

**“New Forms of Work Organisation:  
The Obstacles to Wider Diffusion”**

**FINAL REPORT**

**European Commission  
DG Employment and Social Affairs**

**Business Decisions Limited  
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# THE EXECUTIVE SUMMARY

## 1. THE STUDY

Significant changes are taking place in the way that work is organised within companies and public sector organisations. Many are now introducing “New Forms of Work Organisation” based on new working practices, new participative cultures, new training programmes, new Human Resource policies and new motivation and reward systems. These new approaches help to improve the competitiveness of companies and the effectiveness of public sector organisations whilst also bringing significant benefits to many employees.

But despite the benefits, many organisations continue to use traditional organisational methods, and many others have only implemented New Forms of Work Organisation in a partial way. This has serious implications for the economic development of the European Union. It also affects the living standards, employment prospects and job satisfaction of many employees.

The importance of New Forms of Work Organisation is recognised by Europe’s policy-makers. However, little work has been undertaken to explore systematically the reasons why organisations do not introduce new forms of work organisation or the obstacles that organisations face when they do. This project sets out to address these issues in order to provide policy makers with information that will enable them to identify new priority areas and critical issues to be addressed.

## 2. THE DEFINITION

The term “New Forms of Work Organisation” is used to encompass a wide range of organisational changes. There is, however, no single, universally used definition. Moreover, there is no single “right” organisation, or “right” combination of New Forms of Work Organisation practices.

Nevertheless, experts agree that New Forms of Work Organisation are most effective when linked together as part of a “system”: “a group of inter-related and internally consistent work practices and human resource management policies”.

We identified three principal dimensions of New Forms of Work Organisation: the way in which work is organised within operational activities; the way in which work is co-ordinated across the organisation; and the supporting Human Resource Management policies. We then classified organisations into three groups, based on the progress that an organisation has made towards implementing a “New Form of Work Organisation”: “Non-users”, “Transition” (or partial) Users and “System” Users.

## 3. THE FINDINGS

### 3.1. Non-Users

Our survey of 800 organisations across Europe shows that 60% of organisations with more than 50 employees are “Users” of New Forms of Work Organisation. But only 10% are “System” users, whilst 50% are “Transition” users. This means that only a small proportion of organisations in Europe have introduced a wide range of new working practices and hence gained the full benefits from a system.

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Only 10% of “Non-Users” are unaware of New Forms of Work Organisation. The balance of the organisations that have decided not to introduce it in their organisation are aware of New Forms of Work Organisation (to some degree).

Around half of these organisations are “Top of the Mind Rejecters” who have rejected its use without much consideration. They claim that they have done this primarily because it is not needed to meet their customers’ needs. For some this is a rational argument as New Forms of Work Organisation may not be essential for their success. For others, organisational inertia may be present. But it is also possible that some organisations are not fully aware of the benefits of New Forms of Work Organisation, or have not fully considered the opportunities and benefits that New Forms of Work Organisation can bring.

The other Non-Users are “Analytical Rejecters” who have decided not to introduce New Forms of Work Organisation after an internal review. The organisations have rejected it for a mix of internal and external reasons - the changes would not fit with their organisation’s way of doing things or with the organisation’s strategy, or the changes are not needed to meet their customers’ needs. Other important reasons are that the benefits are uncertain and difficult to measure and that there is a lack of workforce skills. In overall terms, these results show a highly rational approach. Organisations rejected New Forms of Work Organisation for strategic reasons, or for cost/benefit reasons.

Few organisations rejected New Forms of Work Organisation because they faced a significant resource gap (in terms of access to financial resources, external expertise or management expertise).

### **3.2. Users**

We also examined the problems experienced, and the obstacles encountered by “Users” of New Forms of Work Organisation. We sought to distinguish between the “apparent” problems and their underlying causes.

A large majority of “Users” experienced problems of some sort during implementation. But our research shows that there is no single dominant problem facing organisations. The types of problems experienced are disparate. The most frequently occurring problem relates to the difficulties of communicating effectively throughout the organisation, but other major problems include lack of commitment to the new approach; difficulties in measuring the progress of the change process; failures in effective leadership from senior managers ; difficulties in consulting effectively; and lack of flexibility in the implementation process .

