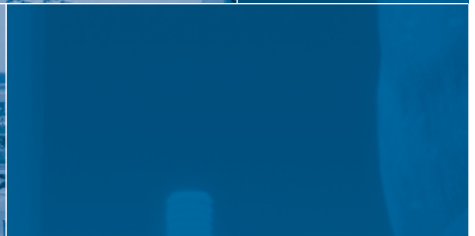
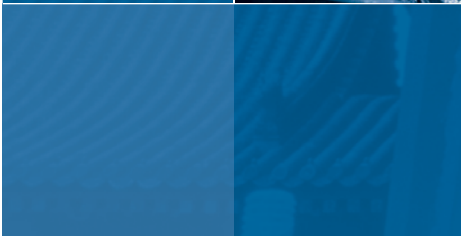
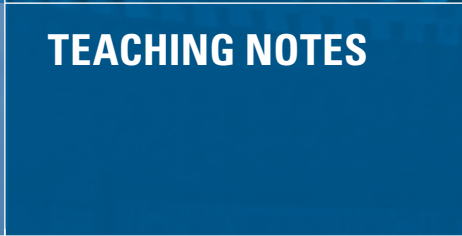


ROBERT W. CAMPBELL AWARD
SHE BUSINESS CASE SERIES

LEADERSHIP CHALLENGES IN CROSS-CULTURE VENTURES

AN *EHS FIRST*™ STORY
FROM ALCAN

TEACHING NOTES



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TEACHING NOTES

QUESTIONS:

1. What are the competing priorities faced by Mr. Gomes? Given these priorities, what enabled EHS to be first? What were some of the challenges in implementing *EHS FIRST* at this location and how were they overcome?

Competing priorities

- Productivity, quality, operating costs, profitability, EHS

What enabled EHS to be first:

- Corporate support — *EHS FIRST* is embedded in business processes and culture and is a fundamental component of all strategic planning and decision-making. (*EHS FIRST* is one of the 4 pillars of AIMS — Alcan's Integrated Management System that includes also Continuous Improvement, APA — Alcan's People Advantage and Maximizing Value). It is also about a combination of management commitment and leadership, line ownership and employee involvement, and is integrated into Alcan's performance and career management processes.
- Training (Alcan Ningxia provided a total of 59,356 person-hours of *EHS FIRST* training in 2004 and 72,394 hours in 2005.
- Made line function instead of staff function so that line managers would not have to make the trade off.
- Line managers' compensation tied to *EHS FIRST* performance.
- Same standards universally applied at all facilities.
- Targets set including leading and lagging indicators.

Challenges:

- Language — Manuals translated into Mandarin.
- Culture — Managers brought to Canada to see operation, experienced Alcan managers brought to Ningxia to implement *EHS FIRST* standards, challenge was to institute EHS as a value as opposed to a requirement, and changing workers views on safety both at work and away from work (i.e. use of helmets, community programs).
- Remoteness of region — difficulty in finding strong technical employees in Ningxia — Training, bringing in managers from outside Ningxia.
- Contract workers — lower safety standards. Overcome by applying same training and standards to contract workers, reducing number of contract workers, and re-using the same contractors who have become familiar with Alcan practices.





2. Who are Alcan’s primary and secondary stakeholders? What are their stakes in EHS? What opportunities and challenges do the stakeholders present to Alcan? What responsibilities (economic, legal, ethical and philanthropic) does Alcan have to its stakeholders? Has its actions as described in this business case been in line with corporate social responsibility, corporate responsiveness or corporate social performance? Please explain.

