

Leading Strategic Change

AT BETHLEHEM STEEL

By Robert A. Rudzki

For more than five years, Bethlehem Steel has been engaged in an ambitious initiative: transform procurement from a tactical “back-end” activity to a strategic supply chain process that enhances corporate performance. A strategic effort of this magnitude demands considerable change—not just in systems and operations but also in mindsets and leadership styles. Strategic change in an established organization is not easy. But as the Bethlehem example makes abundantly clear, it is well worth the effort.

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“We trained hard ... but it seemed that every time we were beginning to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency, and demoralization.”

—Petronius Arbiter (210 BC)



In 210 BC, Petronius Arbiter identified a management phenomenon that managers today can still recognize and appreciate.

More recently, the prolific U.S. business writer Peter Drucker has noted that the only things you can count on in business are confusion, friction, and malperformance. A cynical observer might even suggest that some managers seem intent on creating such confusion.

At no time are the observations of Petronius and Drucker more relevant than when an organization is going through a period of change. During the critical change periods, then, what is effective leadership? What is the difference between leadership and management? What practical lessons and insights can be adopted to drive new and better results? For supply chain professionals specifically, what bottom-line benefit can result from leading a major supply chain initiative?

This article addresses each of these questions, drawing on experiences with strategic change initiatives involving purchasing and supply chain activities at Bethlehem Steel. These strategic change initiatives sought to transform Bethlehem’s procurement process from a back-end tactical activity into a proactive, strategic process that directly contributed to the company’s overall business strategy. We achieved this by implementing an effective change leadership capability.

The results of these change initiatives, which took place from 1994 to 2000, speak for themselves. They included the following:

- An enhanced, more strategic role for purchasing, transportation, and supply chain professionals. Not only were they playing less of a transactional and more of a value-added role, but they were also contributing to Bethlehem’s overall business strategy.
- National recognition for our procurement activities (named one of *Purchasing* magazine’s “Best Places to Work” in 1998 and 1999).
- Top quartile ranking in a 1999 best-practices assessment of 162 global companies by the consulting firm A.T. Kearney.
- Significant cost reductions across the supply chain.

The Context for Change

The purchasing initiatives grew out of larger issues that the company as a whole was confronting. During the early and mid-1990s, a number of external factors began to press upon Bethlehem Steel. We faced a business environment that was becoming more competitive and global. Additionally, our customers were no longer focusing only on transactions and purchase price; instead they were interested in the total impact on the business and the supply chain.

At this time, Bethlehem adopted a corporate vision to become “the premier steel company.” That vision had implications for each area of the company. Each area had to inter-

pret what its role would be within the vision and take an active role in achieving it. In purchasing, we needed to determine what this corporate vision meant for us right down to the tactical level. A key launching point—and one that helped to set the tone for changes in purchasing and elsewhere—was the cover of our 1992 Annual Report. That rather distinctive cover offered a quote from Bethlehem's then-new chairman, emphasizing that we must change in order to succeed.

Leadership is about creating change; management is about coping with complexity.

Around this same time, Bethlehem launched a corporatewide program to make all employees more aware of the need for improved financial performance. The financial management program helped set the stage for a number of change efforts around the company—including supply chain management.

We began to look at how our supply chain activities could affect the company's financial performance. Specifically, our purchasing, transportation, and supply chain professionals began to look for opportunities to have a positive impact on the company's cost structure by embracing new processes and mindsets.

Over and above the cost issues, our organization had other specific reasons to change:

- Within three years, more than 70 percent of the professional staff in purchasing would be eligible for retirement.
- Almost three-quarters of the professional staff had worked their entire careers in purchasing or transportation. (This was viewed as both a strength and a weakness.)
- The professional staff's time was heavily consumed by tactical activities (over 80 percent) vs. strategic activities (less than 20 percent).
- Our competencies and processes were high quality but took a traditional purchasing or "buying" approach. We were not taking a market-based approach that used leading-edge processes or concepts, such as strategic sourcing or supply chain management.
- The role and relationship with our internal clients (our business units) needed improvement.
- The internal perception of purchasing was that it was an important but non-strategic activity (that is, a back-office function).

