

Shifting to Sustainable Business: OneSteel Whyalla Steelworks Case Study

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Abstract

This study assesses OneSteel Whyalla Steelworks' 'new approach' to mitigating dust impacts and operating sustainably. It reveals gaps between rhetoric and reality, and what is required to meet diverse stakeholders' expectations. A model (emergent from the research) depicts four phases in organisational change towards sustainability: resisting, responding, renewing and reinforcing.

Introduction

Impact assessment helps inform organisational change. This study uses a 360° methodology to describe and analyse such change. 360° feedback is used in human resource settings to heighten an individual's self-awareness by highlighting differences between self perception and how others see them. (Morgan 2005: 663 - 680) An innovative aspect of the current investigation is that this approach is applied to a company – OneSteel Whyalla Steelworks - rather than an individual.²

The author triangulated perspectives on the steelworks' previous state, new approach, and current state. (Denzin 1989; Glesne and Peshkin, 1992) Interviews were conducted with company managers, South Australian (SA) government officials, the Chair of Whyalla Red Dust Action Group (WRDAG) and members of an environmental consultation group (ECG) established by OneSteel in 2003. Data were also drawn from a social impact assessment and from documentary sources.³ Results have been shared with informants for interpretive validation.⁴

The problem

Red dust emitted from OneSteel's ore transportation and pellet plant operations has impacted homes in East Whyalla. Under its license conditions the steelworks must control emissions (using a monitor in Whyalla's geographic centre). However, the SA Environmental Protection Agency (EPA) wanted the monitor located in East Whyalla, close to the steelworks, where the severest dust fallout affected people's properties and raised health concerns. The steelworks resisted this requirement, and in 2005 secured an indenture from it. OneSteel subsequently invested in Project Magnet, which (when completed in 2007) would virtually eliminate emissions by feeding ore to the pellet plant via an enclosed wet slurry. But the indenture generated mistrust among people represented by WRDAG. Outrage threatened the steelworks' social license to operate.

The following sections provide stakeholders' perspectives on the company's previous state, policies and processes and current state. An analysis and conclusion follow.

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² Atwater, Brett and Charles (2007) have reviewed the literature on 360 degree research and found that such studies are mainly undertaken in human resource management programs - in performance appraisal and leadership development contexts. In these organisational settings, the results of such studies have been assessed as modest.

³ The SIA was conducted by the author and two other Futureye researchers in March – April 2007.

⁴ The Executive General Manager of the steelworks is using this approach – including findings from this research – to review the progress made to date in improving the steelworks' sustainability performance.

Previous State (until 2005)

Company perspectives

The steelworks' 'journey' with Whyalla's 'dust-affected community' was 'reactive', 'very closed door', 'adversarial' – especially with WRDAG.⁵

Whyalla steelworks managers felt constrained in acknowledging red dust issues, partly because OneSteel Corporate managers (in Sydney) stated on radio that red dust was not a problem for Whyalla.⁶

The situation changed following arrival of a new Executive General Manager (EGM) and restructuring of the Lead Team in 2005. This produced 'a complete shift' through 'fresh ideas' (including those of sustainability consultants, Futureye, retained to facilitate shifting to proactive management). It involved acknowledging the problem and committing to a 'new approach' of operating sustainably.

Community perspectives

The dust-affected community had "little or no rapport with OneSteel" especially following the Corporate statement about dust not being a problem.⁷ WRDAG initiated legal action to require adherence to EPA targets. The basis for WRDAG's litigation evaporated, however, when the company negotiated an indenture from relevant regulations.

This generated outrage and mistrust. "The indenture did them some damage", one informant remarked, adding "what's gone on since then has been about rebuilding trust."⁸

Things sort of bumped along between us - much distrust, not good relationships, a lot of hurt.⁹

Relations improved following the arrival of the new EGM - "a breath of fresh air", whose "refreshingly modern ideas" included recognition of the community's right to complain about environmental impacts and expect responsive action¹⁰.