Stakeholders	Stake	Opportunities	Challenges
Primary Stakeholders			
Employees	Secure source of income Career advancement Safe and healthy work environment	Increase employees’ commitment Increase attractiveness to potential employees	Lower personal productivity More rules to follow
Contractors and sub contractors	Secure source of income Safe and healthy work environment	Increase attractiveness to potential contractors	Lower personal productivity More rules to follow Higher tolerance to risk Low educational level
Management	Healthy and productive workforce	Reduced insurance costs, lost time, increase efficiency Recruitment advantage: becoming an employer of choice Developing employees’ capabilities	Enforcing policies and procedures More costly (EHS meetings, translation, training)
Unions	Ensure safe work conditions for its members	Reduced number of grievances Labour peace, increased cooperation	Acceptance of more rules and policies
Customers	Source of competitively priced raw materials available as/when required	Enhanced global reputation and brand image	Increased cost
Shareholders	Return on capital	Better returns allows access to more capital to grow and better compensation for managers Good corporate governance	Reduced rate of return (at least in the short term)



Stakeholders	Stake	Opportunities	Challenges
Secondary Stakeholders			
Surrounding Communities	To improve conditions in surrounding communities and lessen negative impacts of facilities Employment	Enhanced standard of living by providing employment and benefits to the community Reduction of air pollution	Bring foreign way of doing things
Families of Alcan Employees	Compensation Safe and healthy work environment	Secure employment and source of income	
Government	Employment and taxes	Improvements to local communities Enhances global reputation	May have to battle special interest groups that are against all forms of industry
Public Interest Groups	To improve conditions that effect a cause they are supporting — i.e. the environment	Enhancing Alcan’s global reputation and brand image, being a leader in corporate citizenship and a front runner on environmental and social sustainability	Costs, ability to run/grow operations

What responsibilities (economic, legal, ethical and philanthropic) does Alcan have to its stakeholders’?

Alcan has legal responsibilities to its employees to provide a work environment that is safe for the employees’ health, a legal, economic responsibilities to its shareholders to manager Alcan assets in a fiscally responsible manner. Above all Alcan has chosen to be ethical in its business practices by exceeding country legal requirements (in terms of environment health and safety) and designed, implement and continuous improvement and its EHS practices both at the plant level and in the local communities in which they operate.

Corporate social responsibility, corporate responsiveness and corporate social performance:

Alcan’s actions as described in the case are in line with corporate social performance. Theory on the corporate social responsibility concept¹ indicates that corporate social responsibility emphasizes obligation and accountability on the part of the company while corporate social responsiveness, emphasizes actions, Alcan’s actions falls in line with corporate social performance because its actions emphasizes outcomes and results. For instance, Alcan’s community involvement projects involved: Sharing medical expertise and improving hospital hygiene standards

¹ Business and society. Karakowsky. First Canadian Edition. P30-60



3. What does the case of Yang Xiaoping say about the advantages and disadvantages of employing contractors for manual, hazardous, or even specialized jobs? What actions have already been taken to reduce contractor accidents? What should the CEO do in the aftermath of Mr. Xiaoping's accident? What actions have already taken place to reduce similar accidents?

Advantages:

- Lower cost
- Flexibility — only need to hire when needed
- May have specialty skills not regularly used — i.e. bricklayer

Disadvantages:

- Quality control
- Following EHS standards
- High turnover can make training ineffective

Mr. Xiaoping Accident:

- Issue is whether short-term productivity should be reduced in order to ensure that another accident does not occur until a permanent solution is found. In the case of Mr. Xiaoping's accident, the temporary solution is to keep wagons a minimum of 50 feet apart but this would reduce alumina shipments into the smelter. By doing this, management would be sending a clear statement about the importance of safety and show respect for a lost life.
- In the long term, solutions would probably include installing safety devices such as protective bumpers, providing better visibility, reducing congestion and engaging employees instead of contractors for this type of work. Employees would be more likely to follow EHS guidelines.

Actions Already Taken:

- Reduction in number of contract workers from 30% to 2.5%.
- Communicating *EHS FIRST* rules and requiring contractors to meet Alcan's EHS standards.
- Use same contractors over and over (reduced turnover).
- Providing *EHS FIRST* training.
- Each contractor's EHS performance is should be monitored and feedback reported to the contractor. Only those that meet Alcan's *EHS FIRST* standards are rehired.
- Requirement to conduct hazard identification and risk assessment and issue an working permit prior to beginning work.



