

CSR case studies



Corus Group and UK Steel Enterprise

The establishment and long running support of an enterprise that provides support to businesses in steel areas demonstrates the company's social responsibility long before CSR was an established concept.

● The company

Corus Group plc is an international metals group that manufactures, processes and distributes steel and aluminium products and provides related services in design, technology and consultancy. It has manufacturing operations in many countries with major plants located in the UK, Netherlands, Germany, France, Canada, the USA, Norway and Belgium. Corus employs approximately 47,000 people and had a turnover of over £10 billion in 2005.

UK Steel Enterprise (UKSE) is a wholly owned subsidiary of Corus. Its aim is to help improve the economies of those areas of the UK affected by changes in the Steel Industry. It was established in 1975, as British Steel Corporation (Industry) Ltd, a subsidiary of the then British Steel Corporation. When British Steel merged with Koninklijke Hoogovens to form Corus Group plc, British Steel (Industry) Ltd changed its name to UK Steel Enterprise.

UKSE's focus is on supporting the creation of new jobs and wealth in the designated steel areas. Its strategy is to help new and existing businesses to grow, to support local initiatives that have similar aims, and to complement other initiatives and not duplicate them.

This case study focuses on UK Steel Enterprise; a not-for-profit subsidiary of Corus Group set up to support businesses in steel areas.

● The drivers

The initiative was started in response to the anticipated needs of the steel areas likely to be affected by the UK government's rationalisation programme. Prior to 1980 there had been no grand scale closures of steelworks.

● Taking action

In 1973, British Steel Corporation was engaged in growing its operations to match the anticipated growth in demand for its products. However, it became clear soon after the oil crisis that the market for steel and its downstream products was faltering. A recovery plan was put in place by the UK government of the day, but this involved substantial rationalisation. The British Steel Corporation recognised the likely impact on its employees in vulnerable areas - and indeed on the local economies of those areas.

The first challenge was to build the structure necessary to explore and test out numerous initiatives. British Steel recognised very early on that this required the creation of a separate entity, which needed to have freedom to explore the best ways to support its steel communities on a long-term basis. As a result, UKSE was established.

The aim of UKSE since inception has been to engage the drive, energy and desire for success in small and medium sized companies. It assists them as a means of helping steel communities to thrive and generate new and exciting prospects for the

future. It also assists business growth through support in finance, workspace, consultancy and mentoring.

Early considerations were to explore all methods of assisting the regeneration of the vulnerable steel areas. It was quickly realised, more through trial and error, that the best approach was to help the creation of alternative job opportunities by providing support to the vibrant and rapidly growing small and medium sized business sector. The best way to do this was by developing speedy and pragmatic assistance to break down some of the barriers to start-up and existing businesses. For example, UKSE was the first to introduce the idea of managed workspace available on “easy in – easy out” terms. This meant that start-up companies could try out their business idea in offices or workshops without having to risk signing up to a 25-year lease (which would remain their responsibility regardless of whether or not the business survived). Clearly this had been a constraint on new businesses and the introduction of “no penalty” escapes from premises commitments was considerable in breaking down an important barrier. In investment terms, UKSE has been operating in the “equity gap”, where small businesses find it difficult to access the most appropriate funding because share capital and unsecured lending are not always available in the relatively small amounts that they need.

Other approaches have included the provision of grants: a “Going for Enterprise” programme to inform teachers and pupils in secondary schools of the importance of being enterprising in its widest sense (but also including how to engage with / start up in business); support to the STEELSTEP initiative which brought together under-graduates and small businesses so that each could benefit from the input of the other; bursary schemes to encourage individuals with modest financial support to start their dream business; and support to a large number of community schemes to help steel communities regenerate themselves.

Funding was an early issue, but a combination of Government-sourced and British Steel funding of approximately £50million was made available in the early 1980’s. This has since been topped up with £10million from British Steel Plc in the early 1990’s and a further £10 million from Corus in 2001/2. UKSE is now self-sufficient and able to support the regeneration of steel areas without further funding from Corus.