All of the financial and non-financial factors listed above helped create a clear understanding of the need to make changes in our purchasing, transportation, and supply chain activities.

Change and Leadership

"A definition of insanity is trying the same thing over and over and expecting different results."—Author unknown

Like any organization embarking on a strategic change initiative, Bethlehem grappled with some complex questions:

What is the purpose of change? Isn't it to bring about different, better, and sustainable results? And yet, how many "change efforts" begin with great fanfare and end with a whimper? How many change initiatives are discarded onto the "program of the month" heap behind the building? Early on, we recognized that effective leadership would be absolutely essential to avoiding that outcome.

Much has been written about leadership over the years. I personally have found that the following four perspectives offer particularly relevant and practical guidance for initiating and sustaining change. I've adopted aspects of each of the following in my own leadership practices—including the supply chain initiative—with good results. They can be readily applied to virtually any organization in virtually any business sector. These four perspectives are embodied in the works of the following thought leaders: John Kotter; James Kouzes and Barry Posner; James Collins and Jerry Porras; and Carol and Jack Weber.

As Harvard University Professor John Kotter notes, there is a logical, multi-step process to advance successful change:

1. Convince people there is a need (a crisis) and a benefit (an opportunity) to change.
2. Develop a vision of changes.
3. Communicate that vision regularly.
4. Walk the talk—make your actions consistent with the vision.
5. Eliminate barriers—make sure people are involved and able to make changes consistent with the vision.
6. Reinforce the change effort with short-term successes.
7. Keep the focus on the change effort.

Kotter's concepts complement and supplement ideas we used from *The Leadership Challenge* by James Kouzes and Barry Posner. This book describes the leadership process as one that involves five key activities: challenge the process, inspire a shared vision, enable others to act, model the way, and encourage the heart.

When we *challenge the process*, we try to convince people that challenging the status quo is not only acceptable, it is desirable. We encourage them to search for opportunities to challenge the old ways of doing things while experimenting with new processes and taking risks. When we *inspire a shared vision*, we enlist others to envision the future. In this way, we develop excitement about where we are heading and what we're trying to accomplish. When we *enable others to act*, we foster collaboration and strengthen others. We are allowing and facilitating people at all levels to contribute to the success of the change effort. When we *model the way*, we provide tangible examples for others to emulate. And finally, when we *encourage the heart*, we recognize contributions by celebrating accomplishments. When we do this, we are not just recognizing and celebrating accomplishments in a visible manner, we are building excitement, fun, and commitment to take the ball farther down the court. I will elaborate on how we applied these concepts at Bethlehem in the next section.

Within this framework, we also incorporated concepts from *Built to Last*. In this book, authors James Collins and Jerry Porras introduce many key concepts, including one that has quickly become part of management lore, the BHAG, or Big Hairy Audacious Goal. This concept proved particularly helpful as we sought to develop and inspire a shared vision for our purchasing and supply chain management initiatives. The BHAG (pronounced "bee hag") "engages people—it reaches out and grabs them in the gut," the authors explain. "It is tangible, energizing, and highly focused. People 'get it' right away; it takes little or no explanation."

A BHAG should be so bold and exciting in its own right that it would continue to stimulate progress even if the organization's leaders moved on before it was completed. A BHAG "gets people's juices flowing" because it is stimulating, exciting, and adventurous. We strove to credibly position the supply chain initiative as a true BHAG.