Our Case Studies of 50 organisations in 13 European countries confirm these findings, but they also reveal two additional problems experienced by organisations. The first problem concerns the initial design of New Forms of Work Organisation. Some organisations, for example, fail to create a new “system” in which all the components work together in a mutually reinforcing fashion. Others make mistakes in the way in which they design specific components of the new work system. The second problem concerns the integration of new work organisation with other aspects of the organisation, particularly a failure to provide the necessary supporting infrastructure and to introduce New Forms of Work Organisation to enough parts of the organisation.

Our study examined the underlying causes of these problems. Three of the four most important reasons why problems emerge are primarily “internal” (difficulty in overcoming the existing culture, resistance from employees and lack of management competence). Only one of them is primarily “external” (Labour Law and Collective Agreements). Moreover, responsibility for two of the three internal obstacles lies principally with management (cultural obstacles and management competence).

Implementation takes longer than planned; organisations are unable to implement all of the changes that they wanted; and implementation is more difficult than expected. However, a significant majority of user organisations consider that implementation was at least as effective as they had hoped.

## **4. THE IMPLICATIONS FOR POLICY-MAKERS**

Governments have long facilitated economic growth through investments in education and infrastructure. They have also taken a leading role in disseminating new technologies, in shaping attitudes, and in protecting workers. Hence, the diffusion of New Forms of Work Organisation is an area where governments have an important role to play, and the study identifies two specific challenges for policy makers: firstly how to increase the penetration of New Forms of Work Organisation in overall terms; and secondly, how to help more “Transition” users to become “System” users (and to do so more quickly).

### **4.1. Increasing Penetration amongst Non-Users**

There are potentially two ways to increase penetration amongst Non-Users: firstly, to persuade “Top-of-Mind Rejecters” to review the case for the introduction of New Forms of Work Organisation in a more systematic and formal way; and secondly, to help those who are undertaking the analysis to better understand the latest ideas about the “business case” for investment in New Forms of Work Organisation.

Potential areas for action therefore include:

- Undertaking studies to identify and quantify the “case” for change.
- Supporting “demonstration projects” that highlight how organisations have identified and evaluated the case for change.
- Developing diagnostic tools to help organisations to assess whether or not New Forms of Work Organisation could be beneficial to their organisation.
- Supporting programmes by Social Partners to highlight the case for change.
- Providing recognition to organisations that successfully introduce New Forms of Work Organisation and employ good practices.
- Implementing targeted programmes to raise awareness about New Forms of Work Organisation among organisations with less than 50 employees.

### **4.2. Expanding the Number of “System Users”**

Our suggestions for actions by policy-makers, to expand the number of “System” Users and to speed up the process of implementation, focus on two areas: lowering obstacles to organisational reform; and raising awareness of the benefits of using a “Systems” approach.

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To reduce the obstacles identified in our surveys, possible areas for action include:

- Supporting improvements in management education in areas related to the design and implementation of New Forms of Work Organisation.
- Supporting the training of managers, workers, and employee representatives so that they are better able to implement New Forms of Work Organisation.
- Promoting the development of inter-firm networks to educate companies and inter-union networks to educate trade unions.
- Encouraging the Social Partners to debate the benefits of New Forms of Work Organisation with companies, employees and society.
- Developing the capacity of Universities and Research Institutes to support organisations that are introducing New Forms of Work Organisation.
- Ensuring that the basic education system improves the adaptability of young people and prepares them for a future working life in which they will need to up-grade their skills regularly and to adapt to change.
- Helping policy makers to understand the potential impact of legislation (particularly Labour Laws) on the ability of organisations to introduce New Forms of Work Organisation successfully.
- Funding further in-depth research to understand the specific problems created by existing Labour Laws and Collective Agreements.

In addition, it would be valuable to examine the specific problems experienced by the Public Sector in more detail. This could include studies of the differences between national and local government, public administration and publicly owned enterprises, and between Public Sector organisations and Private Sector organisations that have taken over public services.

