

Smart industrial relations

A review of practices in the manufacturing,
automotive and chemicals sectors in Western Europe

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Aims and background

- Literature review carried out in May and June 2016 to:
 - Identify recent trends in the manufacturing, automotive and chemicals sectors in Belgium, France, UK and Scandinavia
 - Identify the main features of smart industrial relations
 - Highlight positive experiences: 3 case studies
 - Look at what works

Recent trends: an overview

- Significant changes in all three sectors over the past couple of decades
- High levels of restructuring and mergers
- Significant job losses
- Exacerbated by the crisis
- Some sectoral differences: eg chemicals characterised by a highly skilled workforce

Automotive sector

- Traditionally strong trades unions and collective bargaining, but eroded in recent years through restructuring and offshoring/outourcing
- Production efficiency increased through technological change
- Japanisation of the car sector influential in the 1990s, particularly in the UK

What is smart industrial relations?

- Flexible work practices and systems
- Employee involvement: involving workers in decision-making and the implementation of decisions
- Employee voice: ensuring that employees can voice an opinion at work, either directly or collectively
- Skills development and use: getting employees to work smarter rather than harder

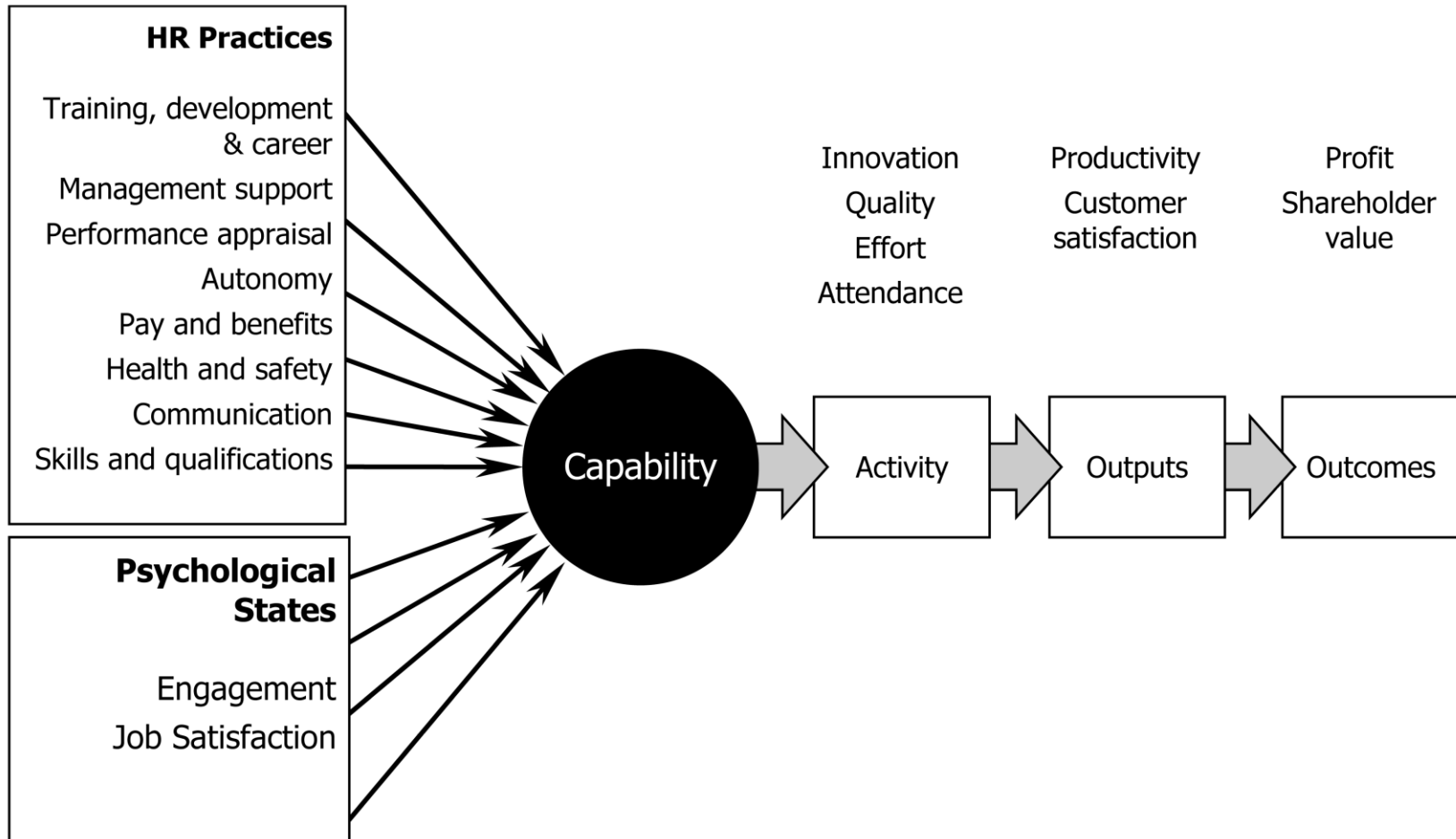
The role of collective bargaining in smart industrial relations