Finally, Carol and Jack Weber of the University of Virginia led Bethlehem Steel's top executives through an intensive, six-day leadership program in the mid-'90s that proved to be a significant enabler of successful change management. A key principle of that program was the clear distinction between leadership and management. Most companies have good managers, we learned. Far fewer have good leaders. The Webers highlighted this distinction with the following simple, yet powerful, comparison:

Management	Leadership
Control complexity	Create change
Develop plans	Set new direction
Allocate resources	Create strategy
Organize and staff	Align people
Prevent negative outcomes	Promote positive outcomes
Control people and processes	Empower people and processes

As we reflected on these different perspectives, it became clear that leadership was about creating change; management was about coping with complexity. Both are important. Each is essential for the success of any enterprise. However, don't confuse the two. If you want fundamental change, if you need to achieve different and significantly better results, you need leadership. If all that is desired is managing technical matters and achieving some continuous improvement, perhaps all that is needed is good management. All too often in

EXHIBIT 1

A Transformation Overview

	1994	1999
Processes:	Traditional, tactical "buying" approach	Market-based approach Leading-edge processes: —Strategic sourcing, negotiations management —Supplier integration, consortium buying
Personnel		
■ Competencies	Strategic - limited Tactical - high	Strategic - high Tactical - high, but downsized
■ Composition of professional staff:		
■ Purch./Transp. only	70%	32%
■ Technical/Operating	13%	35%
■ Financial	13%	18%
■ Multifunctional	4%	15%
Systems		
■ PC systems	Basic word processing and spreadsheets	Sophisticated use of: ■ Local area networks ■ Shared databases ■ Internet e-Procurement solution in progress
■ Procurement systems	1970s-vintage legacy system	
Culture	Procedures-bound Manage	Focused on achieving total cost reduction Lead
Internal Client Satisfaction	Survey indicated serious work to do	Surveys indicate significant progress
Employee "Climate"	Baseline survey indicated disaffected professional staff	Surveys indicate significant progress

the business world, good content managers are elevated to positions that demand leadership/change talents—and the enterprise suffers dearly.

The team that led Bethlehem's supply chain initiatives tried to keep the leadership-management distinction in mind throughout the change process. We also made sure that everyone in the affected organizations was aware of this framework and tried to foster a work environment where everyone at every level of the organization had an opportunity to be a leader.

A Vision and Framework for Change

"I am convinced that if the rate of change inside an institution is less than the rate of change outside, the end is in sight."

—Jack Welch, GE Chairman and CEO

What I've described so far have been several frameworks relevant to bringing about change. Let's now move on to examine the specific change process at Bethlehem Steel. We will look at not only what we changed but also how we brought about the changes.

Based on input actively solicited from our internal clients and from supply chain professionals around the company, we established a clear vision for our activities and a two-part BHAG. Simply stated, our vision for procurement was twofold: to become more proactive and to leverage our market knowledge to enhance corporate business planning.

Being more proactive meant that we would be contributing

to the development of strategies that enhanced corporate performance. The company would no longer view procurement as a necessary back-office function, but rather as a strategic one. Therefore, we wanted to meet both the internal benchmark of being highly regarded within the company and the external benchmark of achieving best-in-class status.

We also believed that procurement could contribute to Bethlehem's corporate business planning by drawing on insights from our 7,000 suppliers from around the world. These insights would improve our understanding of and planning for economic trends, markets, opportunities, and threats.

Guided by this vision, the BHAG was twofold:

- To achieve \$175 million of annual, sustainable total cost reduction vs. 1995 baseline costs (a quantitative and highly visible stake in the ground) while reinforcing Bethlehem's corporate values.
- To contribute to a companywide culture change from highly specialized functions operating as silos to a "boundaryless organization" that worked cross-functionally.

The BHAG components initially were viewed as beyond the realm of possibility. However, their audacity did "grab people in the gut" because it was clear that if we did achieve the unachievable (or even half of it), our company would reap important benefits.

