Create a business that is not just leaner, it’s more competitive too.
Case study:
CLAIRE OSMUNDSEN-LITTLE, ACMA, CGMA
FINANCE CONTROLLER, PACKAGING
TATA STEEL EUROPE

At a glance

<table>
<thead>
<tr>
<th>Company</th>
<th>Tata Steel Europe, Trostre Packaging Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current role</td>
<td>Finance Controller, Packaging</td>
</tr>
<tr>
<td>Industry</td>
<td>Steel packaging</td>
</tr>
<tr>
<td>Market</td>
<td>Global</td>
</tr>
<tr>
<td>Turnover</td>
<td>£280 million</td>
</tr>
<tr>
<td>Employees</td>
<td>650</td>
</tr>
<tr>
<td>Website</td>
<td>tatasteel.com</td>
</tr>
</tbody>
</table>

Tata Steel has operations in 26 countries and is the second largest steel producer in Europe. One of its downstream operations is Tata Steel Packaging, which has facilities in Ijmuiden, Netherlands, Duffel, Belgium and Trostre in West Wales. They manufacture coated steel for packaging applications like food and drinks cans, aerosols and paint tins. After 2008, a major new strategic cost management approach was taken at the Trostre plant. Here, Financial Controller Claire Osmundsen-Little explains how the initiatives employed ensured the business weathered the storm of global economic change.

I have worked for Tata for over 20 years, in various parts of the Steel business. I joined the company after graduating as part of their graduate training scheme that included an intensive CIMA training and qualification programme. Since qualifying the skills and experience I learned has resulted in work in operations in the UK and Spain as Finance Manager and Business Partner and I am now based in the Netherlands as the Finance Controller for Tata Steel Packaging.

After 2008, we were feeling the effects of an economic climate where a strong pound was making imports cheaper than locally produced goods and impacting our sales volumes. The steel industry is fixed cost intensive and reducing our variable costs would not have a significant enough impact. Our challenge was to find a way to re-structure our fixed costs base and differentiate our sales.

Objectives, goals, strategies and measures (OGSM)

We applied a new corporate methodology – OGSM – to define, achieve and monitor our strategic targets. The process began with senior management getting together off-site to brainstorm different ideas. We identified the various elements that made up our fixed costs, like employment, energy, contractors and maintenance. We discussed ways in which these could be reduced and financially evaluated each option, assessing it on a scale of 1-5 to determine its degree of hardness, i.e. how likely it was to succeed. At 1, a strategy is still just an idea. At 3, implementation has begun and we expect to see some benefits. At 5, all actions should be completed and we should be seeing real results. We ended up with around 8 key strategies that we wanted to pursue. These were allocated to individuals or teams to action and every month senior management would monitor the progress made with each strategy in pushing it through to level 5.
A3 analysis

Underpinning the OGSM methodology is a process we call A3 – a fact-driven technical tool for problem solving which helped to define our current position and where we want to be going forward. The person responsible for achieving a given strategy simply takes an A3 sheet of paper and folds it in half lengthways. Having spoken to relevant stakeholders, on one side of the page they define the objectives, the background issues and the problem that needs to be resolved. On the other side they write the actions to be taken, in what timeframe and what financial benefits are expected as a result. This is then used as an action plan, against which the degree of hardness is measured.

Reducing fixed costs

One of the most effective ways in which we reduced our fixed costs was by consolidating our contractor base. Rather than chasing small savings here and there, we were looking to trim literally millions of pounds off our expenditure. So, we identified the key contractor spend and sat down with them to have an open conversation about our need to improve efficiencies and reduce that spend. By sharing with them our objectives, they became part of the solution helping us to identify quick wins and longer term strategies that would yield results.

To become more flexible, we changed our shift pattern from five to four shifts enabling us to reduce our employment costs. With energy, we undertook a detailed study to establish for each process what should be our optimum energy usage with and without investment. At the time, energy costs were high and therefore the paybacks on some of the schemes were shorter than we thought. We introduced measure cards and targets to each shift and operated at the optimum times to minimise costs.

Maintenance costs reductions came from two areas – the reduction of the electrical and mechanical contractors from over 30 to eventually a few and an analysis on the frequency and durations of maintenance stops to make these more efficient.

Increasing sales

Given the strength of the pound, we decided to focus on securing our UK market. We looked for innovative ways to create value with our customers and differentiate ourselves from our competitors.

One of the key ways we did this was to reduce our lead time from 28 weeks to just two weeks, quite a revolution in our industry. To achieve this, we looked at our internal supply chain and how we could speed up the time taken to transform a slab of steel into the product the customer needed. To limit variations in orders, we standardised the steel grades that we brought in from the Tata steel facility at Port Talbot. We then worked closely with our customers to make the ordering process more efficient for both parties. We told them in what format we needed final specifications for an order and by what date to ensure timely delivery. This created a win-win situation – because we needed much less notice to deliver, our customers no longer had to order stock far in advance and store it until it was needed. Duplication of orders was reduced and the whole process was simplified, resulting in a much leaner supply chain all the way from our suppliers through to our customers.

In terms of our sales, we saw greater customer retention and an increase in our market share.

Compared to 2008, Tata Steel Packaging is a different business today. OGSM and A3 gave us a clear focus, made overall cost management more rigorous and encouraged a greater participation of people in managing the cost base. As a result, Trostre remains market leader in the UK and has a much leaner cost base.