- Bargaining patterns can play an important role in shaping the culture in an organisation.
- Recent trends towards decentralisation: can help with the implementation of smart industrial relations practices, as this enables tailoring

High performance work practices

- Central to smart industrial relations
- Part of an approach that is centred on high-quality goods and services and an engaged and empowered workforce

Chain of impact of HPWPs



Does it work?

- Ashton (2005) provides evidence that adopting HPWPs can improve organisational performance
- Companies adopting a greater number of the 35 HPWPs he identifies:
 - Have greater employee involvement
 - Are more effective in delivering adequate training provision
 - Better at motivating staff, managing change and providing career opportunities
 - Have more employees earning over £35,000 and fewer people earning less than £12,000.
- Different HPWPs or 'bundles' of practices, are likely to be used in different sectors to achieve different business outcomes. In manufacturing and business services more use was made of high involvement practices.

Smart industrial relations in the UK

- Emergence of the 'new flexible firm', based on the use of technology, work organisation and job design, training and payment systems
- Heavy dependency on the flexible use of relatively unskilled labour. Production organised into semi-autonomous cost centres

Case study 1: innovative work practices at Bombardier, Belgium

- The site in Bruges employs just over 700, of whom 450 are production workers
- Need to improve performance in order to respond to external competition and overcapacity within the group
- The production plant sought to pioneer innovative production techniques to improve its performance within the group
- Workplace innovation centred on the introduction of teamwork, aiming to:
 - Shorten communications lines
 - increase the sense of ownership at the shopfloor level
 - avoid disturbances in the production flow
 - enhance the problem-solving capacity on the shopfloor.
- Previous work organisation characterised by formal rules and procedures, a high degree of task specialisation and strict supervision.

Bombardier (cont.)

- Teams have 8 to 12 operators and a team coordinator, who works on the production line with the team.
- Much responsibility now lies at the operator level, and managers only interfere when disturbances occur.
- Autonomy has increased and pressure is distributed throughout the team
- Impacts on the organisation include improvements in production and in quality, an increase in the pace of work and in efficiency. Work areas are smaller so extra production can be fitted in.
- Impacts on employees include increased employee engagement, job enrichment and employee wellbeing. However, some dissatisfaction with lack of financial reward for efficiency increases.

Case study 2: Management innovation at FAVI, France

- FAVI is an SME based in Hallencourt, in the Picardy region of France. It is a pressure die-casting company specialising in copper alloys and currently employs 406 people.
- FAVI generates 80% of its turnover through the automotive sector, supplying almost all European automobile manufacturers with gearbox forks
- Main goal: to remain in operation in Hallencourt in order to protect jobs in the local area
- Its innovation strategy is based on: product innovation, continuous improvement in processes and work organisation innovation, based on the introduction of 12 mini-factories, rolled out gradually over 25 years.
- Each mini factory is dedicated to a particular client. Each mini-factory is an island of production located in a particular area of the factory containing all the equipment and processes dedicated to a particular client and also often showing the logo of the client.
- The mini-factories contain 20–35 operators, a leader and a salesperson who acts as a project head, and a productivity sponsor.
- The hierarchical structure of the factory is flat with only two levels: the factory director and the 'leaders' of the 12 mini-factories.