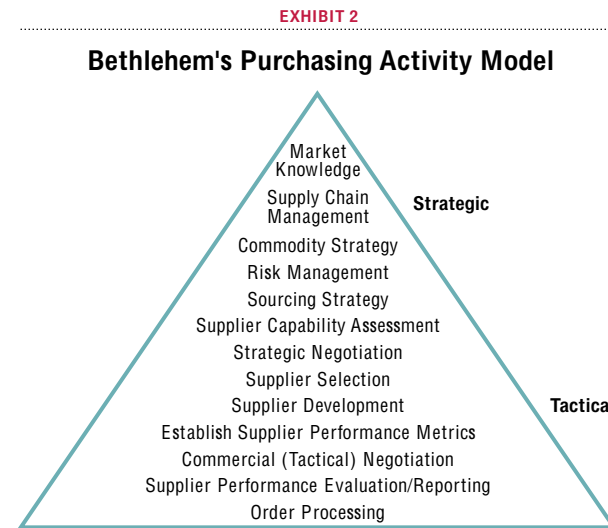
To achieve these goals, significant change would have to happen in a number of areas including: processes, competencies, people, systems, mindset/behavior, communications, and leadership practices. (Exhibit 1 provides a high-level summary of what changed in those areas.)

How did we bring those changes about? Our change process can be thought of in terms of the framework outlined in *The Leadership Challenge* and supplemented by ideas from

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Kotter's multi-step process. We challenged the process in a number of ways. For example, we:

- Established a Procurement Council, composed of managers from around the organization, and made part of its role to actively lead the change initiatives.
- Clarified what we were trying to achieve with suppliers by formalizing our definition of supplier partnerships. (Further information on this effort is provided below.)
- Conducted "best practices" discussions with leading-edge companies.
- Introduced strategic sourcing and negotiations management process changes.
- Recruited people from diverse functional disciplines into purchasing.
- Instituted new performance measures for individuals, teams, and departments.



As we challenged our procurement processes, it was important for us to clarify our understanding of a "supplier partnership." So, in 1995, the Procurement Council defined *partnership* as "a special relationship with a supplier that involves a joint commitment to information exchange, planning, continuous improvement, and cost reduction." Partners would agree upon key performance measures and share the risk to achieve mutual benefits. The supplier would provide a leadership position in technology, service, and cost, while Bethlehem would maintain a receptive attitude to the supplier's ideas. Bethlehem also promised to review its procurement practices to ensure that we directed an appropriate amount of business to that supplier.

Again in terms of *The Leadership Challenge* framework, we inspired a shared vision in several ways. Specifically, we:

- Solicited input for and then designed our vision and two-part BHAG.
- Upgraded the professional service proposals we sent to our in-house clients and included aggressive targets.
- Emphasized the importance of new competencies, professionalism, and education.
- Focused on strategic activities that benefited the entire business as opposed to more tactical activities.

One of the most important ways that we shared our vision with our internal clients in Bethlehem's business units was by revising the professional service proposal we sent them. The service proposal concept was part of a corporate policy initiated in the early 1990s mandating that process or service departments submit a budget to their in-house clients (in purchasing's case, the different business units). Neither purchasing nor the business units liked the budget proposal process, which tended to focus on headcount. Our team decided to revise the proposals so that our clients clearly understood the nature and scope of services we would provide for them, how we planned to perform these services,

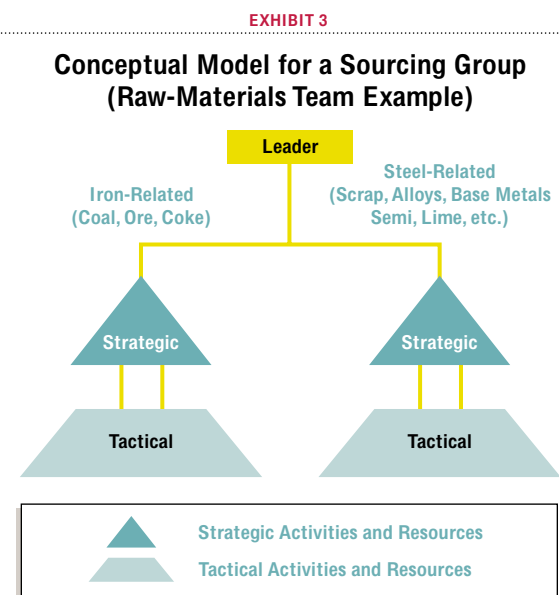
and the projected bottom-line benefits. The proposal then specified what the business unit's investment would have to be in order to achieve the projected benefits. This upgraded proposal improved communications and changed the nature of the conversation and the relationship between purchasing and its internal customers.

