

EMBRACING CHANGE AS A PLATFORM FOR OPERATING EXCELLENCE

- **LTIFR decreased by 80% in first 3 years**
- **Zero LTIFR sustained**
- **Line management ownership for safety**
- **Significant improvements in overall management and operating systems**



"We have seen a direct impact on our organisational effectiveness as a result of our safety achievements."

*Takushi Nakada
Executive Vice President
JFE Mechanical Co., Ltd.*

CHANGE MANAGEMENT

After the consolidation of Kawatetsu Machinery and Mentech Kiko, the newly formed JFE Mechanical became a leading integrated engineering company, primarily servicing the steel industry in Japan. With 3,000 employees and 7,000 contractors, the leadership team had a shared vision for the operating culture of the new company, and knew that moving to the next level of safety performance was critical to business success.

"We wanted to lead the safest engineering company in Japan, where employees feel proud to come to work," have shared President Tatsuo Kobatake and ex-Executive Vice President Takemi Yamamoto. "Ensuring the smooth integration of the two companies into a single culture as quickly as possible was essential."

A safety culture assessment by DuPont highlighted the following key opportunities:

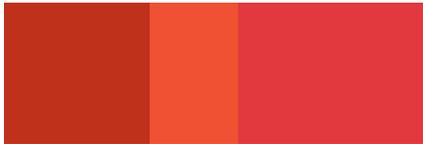
- Senior Management were aligned on the need for change and the fact that the current safety performance was not acceptable.
- Moving the organisational mindset from 'safety is a No. 1 priority' to 'safety is a core operating value,' where words are backed up by consistent and genuine actions.
- Communication across the organisation needed to become more interactive and two-way, instead of a top-down approach.

The leadership group had intensive discussions about change management from the viewpoint of safety, gaining input and consensus across the business groups. At the end, JFE Mechanical decided to define safety as one of its core values and a world-class vision, safety policy and safety principles were developed to collectively guide people to change their mindset and behaviour.

"The merger of the two companies was a fantastic opportunity to stop and dream of a future state of safety and operating excellence," views the leadership team. "Having a shared vision and value for safety acted as a common platform to bring all employees together."



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CASCADING THE VISION

JFE Mechanical kicked-off their “Safety Culture Creation Activities,” where the implementation plan was cascaded across the whole organisation. A corporate Steering Committee was established to serve as a governing body to monitor the progress and provide guidance. The committee was chaired by the President and met monthly.

An integrated system of sub-committees was also created to manage the specific issues of JFE Mechanical, such as safety training sub-committee, shop-floor work sub-committee, rules & procedure sub-committee, progress monitoring sub-committee, contractor safety sub-committee, incident prevention sub-committee and HR & organisation sub-committee. These sub-committees were chaired by a senior manager and took ownership to identify the related activities, although the implementation of these was driven by line managers.

“The Safety Culture Creation Activities’ is not the conventional piling-up of individual activities but it’s that all employees needed to have higher mind-set of great value of safety from the heart. And more critically, it has to be remarkably higher than what we had”, says Takemi Yamamoto, ex-Executive Vice President, JFE Mechanical.

At the same time, a detailed training program was deployed to build the competencies necessary to drive the organisation to the desired level of safety excellence. The training was customised to meet the needs of the different roles and responsibilities and included a combination of classroom and in-the-field activities, where leaders and workers learned how to apply new skills in a practical manner.

DELIVERING A NEW REALITY

A noticeable culture shift became obvious very quickly. As safety became embedded in the line organisation, employees realised that managers commitment to safety was unwavering and saw constant demonstrations of ‘felt

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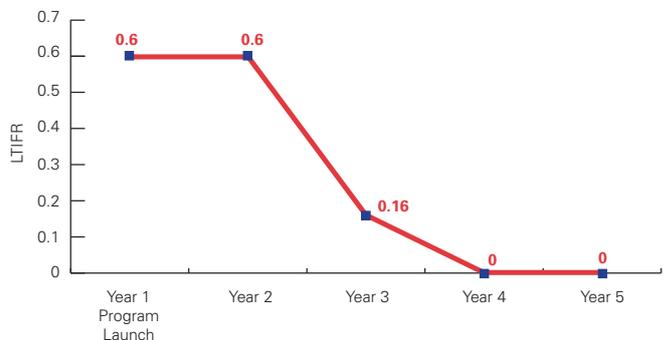


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leadership.’ Managers were impressed with employees’ willingness to embrace change and regard safety as a core value.

As the initiatives took hold, the lost workday injury frequency rate declined significantly, reflecting the sustainability of the program.



“We have seen a direct impact on our organisational effectiveness as a result of our safety achievements,” Takushi Nakada, Executive Vice President says. “Value for safety has now been integrated into individual management systems that were stand-alone systems earlier, such as human resources, purchasing and learning and development. ”

The on-going challenge is to maintain the sustainability of the improved safety performance and culture. This will include expanding Safety Culture Creation Activities to incorporate contractors more fully.