To raise awareness of the benefits of introducing a “System” amongst Users of New Forms of Work Organisation, possible areas for action include:

- Supporting new “demonstration projects”, and raising the visibility of existing projects.
- Providing information to managers, workers, and Social Partners about the key elements of “New Forms of Organisation” and how to implement them.
- Financing training projects to provide information to companies and trade unions about the benefits of introducing new work organisation practices as a “System”.

# 1. THE INTRODUCTION

## 1.1 BACKGROUND

Significant changes are taking place in the way that work is organised within companies throughout the OECD area. They are based on a model of “high trust”, “high skill”, and extensive employee involvement in operational decision-making. Leading companies are now introducing “high performance work practices”, such as new organisational structures, new corporate cultures, new working methods, new training programmes, and new motivation and reward systems.

Companies are introducing organisational changes in response to fundamental changes that are taking place in the business environment. Progressively, this is leading to a shift in the way in which competition takes place. Increasingly, the basis of competition is moving away from ‘hard’ factors (such as access to resources or scale economies) to ‘soft’ factors (such as core competencies, speed to market, reputation and service).

New Forms of Work Organisation are a potential source of competitive advantage to a company<sup>3</sup>. This is because they enable companies to meet customer needs in new ways that are relevant, different, sustainable, and difficult for competitors to copy. New organisational methods help companies to respond more flexibly to new requirements, to improve service, quality, and value, and to enhance operating efficiency. New Forms of Work Organisation also help organisations to release the full potential of their staff and to attract and retain people. Many examples exist of companies that have transformed their strategic position based on the introduction of new ways of working, alongside other strategic initiatives.

Employees also benefit from many New Forms of Work Organisation.<sup>4</sup> Some provide opportunities for greater job security, whilst others provide opportunities for new jobs. Moreover, high performance work practices provide employees with opportunities for greater job satisfaction. This is because they offer the opportunity for employees to control their work, to develop wider skills, and to take responsibility for a wider range of tasks. This responds to the changing expectations of individuals in the workplace – greater independence, more individualistic, and more desire for greater responsibility at an earlier stage. There are, however, some concerns about the potential intensification of work, and an erosion of traditional relationships between unions, workers and managers.

But the decision to introduce new ways of working is a major strategic decision<sup>5</sup>. This is because it is a potential source of competitive advantage; it is long-term in nature; it

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<sup>3</sup> See, for example, Hamel & Prahalad ‘*Competing for the Future*’ (1994) and Porter ‘*The Competitive Advantage of Nations*’ (1990).

<sup>4</sup> Ylostalo ‘*Enterprises in Finland*’ (1998), Danish Ministry of Business and Industry ‘*Technological and Organisational Change – Implications for Labour Demand, Enterprise Performance, and Industrial Policy*’ (1996), Business Decisions Limited ‘*New Forms of Work Organisation: Case Studies (for DG V)*’ (1998), ICTU/PA Consulting ‘*New Forms of Work Organisation – Strategic Options for Unions*’ (1993).

<sup>5</sup> Porter ‘*What is Strategy?*’ Harvard Business Review (1996)

usually affects a significant part of the organisation; it is difficult to implement successfully; and it involves the commitment of significant resources in terms of management time, cash and the risk of potential disruption (i.e. opportunity cost).

Most companies now use at least one new work practice in some form somewhere in their organisation<sup>6</sup>; but they are often used in a piecemeal and partial way. Few companies use high performance work practices as part of an inter-related “System” of human resource management<sup>7</sup>.

And despite the benefits many companies continue to use traditional organisational methods. In some cases, companies consider that existing organisational methods are one of their unique sources of competitive advantage<sup>8</sup>. In other cases, however, companies perceive that the problems of implementing organisational change exceed the expected benefits, while in other cases organisational inertia is present.

Moreover, research by the European Commission and others suggest that Europe may lag global leaders in its adoption of the most modern forms of work organisation<sup>9</sup>. There are also wide variations in the attitudes of companies and governments to New Forms of Work Organisation, in individual countries within the European Union itself. This has serious implications for the ability of Europe’s companies to innovate and to use resources effectively. In the longer-term, it also affects Europe’s ability to improve living standards and employment opportunities.