Continuing with *The Leadership Challenge* framework, we enabled others to act in a variety of ways. For example, we:

- Made some personnel changes early in the process by moving people into new jobs. In a few cases, people had been doing the same thing for 15 to 20 years. Everyone benefited from having these people face new challenges. At the same time, new employees provided a fresh perspective on the job.
- Established cross-functional and cross-company sourcing teams.
- Gave employees permission to fail, learn, and move forward.
- Established a competency improvement plan and identified opportunities for personal development.
- Invested in making several of our professionals personal computer "super-users" who provided instruction and consultation to the entire department.

We modeled the way to success by these actions:

- Using department meetings for team presentations, team recognition, and awards.
- Supporting creativity by promoting a new mindset that there were no crazy ideas and no sacred cows. We wanted to take a fresh look at everything.
- Reinforcing business ethics constantly.
- Establishing new performance-tracking systems to measure the right things.



Finally, we encouraged the heart in several creative ways. We:

- Created awards for outstanding market knowledge, exceptional negotiation management skills, and sourcing team successes.
- Sent personal notes of acknowledgment for a job well done.
- Developed a newsletter, sent to approximately 450 managers around the company, which provided status reports on sourcing efforts and recognized teams that delivered results.
- Established our annual "Premier Supplier" recognition program, with the Signature in Steel award.

Being more proactive meant that we would be contributing to the development of strategies that enhanced corporate performance.

I personally kept a chart that tracked the initiatives in each phase of the Leadership Challenge. In its last revision, the chart listed close to 50 initiatives across the different framework components.

Importantly, throughout this wide-ranging, multiyear process, there was no change in business ethics. Integrity in all activities is a corporate core value, and our purchasing, transportation, and supply chain professionals had many opportunities to demonstrate and reinforce that core value.

I mentioned earlier that a key objective of this change initiative was to focus on having purchasing play a larger strategic role. As a part of this focus, we took a closer look at purchasing's strategic and tactical activities. (Exhibit 2 shows Bethlehem's purchasing activity model, with the strategic activities shown in the top half of the pyramid and tactical activities in the bottom half.) When we embarked on the change initiative, more than 80 percent of our resources were consumed by tactical activities and less than 20 percent on strategic activities. We wanted to change this ratio significantly.

In any organization, resources typically are pulled toward and consumed by the tactical activities. This is a natural outcome when you consider that failing to perform the tactical and transactional activities on a day-in, day-out basis can trigger immediate problems in the enterprise. The dilemma is that the greatest value-add comes from the strategic activities. The challenge, then, is how to redirect and reallocate resources to strategic activities. A big part of this challenge is identifying and developing the competencies to do this effectively.

We addressed this challenge with a two-pronged approach. First, we developed a business case for the likely impact of our change efforts and successfully argued for a temporary "core team" of 15 additional, borrowed people from our internal clients. These individuals focused entirely on strategic activities.

Second, we organized our sourcing groups based on the concept of strategic activities and tactical activities and defined the relevant competencies for success. (Exhibit 3 is the model we developed and adopted as applied to our raw-materials sourcing group.) There are two main teams in the group—iron-related and steel-related. In each team, we identified the talent base best suited for strategic functions and the talent base for tactical functions. The strategic sub-team and the tactical sub-team work closely together. However, each sub-team had tailored job descriptions, career paths, and opportunities; different competency requirements; and unique performance measures. Our staff has responded positively to being matched with the professional activities they are best suited for—as opposed to being held accountable for trying to perform both strategic and tactical activities each day.

