbiased external assistance, along with significant change management, project management and continuous improvement skills.

## SPOT THE DIFFERENCE

The South Australian steelworks processes iron ore into pellets that are transformed into iron and then steel. The change to Magnetite will bring about a number of operational changes in this process that are physically evident; for example a new slurry plant and new equipment obviously require new procedures. However, a large number of the changes are more subtle. In many areas, such as the blast furnace, people will be working with the same equipment as before; at times in exactly the same way as before and at times with some modifications.

Changing behaviours and processes of

this nature can be exceptionally difficult to implement and manage as they require people to subtly modify long standing habits that have been established and solidified over decades.

## ONE TEAM

A joint implementation team was established comprising GPR Dehler consultants and the company's project integration managers. This ensured that not only would objectives be achieved, but that the client would have a rigorous, disciplined and sustaining continuous improvement process for the integration of Project Magnet.

Significant training was provided to the organisation's team members in the use of tools and techniques to facilitate workshops and conduct meetings in a practical hands on approach. The staff also received considerable coaching and mentoring in continuous improvement techniques, communication techniques, the skills to obtain management and workforce support, dealing with objections and reporting results.

This provided the company's integration managers with the skills they require to ensure that plans are correctly implemented and that progress is monitored.

## THE FUTURE CAN WAIT

Despite the importance of Project Magnet, one of the key obstacles was general apathy. Many managers neither understood nor cared about the process changes that would be required nor wished to be involved in their development. They believed that these would comfortably fall into place once the new equipment was

operational and that their present time was better spent attending to the day to day running of the plant.

Ultimately it was only through dogged persistence that they were persuaded that their role in developing Project Magnet was a high priority, equal in importance to running the current operations. Gradually an understanding of, and support for, the project increased and full cooperation was achieved.

## DEVELOPING THE ARCHITECTURE

The Implementation Team's primary function was to kick-start the process – to provide the over-arching methodology and to develop change management plans for all major departments across the manufacturing process. These included iron making, steel making, steel products and all the related support functions such as human resources and information technology.

Our client had adopted a business excellence model which was used as base for developing the new architecture. The model comprises seven key categories: Strategy, Systems, Processes, Organisation structure, Management skills, People and Due diligence.

Under each category, required changes were identified along with the activities necessary to ensure integration with the existing plant and equipment. Each department was provided with a highly detailed change management plan ready for implementation. These set out all the steps in installing the operational changes; down to who needs to attend what meeting, when, and what the outcomes of that meeting should be.

Sited above these were a management operating system to enable control of the process, a detailed map of information flow and system requirements, and project reporting tools to manage progress, risk and issues and ensure that senior management are kept well informed and up to date. The entire project plan dovetailed into Project Magnet's construction and transition timetable.

## THE HANDOVER

The task of implementing the changes has been handed over to the company's project integration managers. Some of the early tasks were conducted under the supervision of GPR Dehler consultants; helping to secure early results and to build confidence among the steelwork's managers. Of equal importance was the fact that managers from all operational and support departments were involved in fine-tuning their individual plans before taking over responsibility for their implementation. This provided the assurance that plans were accepted, helped uncover any minor issues, and created the involvement necessary to ensure that the new operational procedures become an integrated part of the way the steelworks operates.

## EASY ON PAPER

This project, like many of our engagements, looks straightforward on paper. The reality is far from it. Our skill is not just in identifying problems and designing solutions, but in making those solutions work – often in a tough business and cultural environment.

GPR Dehler has an excellent record of implementing change programs in

Australia, New Zealand, Asia, Europe, North America and Southern Africa. Everything we do is geared towards achieving results – not writing reports. We have the management and planning skills as well as hands on consultants with experience to overcome obstacles and transform good ideas into effective and successful programs. Significantly, we do this with minimum disruption to our clients' business operations.