Market and continually posted profits

Finance, Market

Kellogg (Aust) Pty Ltd has operated in Australia since 1924; the first Kellogg plant was built in 1928, and to this day is still producing goods to be transported around Australia. Kellogg Australia has a large market share in the grain-basedfoodindustry, but it's growth locally had matured, and management saw the need for change; as it was the only option the company could take if growth was to continue. The way this change was to be implemented was to create a newculturewithin the organisation.

" The aim of a successful culture or social group is to send its members out into the world as self-regulating mechanisms." (Goffman 1969). The way Kellogg went about achieving a renewed culture was to work with the employees and find out their needs then apply them to achieve the needs of the core business. Through the introduction of aleadershipculture Kellogg was able to grow and overcome the problems associated with the previous culture. This essay will cover how Kellogg saw a problem and overcame it by introducing a changed culture.

Before the change As said previously Kellogg has operated in Australia since 1924, so the company is very mature, and there has been plenty of time for customs and common practices to be embedded within the organisation. By the 1980's, things started to become taxing, as machinery had become older, management-employee relations had become poorer, and the demand for the product had become matched by the demand for overtime by employees. The management style was very traditional with managers managing and employees working, all in their own domains, and mediated by 13 union groups. The future was looking bleak if things went on as they were; however, the future could be rich and exciting if dramatic cultural changes were made.

" Change has overtaken every company. Creating change, managing it, mastering it, and surviving it is the agenda for anyone in business who aims to make a difference." (Fishman 1997) What was necessary was a renewal - a total new beginning in every section of the company from plant and machinery through to human resource management and employee relations. Management needed to change and it had to come to terms with what the company's culture actually is. The development of people (employees) at all levels would feature in the new culture. Anything relating to the old culture needed to be expelled.

Why the change was necessary? Previously Kellogg was an industrial relationsenvironment. Management managed and employees worked and did what management told them to. Management said, " jump!" Employees would say, " how high?" Theorically this may sound desireable, but more often than not, the way in which tasks were to be completed by employees caused inevitable conflict. Examples show this, when in 1986 alone 100 stoppages were caused from bad management, which caused the unions to apply force. Most of these stoppages occurred as employees had little trust in management due to the central control form of leadership, where there is one leader who controls the entire operations. Many problems arose from this management style.

At Kellogg's the undertaking of change meant no less than a change in the whole company culture. A team effort with union, management and employees all participating and being involved was required so as to create change within the culture. Cultural change was necessary and on the 13 October 1989, the company, with union approval, was allowed to communicate with the mass workforce. There were 600 people to whom the message of cultural change was to be communicated, the plant was shut and staff were taken to the local RSL.

The managing director, director manufacturing, director human resources and the plant manager all presented from their various perspectives. Management's expectations were very high and the managers assumed that having heard information about their future with the company, the employee support would be undisputed. However, this proved not to be the case. There was difficulty in influencing such a large group made up of so many different nationalities (around fifty) and language (around fifty-five).

The presenters did not put the proposal in the language of the people; therefore the full message wasn't understood. Following this setback management reflected, and thought if they were to influence employees, face-to-face meetings in smaller groups could better do it. Senior management found out from the initial meeting that employees were most concerned if the change would affect their wages, and whether their job stability was in jeopardy. The wage negotiations became a vehicle for Kellogg's change strategy. This was in keeping with the desire to a) improve the industrial relations environment and b) become internationally competitive and in doing so be able to satisfy the needs of the employees (higher profits lead to higher wages/bonuses). By 1990 the change strategy had been prepared, and ready to present to the workforce, which was done by the senior manager:

" We are here in Australia and have a sizeable share of the Australian market. However, it is a mature market and the opportunities for growth are rather limited. Therefore, to increase market share, the company has decided to focus on Asia. In doing so, we need to concentrate on three key drivers: recognizing that these will make us internationally competitive if we do them well."(Whiteley 1995)

Organisations constantly need to change, according to the white water rapids metaphor. Meaning that if organisations wish to grab extra market share away from competitors, they need to supply consumers with what they want. Kelloggs spent large sums ofmoneyon research into new products to meet the ever-changing tastes of the consumer; management also saw that the Asian market was a clear target for its products due to the large population, which would generate high demand.

The manager confided that he knew who had the key to improvement - the employees themselves. So 42 sessions were conducted with around 15 employees in each session, and the company's new direction and new vision: " Our growth is in Asia," could be passed on. The small groups worked very well at showing the employees how important they were to the company, and showed where the company's future lay.