Through this two-pronged approach, we succeeded in meeting our goal. When we revisited the proportion of resources consumed by strategic and tactical activities, we discovered that it was more than 50 percent for strategic activities and less than 50 percent for tactical.

Four Strategic Impacts

“You get what you measure.”—Author unknown

This section examines the impact of our change efforts on four key areas: total cost reduction, internal client satisfaction, employee satisfaction, and the strategic/culture change in the company at large.

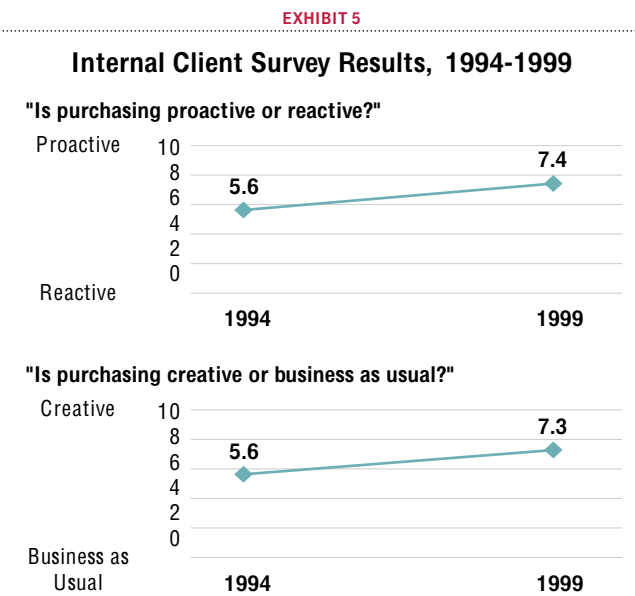
A change in how we measured our procurement effectiveness led the way toward a significant reduction in overall supply chain costs. We accomplished this by moving away from traditional measures that focused only on price benefits and toward new measures that looked at cost reductions across the total supply chain. (See Exhibit 4 for some examples.) This initiative relates to the core idea that the right performance measures drive appropriate focus, behavior, and results.

For example, a traditional measure is unit price paid. The comparable new measure is the total business impact (including price and all non-price impacts) of a supply chain decision. A price-only focus runs the risk of leading to the wrong business decision. By focusing on total business impact, you are more likely to make the right overall business

EXHIBIT 4

Traditional vs. New Measures

<p>Traditional Measures</p> <ul style="list-style-type: none"> ■ Unit price paid ■ “Savings” ■ Unit price paid vs. “market” ■ Purchase orders processed 	<p>New Measures</p> <ul style="list-style-type: none"> ■ Total business impact (price & non-price) ■ Separately measure cost reduction and cost avoidance ■ Total impact vs. business plan, prior year, baseline year (“stake in ground”), market ■ Partnerships designed and initiated
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decision. In one sourcing case, we discovered that if we sourced a slightly higher priced, higher quality raw material, we could significantly reduce the total cost in the manufacturing process. We discovered this overall cost reduction after we started looking at procurement's place within the process as a whole, instead of just focusing on getting the lowest price possible.

Similarly, at conferences and industry meetings, you often hear talk of “savings.” We literally banned that term at Bethlehem Steel because of its fuzziness. We measure cost reduction (vs. a baseline) and separately measure cost avoidance. Only cost reduction counts for our scorecard.

We developed a comprehensive performance-tracking system to measure and report on total business impact and cost reductions achieved. The results are made transparent to everyone. Therefore, there is no mystery about how we are doing relative to our objectives. Further, these performance measures were driven down to the individual employee's annual performance review.

Our change initiatives not only affected the bottom line but also perceptions about purchasing within the company. Since 1994, we have conducted an annual survey of both our internal clients and our employees within the purchasing department. This confidential survey asks the same 40-plus questions every year, which makes it easy for us to evaluate the year-to-year progress of our initiative. (Exhibit 5 shows the progress achieved in two dimensions on the client survey: “Is purchasing proactive or reactive?” and “Is purchasing creative or business as usual?”) We saw similar results for the satisfaction level of our employees.