The importance of New Forms of Work Organisation is recognised by Europe’s policy-makers. Action has already been taken to establish a political framework to shape attitudinal changes and to champion institutional reform. At the Luxembourg Employment Summit, for example, “adaptability” of companies was established as one of the four pillars on which improved employment performance will rest<sup>10</sup>.

As a complement to this, the European Commission issued a Green Paper that examines New Forms of Work Organisation and public policy options for increasing their utilisation<sup>11</sup>. Moreover, as a follow up to the Green Paper, the Commission adopted a Communication on modernising the organisation of work<sup>12</sup>, stressing the importance of New Forms of Work Organisation and the need to foster their implementation by stimulating and strengthening partnerships between companies and their employees.

<sup>6</sup> European Foundation for the Improvement of Living and Working Conditions “*New Forms of Work Organisation: Can Europe Realise its Potential?*” (1998), Government of Finland ‘*Flexible Enterprises – Finnish Survey*’ (1996), Government of Canada ‘*Changing Workplace Strategies: Achieving Better Outcomes for Enterprises, Workers & Society – Country Report for Canada*’ (1996).

<sup>7</sup> NUTEK ‘*Towards Flexible Organisations*’ Swedish National Board for Industrial & Technical Development (1996), Danish Ministry of Business and Industry ‘*Technological & Organisational Change: Implications for Labour Demand, Enterprise Performance, & Industrial Policy*’ (1996) and Ylostalo and Antila ‘*Workplace Flexibility in Finland*’ (1999).

<sup>8</sup> See for example, Chandler A. ‘*Strategy and Structure: Chapters in the history of the industrial enterprise*’ (1962) and Porter M. ‘*What is Strategy?*’ (Harvard Business Review, November - December 1996)

<sup>9</sup> See for example, CEC ‘*Green Paper on Innovation*’ (1995) McKinsey Global Institute ‘*Capital Productivity*’ (1996), and McKinsey Global Institute ‘*Manufacturing Productivity*’ (1993).

<sup>10</sup> CEC ‘*The 1998 Employment Guidelines – Council Resolution of 15 December 1997*’ (1998)

<sup>11</sup> CEC ‘*Partnership for a New Organisation of Work – Green Paper*’ (Bulletin of the European Union, Supplement 1/97, 1997)

<sup>12</sup> CEC ‘*Modernising the Organisation of Work – A Positive Approach to Change*’ (Communication from the European Commission, 1998)



However, little work has been undertaken to explore systematically the reasons why some organisations have not introduced New Forms of Work Organisation, why many have implemented only a few new organisational structures and working practices, and why some organisations have failed. There has also been little research into the obstacles that organisations face when designing and implementing New Forms of Work Organisation and into the reasons why organisations have taken longer than expected to implement New Forms of Work Organisation.

This project sets out to address these issues in order to provide policy makers with information that will enable them to identify new priority areas and critical issues to be addressed in line with the latest Communication, 'Modernising the Work Organisation – A Positive Approach to Change'.

## **1.2. PROJECT OBJECTIVES**

The objectives of the study, therefore, are to better understand:

- The reasons that prevent some organisations from introducing New Forms of Work Organisation; and,
- The obstacles that organisations face in introducing new working methods.

The overall aim is to draw conclusions and to identify implications for policy-makers.

## **1.3. PROJECT SCOPE**

The project covers the following:

- The European Union;
- Organisations in both the private and public sector;
- Large organisations and SMEs;
- A wide range of manufacturing and service sectors;
- National companies and multi-national companies;
- Internal and external obstacles to change (including difficulties in the change process itself); and
- Organisations with different experiences of New Forms of Work Organisation.

## 2. THE METHODOLOGY

### 2.1. OVERVIEW

The project had a number of distinct stages.