Regulators' perspectives

Senior officials in SA's Department of Primary Industries and Resources (PIRSA) and EPA experienced OneSteel as aggressive. It was impatient with licensing procedures, and its indenture weakened the EPA's monitoring capacity¹¹. And it viewed activists as a nuisance, believing 'the community would not bite the hand that fed it'¹². OneSteel was seen locally as a good employer. So, on balance, it was 'fairly reasonably regarded, except on environmental grounds'.¹³

Policies and Processes (2005 to 2007)

Company perspectives

To mitigate outrage, the steelworks' built its 'new approach' to sustainability by:

⁵ These descriptions are taken from interviews conducted with 5 OneSteel Whyalla management staff in the operational and communications areas of the steelworks during August 2007 –February 2008.

⁶ Communications informant interview (a), 29/8/2007

⁷ Community activist informant interview, 29/8/2007

⁸ Community activist informant, 14/10.2007 (b)

⁹ Community activist informant, 29/8/2007

¹⁰ Community activist informant, 29/8/2007

¹¹ Public service informant, 16/10/2007

¹² Public service informant, 18/10/2007

¹³ Public service informant, 16/10/2007

- restructuring itself to include a Business Sustainability Division;
- working with WRDAG - responding to complaints, providing conciliatory messages and, in 2007, engaging in a professional mediation about remediating affected properties;
- increasing its apprenticeship intakes and leading a joint government-business partnership program, 'Goal 100', offering 100 jobs to disadvantaged jobseekers;
- revising the ECG (including use of an independent facilitator);
- informing the community about Project Magnet via public forums and local media; and
- publishing an ESR Report - first in 2006, again in 2007.

Politically, the steelworks proactively engaged government agencies - inviting officials to inspect dust monitoring and mitigation efforts and emailing them about ESR issues.

Community perspectives

The community felt consultation with the company started improving.

- Focus groups were used to obtain community views about approaches to remediating people's homes.
- An independent facilitator (Futureye) helped run the ECG.
- ECG continued issuing community newsletters.¹⁴

Communications became more open: the steelworks released statements to media and convened public forums with the ECG.¹⁵

Regulators' perspectives

Regulators thought the steelworks' sustainability initiatives enhanced its social license to operate. But in 2007 they felt the steelworks' credibility was being dented by mismanagement of its northern stockpiles of ore (resulting in dust impacts on East Whaylla). And the regulators felt they were receiving only irregular updates on the steelworks ESR initiatives.¹⁶

Current state (late 2007 onwards)

Company perspectives

By late 2007 the steelworks had made 'a massive journey':

Some companies take 30 or 40 years to make the changes we've managed to make in two years.¹⁷

A communications informant said the steelworks was now more open:

Transparency and accountability is all that the community was asking for.¹⁸

However, conundrums persist.¹⁹ For example, during 2007 the steelworks needed to advise the community of a specific date when Project Magnet's wet slurry would start up. But no public date was set, because unforeseen technical issues might prevent commencement on a pre-publicised date. Failure to deliver would confuse the market, affect share price and disappoint regulators and the community. But not setting a date looked less than open to the community.

¹⁴ Community activist informant, 14/10.2007 (a)

¹⁵ Community activist informant, 14/10.2007 (a)

¹⁶ Public service informant, 16/10/2007

¹⁷ Communications informant interview (a), 29/8/2007

¹⁸ Communications informant interview (b), 29/8/2007

¹⁹ Operational management informant interview, 31/10/2007

Community perspectives

WRDAG thinks the company has a ‘very good’ ESR policy, but wants it embedded into operations.²⁰ For instance, the company adopted a dust standard in August 2007, but by September there were two exceedances, and by October community activists felt their concerns were insufficiently addressed.

Activists think OneSteel’s ‘new approach’ is not yet translating into real change – partly because the steelworks appears tardy in eliminating its northern stockpiles, and partly because East Whyalla people’s complaints are not responded to quickly enough.