We committed, as a management team, to having 360-degree feedback on our leadership practices. Conducted annually since 1994, the 360-degree feedback survey has provided valuable information to the leadership team, improved employee satisfaction, and helped us change our corporate culture.

Beyond the numbers (relating to cost reduction and client/employee satisfaction), the initiatives in purchasing also helped accelerate the change in Bethlehem's company culture. The initiatives fostered cross-functional and cross-company teamwork and helped establish forums for the ongoing sharing of expertise, practices, and market knowledge. Additionally, the changes we made demonstrated the value—to both supplier and customer—of strategic procurement negotiations to design a mutually beneficial longer-term business arrangement.

Lessons and Insights About Leading Change

“One person with courage is a majority.”—Thomas Jefferson

To conclude, let's take a look at three final insights about leading change based upon our experiences at Bethlehem Steel. We will look at reasons for resistance to change and how to address them, key success factors for leading change in supply chain management, and how to deal with the different responses to change.

There are many reasons for resistance to change. Among the “classic” reasons (all of which we experienced) are these:

- Pride in existing activities (the belief that “we are doing the best job possible”).
- Belief that the introduction of any improvement initiative must mean we weren't doing a good job previously.
- “Not invented here” syndrome (the belief that there is not much to learn from other groups).
- Fear of loss of control.
- Belief that there is “nothing in it for me” to support change.

■ Unwillingness to share credit—a preoccupation with who gets credit for improvements.

In our experience, these concerns can be effectively addressed if certain guidelines are followed. First, any initiative needs to be respectful of the past while seeking input from all interested parties. The change team needs to use a fact-based process and provide up-front and ongoing communication about the process's objectives. The team also needs to obtain very visible and active support from top management. Furthermore, the team should defuse resistance through alignment—that is, aligning personnel and personnel evaluation criteria with the initiative's goals. And again, all initiatives need to celebrate team successes and individual contributions.

A price-only focus runs the risk of leading to the wrong business decision.

A number of organizational and cultural dimensions can contribute to or impede the success of leading change. Exhibit 6 presents 11 factors involved in any change initiative and identifies how each can either contribute to (+) or impede (-) change. If the right-hand side of the chart generally characterizes your organization, the leadership challenge will be greater.

My final point relates to identifying the different responses to the change process. During Jack and Carol Weber's presentation to Bethlehem, they identified six different segments in any population (see Exhibit 7).

Approximately 2 percent of the population are innovators,

EXHIBIT 6

Strategic Change: Positive and Negative Influences

Dimension	(+)	(-)
Leadership	Change and results-oriented (Lead)	Maintain status quo (Manage)
Structure	Centralized	Decentralized
Alignment with objectives	Strongly and quantitatively aligned on a personal basis	Conceptual support
Incentives/Consequences	Sizeable economic incentives for success Job consequences for lack of commitment and/or blocking progress	Lack of meaningful personal incentives and consequences
Importance	High corporate priority, sense of urgency	Another one of many competing “programs”
Orientation	Fundamental process change to be adopted and embedded	Task, program of the month
Cost focus	Bottom-line results	Headcount
Information/Data availability and quality	All spending captured and data accessible by sourcing categories	Incomplete data capture and/or data captured in a manner not readily converted to sourcing categories
Celebration of successes	Yes - and consistent with culture	No
Sourcing mindset	“To get better results, we must embrace change.”	“We're already doing a good job.”
Change mindset	Fundamental and cultural change can be successfully accomplished within three years, if properly designed and led	Fundamental and cultural change often takes 10 or more years

those who want to be on the “bleeding edge” of innovation and change. The first people to buy BetaMax videocassette recorders were innovators.

