

Case Study



Change management at Charter plc

An important acquisition, closely followed by the introduction of a major strategic and operational restructuring programme, left international engineering giant Charter plc requiring quality in-house resources to handle the change. To see through their vision for the future, they needed a human resources professional, able to bring about fundamental change on a grand scale across several European countries.

Charter had acquired Howden plc. With 100 years in the business, Howden had risen to become the world leader in air and gas handling and the manufacture of large-scale fans and compressors. The company was established in 18 countries across the world and had maintained a leading market position in the production of industrial fans and air heaters.

Following the takeover by Charter, the company embarked on a comprehensive review, and the scope for performance improvement, which had initially been identified, was confirmed. The review team consisted of engineers, accountants and experienced general managers. The team pinpointed the organisational structure it would need to go forward. What they found they lacked was an HR executive who had international change-management experience.

Charter enlisted the help of BIE and within two weeks of the briefing, David Kitchen was in place at Howden. Kitchen had been an interim manager for ten years and previously held interim positions as head of HR in large organisations, including Barclays' IT division, United Biscuits (in central Europe) and M&G Unit Trust.

One of Kitchen's first tasks was to tackle the multiplicity of sites across Europe. There were nine production sites spread over the continent, each making the same product, with only slight differences. Rationalisation meant that four sites had to be closed – two in Scotland, one in England and one in France – accompanied by nine transfers of production across the continent.

On the back of this restructuring came an investment programme in new IT systems for each site. At each step on the route, hundreds of staff had to be organised. People were redeployed at one end and recruited and retrained at the other. The plan was to reduce the overall head count from 1,400 to 1,100.

The programme had to be steered in detail through the Howden European Works Council. European Union regulations required a company operating in more than one country to consult a works council consisting of elected employees on trans-national issues. Timing was critical, as was the need to work closely with the council and the local unions. It was essential to use the council effectively because it had the power to set the programme back by a significant amount of time. At the time, there had been a recent case in France involving Renault, in which the auto company had tried to close a factory and the works council argued that it had not been adequately consulted. The whole programme was eventually pushed back several months.

Before Kitchen's arrival at Howden, the operation had been running on a very devolved basis. Factories on different sites were making the same products. They were each buying their own components, but as this was not done in a centralised way, the company was unable to take advantage of its potential purchasing power. Human resource personnel was also fairly thin on the ground. The chief executive of Howden European Air and Gas Handling Division, Bob Boland, wanted to centralise production and turn the factories into centres of excellence for specific products.

During Kitchen's assignment, three key challenges emerged. The first was the different cultures and languages operating in the factories. Essentially, the staff in the factories were being asked to work together, whereas they had formerly viewed the other factories almost as competitors. While English was used in most of the negotiations, Kitchen had to be sure that all parties fully understood and agreed with what was proposed. Carrying out the restructuring programme required a high level of commitment, and the company had to be sure that people were not just agreeing superficially but that they were really buying into the changes.

Another area of difficulty was obtaining good manpower facts and figures. Some of the centres had very little personnel data – no more than who was on the payroll. One of Boland's themes was that the company should establish a Europe-wide business system covering everything from personnel data to production schedules and purchasing orders. The purpose was to ensure that the entire enterprise used the same systems. Kitchen's role was to set up the various project teams to carry this work forward.

The third challenge centred on training. In an operation of this size, factories were being closed down, others were preparing to lose production, while yet others were gearing up to increase production. A system was introduced so that the company could ensure that when people were made redundant, they would be dealt with fairly and would be given every opportunity and training to help them find new work. The company enlisted local business development authorities to help with this.

Kitchen's other responsibilities during the year-long assignment included bolstering marketing teams, making new appointments, setting up an after-sales service and introducing new divisions within the company. Another key task was to find a permanent replacement.

Kitchen reflects: "We had a clear plan and a talented group of general managers dedicated to achieving our aims. What was needed was an action plan that people could buy into and implement. The plan had to be detailed and credible and the delivery had to be confident and on-time, despite the complications of the various initiatives and the dependence on the consent and goodwill of all of our employees at each stage."

"Howden," says BIE, "is a good example of the interim management solution to strategic issues. The interim is quickly deployed and rapidly able to take charge of the situation. There is a clear goal and timescale. Relations with the permanent team are always strong – the interim is there to help and pull his weight and is respected for the experience he brings and confidence he can inspire during challenging times."