Regulators’ perspectives

Regulators perceive a gap between commitment and reality. Without cultural change Project Magnet will not deliver fully. The steelworks must plan to prevent dust impacts. One regulator predicted that unless environmental awareness is mainstreamed like safety awareness is, the steelworks’ environmental performance will decline.²¹

Analysis

The current state is far from perfect. To some extent this is because the context for demonstrating sustainability keeps changing. Project Magnet has reduced the impact of red dust, but activists and regulators are raising concerns about managing emissions from the stockpiles. The current state, from a multi-stakeholder perspective, is in brief:

	OneSteel Whyalla Steelworks	Community Activists	Regulatory Authorities
Dust problem acknowledged	√	√	√
Communications process about dust impacts	√	√ Appropriate mix of interpersonal, email, telephone contacts and community forums. But actions should match words.	X Communications too focused on dust-affected community in Whyalla; insufficient communication (both its frequency and content) with regulatory and policy community in Adelaide.
Communication about steelworks’ ESR Vision (‘new approach’)	√	√	X
Implementation of ESR Vision	√	√ / X Communications not always followed by action - especially on Northern stockpiles.	X Technological solution of Project Magnet is excellent, but Northern stockpiles management inconsistent with ESR Vision.
Culture change	√ (Starting)	X	X

Clearly the steelworks must improve its communication practices. Also, it should respond to and resolve concerns about stockpiles emissions. And this requires changing operational culture – management, staff, workers and contractors – so environmental awareness becomes routine business practise. Lack of responsiveness and proactive management means the company is seen as slipping back in its sustainability performance.

²⁰ Community activist informant, 29/8/2007

²¹ At the time of writing (January 2008) OneSteel Whyalla Steelworks was continuing to experience problems with the management of the Northern Stockpiles. This was resulting in strained relations with WRDAG activists.

Consequently, the Steelworks' shift to sustainable business can be modelled as progressing through four phases: initially **resisting** stakeholder expectations; then **responding** to them; then **renewing** business principles and practices; and, finally, **reinforcing** culture change to build the business's ESR capabilities. These can be characterised thus:

Phase 1: Resisting

A hierarchical company resists stakeholders' expectations. An insular approach is taken towards critics. Community stakeholders become sceptical about company intentions. Resistance generates a crisis of conflict and outrage. Consultants (mainly lawyers) are used for lobbying Ministers, producing technical reports and providing legal advice. Regulators feel 'lobbied' and 'bullied'.

Phase 2: Responding

The company is unable to respond to the outrage crisis. Sustainability consultants help executives factor stakeholders' perspectives into management practices. An ESR vision is articulated as a story about 'community engagement', 'ethics' and 'corporate responsibility'. Community stakeholders remain sceptical. Regulatory authorities feel more engaged.

Phase 3: Renewing

The company tries translating its sustainability vision into organisational change. Sustainability consultants help the company design and implement change management programs, and engage staff in innovation processes to make the business efficient as well as environmentally and socially responsible. Community stakeholders serve as critical friends, advising when and where things are slipping back and offering constructive suggestions. Regulators believe the company has progressed but must communicate regularly.

Phase 4; Reinforcing

The company embeds new practices by continuously improving how it engages stakeholders, reports successes and failures and 'fine tunes' its ESR approach. Consultants assist in setting stretch targets, auditing performance and maintaining key relationships. Community stakeholders help identify, monitor and address social license issues. Regulators highlight gaps between rhetoric and reality.

Each phase entails some 'slip back'. For the steelworks this is partly because its 'new approach' is not yet integrated throughout the business. And it is partly because the context keeps changing, and the company must respond and renew accordingly.

The shift between phases can be represented most realistically as progress along diagonally ascending spirals. The challenge in each phase is to address 'slip back' and implement culture change that reinforces improving behaviours and attitudes.

While the steelworks is entering Phase 4, in reality it continues operating in Phases 2 and 3. And this, according to the model, is appropriate. As new concerns emerge, the steelworks must demonstrate its capacity for responsiveness and renewal. Otherwise it would slip back into resistance and trigger a fresh crisis of outrage.

The critical sustainability challenge for any company, therefore, is **ongoing culture change** to reinforce people's capacities for responsiveness and renewal.

Conclusion

Shifting a business towards sustainability is not so much a linear journey (from unsustainable to sustainable) as an iterative process (within a changing context) of advancing towards a desired state of sustainable performance, slipping-back, improving in response to the slippage and advancing

again. Transformation of a business towards sustainability, as described in this brief case study, typically involves going through the four phases described in the model presented here.

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