Managers and staff at Kelloggs were technically very good, but they had little experience with conceptual skills and leadership/people skills. Management judged thatcommunication, problem solving, decision-making and leadership theory/practice were core skills mandatory for Kellogg employees to create continued profits for the organisation well into the future. To get these core skills ingrained in the management as well as the employees at Kellogg a leadership course was designed, so-called Leadership In Management (LIM). LIM was about vision and it provided a base for setting the companies strategic direction through a leadership culture. There was a determination to make sure that the leadership concept and skills went from senior management leadership to shop floor team building.

The LIM is founded on a set of long reaching principles of work and management. This includes the flat style of management, which involves the employees and managers taking more control of the choices they make associated with their work. The LIM program aimed to create a company culture where employees can be left to work on their own, but yet are able to achieve the tasks set out to them in a timely and effective way.

The core values of the Kellogg's approach were very evident in the choice of the above management principles and processes. They exposed senior managements commitment with the value of personal growth and development. Management also realised that if the employees could grow and develop, the company would have a better chance of doing the same. Management recognised employees as adults, which was very evident in the choice of content and methods employed in the leadership in management course and in the soft skill training.

Leaders are highly valuable resources in large organisations such as Kellogg, which is the main reason behind all their staff taking part in the leadership in management course. The course was to be used as a learning tool for Kellogg's new culture; it was made to teach the employees the new direction of the company, which was to create leaders on all levels. The course consisted of classroom lectures, which went through the history, philosophyand theories of leadership, whilst also discussing the functions of leadership and the grounds on which team building would work.

Visiting speakers from the areas of military, medicine, sport and commerce, each gave different views on how leadership is conducted in their profession. Employees were also shown simulations to demonstrate how much more effective a team oriented workplace is when compared to and individual organisation. Finally the employees were made to stretch their comfort zones through personal challenges. These include challenges, which they would not normally do, but by overcoming them, they are extending their comfort zones.

The LIM course also trained management and employees with soft skills. The soft skills covered such areas as: effective interpersonal communications skill, building trust, problem-solving skills, and building teams. These were all taught to help increase positive communication between management and employees. Kelloggs wanted their people to learn and challenge themselves; leadership was consistently promoted in a selective and holistic way. They fostered aspects such as planning processes, lateral thinking, thinking outside 'the box' and flexibility.

Leadership is a critical component of any change program, though in this case it is greatly important as senior management wanted to provide fellow managers and employees with the skills to develop personally, which will then further develop the organisation. Management wanted employees to be free to work at their own accord, but have enough leadership skills to know when and how the work has to be completed. Management wanted employees to know what is expected of them to achieve thegoalsof the organisation, e. g. growth in Asia, and it expected employees to use their attained leadership skills to do their best to achieve those goals, hence gaining wage sustainability by producing a high quality and quantity of work.

As can be seen from the previous pages trying to implement change within an organisation such as Kellogg can be very demanding. Kellogg knew it had to get the message across of how important the change was for the future of the company. The first attempt at change was spoken to all 600 employees at once, it was unsuccessful as Kellogg employees were from different nationalities and therefore didn't fully grasp the message management was trying to get across. The second attempt by management to introduce change to employees was much more thorough. Employees were spilt into small groups, and the message of the company was passed on to them, and the small group arena allowed questions to be asked and promptly answered.

Conceptual and leadership/people skills were skills that senior management considered very important for any employee at Kellogg. Communication, problem solving, decision-making and leadership theory/practice were the core skills that Kellogg employees were to be taught through a program called " Leadership in Management." The aim of the program was to get expel any thoughts of the old culture and introduce a new leadership culture to employees, where they would have more control of their destiny within the company.

Currently at Kellogg

Kellogg has the largest share of the Australian ready-to-eat cereal market with approximately 45% (AZTEC Information Systems, December 2001). Its main competitors are Sanitarium at approximately 23% and Uncle Toby's at approximately 17%. Through the use of advertising Kellogg communicates to its consumers the good quality, taste and nutritional value of all its products. Latest reports show that net sales rose 10 % to $8. 30B (Kellogg worldwide), with a net income of $720. 9M, which rose 50%. The leadership in management course has proved to work very well within Kellogg. Since the course was established in 1991, Kellogg Australia has made a full expansion into Asia, introduced a large number of new and innovative products into the market and continually posted profits.