Maintaining momentum....

Today, UKSE operates in 21 steel areas and from four regional offices covering Scotland, Wales, the north of England, and Yorkshire, Humberside and the Midlands. This infrastructure ensures that it is part of the local business community, accessible and fully in touch with local issues. Each of its regional offices is responsible for all the UKSE activities in its area including the handling of requests for finance, availability of space in the company’s premises and community support initiatives.

From a grants and premises-based operation in the early days, UKSE has become expert in the provision of Innovation Centres for small businesses and in understanding and assisting the problems associated with the funding of small businesses. Expertise has been gained in the use of the most appropriate financial instruments to help start-up and growth businesses. This has resulted in the company becoming a designated lender under the Government’s Small Firms Loan Guarantee Scheme and its subsidiary UKSEFM (which manages investment funds for third parties) and its investment executives are registered and regulated by the Financial Services Authority.

UKSE would probably not have survived if it had not been exceptionally pragmatic in its approach to supporting businesses in the creation of long-term job opportunities. Small businesses generally have narrow windows of opportunity to access the finance / premises, which they need. “UKSE has built a reputation for understanding the needs of its clients and having practical and relatively speedy solutions

for their problems or being honest enough with them at the earliest juncture that their project was not one which could be supported”, said Stuart Green, Managing Director of UKSE. “In most cases UKSE was at least able to find an alternative avenue for the small company to explore if it could not assist.”

In addition to supporting companies with its own funds UKSE has been active in assisting the delivery of Objective One and Two funds from the European Commission. It is currently responsible for funds management of around £30 million in the South Yorkshire and South Wales Regions. To deliver this support, the company created UKSE Fund Managers Ltd, regulated by the Financial Services Authority. UK Steel Enterprise also provides a training course for advisors who aim to help anyone advising, planning or helping to raise finance for small businesses.

Looking back over a twenty-year period, the UKSE programme has changed to reflect the needs of the businesses it is trying to help. In the early 1980's, finance would have been through soft loans and leasing, now it's through structured loan and share capital packages. For supporting workspace, in the past the company's workshops would have been converted Corus premises, now new high specification Innovation Centres are being built. The advice has changed too, from basic business planning to specialist consultancy. “The ability of UKSE to innovate and adapt to changing requirements is one of the reasons for its longevity”, says Dr Paul Brooks, Environment Director at Corus.

● **The business benefits**

Corus Group has not sought to benefit financially from UKSE. Indeed, any profits made are specifically left within the company for future regeneration initiatives.

The benefits to the Corus Group have been in discharging their responsibilities as a socially responsible corporate entity and, as a by-product, achieving relatively positive reactions from affected communities following the

difficult decisions made to rationalise steel assets.

Overall the biggest benefit has been to Corus Group's reputation. This is important as it still operates numerous sites in the UK. Here, people in the communities know it is not a company that will walk away after its operations close.

Businesses in UKSE areas have benefited since 1975 through UKSE finance of over £63 million and developed premises at a cost of over £23 million. These have assisted around 4,300 businesses in the creation of around 67,000 new jobs. In addition the company has been able to provide help to numerous worthwhile community support initiatives, both financially and in kind.

● **Why is it CSR?**

As British Steel (Industry) in 1975, UKSE was practising one of the earliest forms of CSR, because Corus recognised and accepted the responsibility it had to the wider communities likely to be affected by changes in the steel industry.

● **What next?**

UKSE remains a unique regeneration body and is tasked by Corus to continue to assist the regeneration of its steel areas with premises, finance and community support initiatives.

Contact us

Any comments on this profile? Would you like your organisation to be profiled? For further information please contact Dr Paul Toyne at Article 13 on 020 8840 4450 or email ptoyne@article13.com.

For more information on Corus please see www.corusgroup.com and for information on UK Steel Enterprise please see www.uksteelenterprise.co.uk.