4. What is the Alcan's rationale for implementing *EHS FIRST*? What are the economically measurable benefits from *EHS FIRST*? Was this a good return on investment? What are the non-economic benefits? Does the data support Alcan's efforts? Does the data support Alcan Ningxia's efforts?

Rationale

- Reduce work-related fatality, injury/illness and environmental incidents.
- Cost Savings — While safety may involve upfront costs, over the long term it reduces costs — most notably lost time injury/illness rate, days lost rate, workman's compensation insurance costs and production downtime in aftermath of accidents.
- Good public relations.
- Fend off public interest groups that are attempting to negatively impact existing operations or prevent future expansion.

Economically measurable benefits

- Days lost costs
- Workman's compensation insurance cost
- Reduction of injury/illness treatment costs
- Production downtime in aftermath of accidents
- Use of resources (electricity, water, etc.)
- Greater employee health, morale and well-being
- Reduced absenteeism
- Increased productivity and profitability
- Reduced liabilities and insurance premiums

Was this a good return on investment?

Yes. Of US\$36 million spent to date to roll out *EHS FIRST*, the company has received economic benefits of US\$43 million, mostly in the form of reduced workman's compensation costs, days lost costs and medical treatment costs.

Non-economic benefits

- Enhanced reputation, market share and stakeholder relationships
- Environmental benefits
- Good public relations
- Fend off public interest groups
- Community Benefits



Does the data support Alcan's efforts?

The data supports Alcan's efforts in energy consumption, ISO 14001 certification, OHSAS 18001 certification, recordable case rate, lost time injury/illness rate, days lost rate, number of fatalities, environmental events, PAH emissions rate.

The data appears to not support Alcan's efforts in water use, and generated spent pot lining rate.

Some of the data seems to get worse in 2004 then gets better in 2005. This includes greenhouse gas emissions and PFC emissions. This is likely the result of the Pechiney acquisition in 2004 (i.e. Pechiney's EHS performance in these categories brought down Alcan averages).

Does the data support Alcan Ningxia's efforts?

Yes there is clear improvement in all metrics — Recordable Case Rate and LTII Case Rate and Days Lost Rate And Serious Injuries Case Rate.

5. Is there a trade-off between productivity and safety over the long term?

No. While safety may involve upfront costs, over the long term it reduces costs — most notably lost time injury/illness rate, days lost rate, workman's compensation insurance costs and production downtime in aftermath of accidents.

Furthermore, a poor EHS record can give public interest groups the ammunition to curtail existing operations or prevent future expansion.

6. Referring to international staffing theory what approach to staffing, management practices and EHS FIRST programs did Alcan take? What were the gains and losses of these approaches?

Approach to staffing: Determining the mix of host country and expatriate employees is important because the success of foreign joint venture depends largely on who is in charge. Alcan Ningxia used a mix of geocentric and polycentric approach to staffing. For key positions CEO, CFO and CTO (Chief Technical Officer) nationality was not a key issue since the positions were filled respectively by a Brazilian, a British and a Canadian. Alcan's basis for staffing these key positions was to find the best people for the job. For middle and lower management's positions Alcan used a polycentric approach which was using managers and supervisors from Ningxia and surrounding area.

Management practices: The management practices in the case are the *EHS FIRST* policies, programs and processes. *EHS FIRST* was designed using a geocentric approach: the best practices from around the world were utilized in its design. This means using some practices from ISO 14001, OHSAS 18001, and ISO 9001 and best practices from the acquired companies such as Algroup (Alusuisse) in 2000 and Paris-based Pechiney. The implementation of its *EHS FIRST* programs was ethnocentric and followed a top down managerial approach to implementation.

What were the gains and losses of these approaches? Gains — speed of execution, adherence to Alcan standards, reduction of work injuries, improved productivity and reduced insurance costs. Losses — additional staffing costs, short-term impact on productivity and profitability as new systems implemented.