Approximately 14 percent are early adopters. They want to be on the leading edge (but not the bleeding edge) of innovation. Not long after the innovators make their move, the early adopters will be close behind.

After approximately 16 percent of the population moves forward, the early majority (34 percent of the population) will follow. Once half of the population has adopted the change, then the late majority follows. Then the laggards eventually get on board, but the 2 percent in the “losers” category never do.

This chart and the research behind it have several important implications for leading strategic change. When embarking on a change effort, most managers typically know who their resisters will be (the “losers”)—and spend considerable time trying to convert them. The research suggests that this is a poor investment of time. For maximum effectiveness in leading change, it’s better to identify the top 16 percent, or those who are receptive and supportive of change. Start with them, and the rest will follow in due course to achieve breakthrough change.

At Bethlehem, we kept these categories in mind as we moved through the change process. Fortunately for us, we had more than 16 percent of the population interested in making significant change.

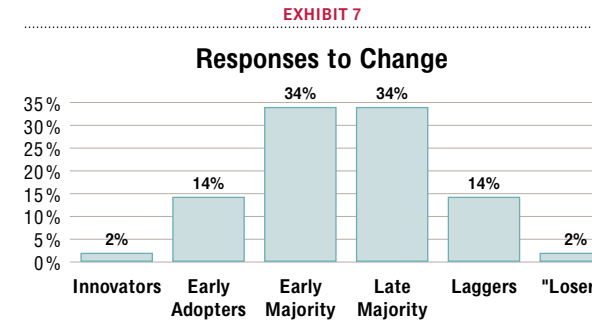
Eventually, you will have to deal with the final few who just don’t—or won’t—get it. And this is the final test of the leader. It is too easy, too convenient, to just ignore these individuals in the hope that they will eventually go away on their own through retirement or resignation, for example. But what if they don’t? What signal does their continued presence send

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to those employees who embraced the change, made the commitment, and are delivering results?

In fact, a powerful message is sent to the entire organization by how the leader deals with the final few. Your message can be a reinforcing one of change and accountability, or it can be a message that undermines the entire change process.

At Bethlehem, we made sure everyone understood the consequences of being in that last 2 percent. Early on, we invested a substantial amount of time educating our employees about the company’s direction and objectives. We provided them with training opportunities to improve their skills to contribute to that changing direction. We also let them know that at some time in the future, everyone would be reviewed



to make sure they were “on board” with the initiatives. Not being on board with the change process would mean no longer being on board with the company. Two years later, we did have to lay people off, and the layoffs considered whether or not the employee was actively participating in the change process.

How you handle this final challenge will determine whether you have a change effort that will be sustained and expanded over time, or whether it will begin to wither.

The Road Ahead

Bethlehem’s ambitious effort to bring about change in its supply chain activities has proven successful so far. From 1994 to 2000, we realized both our vision and our BHAGs. Our purchasing, transportation, and supply chain professionals now have an enhanced role in the company’s overall business strategy. Bethlehem received national recognition for its procurement activities. We were recognized as one of the “Best Places to Work” by *Purchasing* magazine in both 1998 and 1999. In 1999, consulting firm A.T. Kearney ranked Bethlehem Steel in the top quartile for best practices in an assessment of 162 global companies. Finally, we not only realized but exceeded our goal of \$175 million of annual, sustainable total cost reduction. Earlier this year, we set this goal even higher.

We are now making moves to sustain and enlarge our change efforts. Although we are continuing to drive and extend our original initiatives for added benefit, we have also introduced some new initiatives, such as e-procurement and consortium buying. These are all part of an effort to use supply chain management concepts to continue to strengthen our business. We are now pushing these efforts out to the extended enterprise and are trying to create even greater efficiency and opportunity from our supplier’s supplier to our customer’s customer. In this environment, purchasing’s role will continue to grow even bigger and broader, moving well beyond cost reduction and optimizing the current supply chain to participating in the creation of new business models to generate top-line revenue growth.