FAVI (cont.)

- Autonomy is key to the operation of the mini-factories
- All forms of monitoring have been abandoned, because the company believes that trust is more productive than monitoring
- Employees are encouraged to submit projects for improvements to processes and awards are given out
- New system met with some opposition at first, from middle managers and support functions
- Impacts on employees: no formal monitoring system, but all employees appeared to be positive
- Impact on the organisation: low turnover, although not many employment alternatives; high levels of commitment to the company on the part of employees.
- Challenge could be that this is people-based and susceptible to changes in behaviour or changes in the workforce.

Case study 3: Employee engagement at a plastics manufacturer, UK

- This company is a leading plastics manufacturer producing blow-moulded plastic bottles for the UK food and drink industry.
- It operates from seven sites across the UK and has a turnover in excess of £100 million. It currently has a workforce of around 650 employees and is part of a multinational packaging group of companies.
- Impetus for change was a new managing director, who wanted to change the culture from a “top down” approach to a more participative culture.
- Three-year transition period to a more involvement-oriented culture, based on people development, teamwork, communication and a more open leadership style.
- Challenges to engagement included the repetitive nature of the work, and the shift system

UK plastics manufacturer (cont.)

- **Reactive decision-making**
 - Setting up an initiative to allow all employees to feed back their views and ideas directly to the managing director. In break periods, he invited the employees from each team and shift to meet with him and 'challenge' him.
 - The company also participated in the Kingston Business School Employee Engagement Consortium and survey and the leadership and development manager visited all factory sites to report back the results directly to staff.
 - Setting up cross-functional problem-solving groups that would meet periodically to discuss ideas for improvement.
- **A people management style that was performance-focused.**
 - Encouraging managers to think about their style and develop new ways of working
 - Identifying areas of skills shortage and staff development needs.
- **Low levels of organisational advocacy**
 - Allowing a group of employees to run a two-day recruitment event without the involvement of HR

Some conclusions

- High levels of change over the past few decades: organisations operating in a highly competitive and changed environment
- Employment and industrial relations have been severely affected by high levels of restructuring, exacerbated by the crisis since 2008
- Organisations developing smart industrial relations can benefit from a range of enhancements, such as improved efficiency and productivity and a more engaged and loyal workforce
- Employees can benefit from smart industrial relations in terms of greater job satisfaction and engagement and enhanced well-being.

Barriers

- Barriers to the successful implementation of smart industrial relations practices include:
 - Resistance on the part of some of the workers involved, particularly those that fear losing control and power as a result of new ways of working.
 - Resistance from line managers, who may fear loss of control and fear having to manage performance in a different way
 - Resistance from senior management. Without senior management buy-in, culture change is difficult to achieve.
 - Difficulties in rolling out smart industrial relations programmes across a whole organisation, due to the size and complexity of an organisation.

What works

- Clear vision on the part of senior management, and communication of this vision.
- Conducting a pilot, where appropriate, in order to identify any difficulties in implementation and adjust according to feedback, and the use of external advice and support.
- Consistency in the implementation of initiatives, including good communication in order to reassure all those involved.
- Active involvement of employee representatives, where they are present, and the presence of social dialogue.
- Awareness of the importance of line managers. Appropriate training and support for line managers is therefore vital.
- A focus on customer service and quality of products, which in turn can foster pride in the workplace.
- The creation of trust, through openness and engagement on the part of senior management, and an emphasis on mutual gains.
- The design and implementation of good industrial relations practices that are aligned with existing practices.
- Gradual implementation of changes, along with flexible implementation, based on continuous feedback.