- Stage One covered the set-up of the project, including the development of some key hypotheses, based on a literature review, and the development of a series of “tools” for use in Stage Two. At the end of Stage One, an Interim Report was produced.
- Stage Two was the fieldwork phase, where we carried out a large-scale survey of organisations in Europe, and developed a number of case studies. A second Interim Report was produced towards the end of the fieldwork phase.
- Stage Three involved the analysis of the findings from the fieldwork, the development of conclusions and recommendations, and the writing of the final report.

### 2.2. STAGE ONE

Stage One involved a number of set-up activities. These included:

#### 2.2.1. Set-up Meeting

A set-up meeting was held with the Commission on 27 June 2001

#### 2.2.2. Establishment of an Advisory Group

An Advisory Group was set up to oversee the project. The members of the Group were:

- **Tuomo Alasoini**, Head of Employer and Work Organisation Services Unit, and Project Manager of Finnish National Workplace Development Programme, Ministry of Labour, Finland.
- **Jan Andersson**, MEP, Swedish member of the PSE Group in the European Parliament, a member of the Committee on Employment and Social Affairs, and a substitute member of the Committee on Citizens’ Freedoms and Rights, Justice and Home Affairs.
- **Bengt Hendenstrom**, European Centre for Enterprises with Public Participation and Enterprises of General Public Interest, Brussels.
- **Sean Heading**, Manager, Education and Services Trust, Ireland
- **Renate Hornung-Draus**, Director of European and International Affairs at the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA), Germany.
- **Regina Mathijssen**, Chairman of The European Round Table of Industrialists (ERT) Working Group on Social Policy.
- **Professor Nancy Papalexandris**, University of Economics and Business, Athens University, Greece.

- **Peter Rigney**, Congress Officer, Irish Congress of Trade Unions, Ireland.
- **Professor Peter Totterdill**, Director of Partnership Development, and Professor of Work Organisation and Industrial Strategy, The Nottingham Trent University, UK.

Mr Andersson resigned from the Advisory Group, in the autumn, because he was unable to devote sufficient time to the project because of his other priorities. He has, however, continued to provide support to the work of the project team.

Bengt Hedenstrom of the European Centre for Enterprises with Public Participation and Enterprises of General Public Interest and Mr Sean Heading of the Education and Training Services Trust both joined the Advisory Group in early 2002.

The roles of the Advisory Group were to:

- Review the hypothesis at the beginning of the project;
- Provide ideas for case studies;
- Review the draft findings and conclusions at the end of the project;
- Agree the final report; and
- Provide advice and support throughout the project.

### 2.2.3. The Network of Country Experts

Business Decisions Limited carried out the project, supported by a network of Country Experts. These are summarised in Exhibit 1 below.

**Exhibit 1**

<b>Country Experts</b>	
<i>Country</i>	<i>Expert</i>
Austria	Walter Scherrer, University of Salzburg, Salzburg
Benelux	Paul Berckmans and Hendrik Delagrange STV-Innovation and Work, Brussels
Denmark/Sweden	Kaj Olesen and Palle Banke, Danish Technological Institute, Copenhagen
Finland	Matti Vartiainen, Helsinki University of Technology, Helsinki
France	Laurence D'Ouille, ANACT, Lyon
Germany	Jurgen Wengel, Alexandra Rese and Dirk Langer, Fraunhofer, Karlsruhe
Greece	Stavros Gavroglu, National Labour Institute, Athens
Italy	Ester Dini, CENSIS, Rome
Portugal	Carlos Guerreiro, INOFOR, Lisbon
Spain	Jokin Goyarrola and Olaia Larruskain, Tekniker,
United Kingdom	Richard Ennals, Kingston University, London

### **2.2.4. Key Hypotheses**

In Stage One, we carried out a literature search, based on a wide review of potential sources. These included: General Management literature; Specialist “Organisational Economics”, “Human Resource Management”, “Industrial Relations”, and “Work Organisation” literature; OECD reports and working papers; studies by other major Research Institutes (ILO, NBER, Brookings Institution, etc.); relevant websites (EWON, European Foundation for Living & Working Conditions etc); recent surveys of New Forms of Work Organisation (NFWO) in Europe and the USA; our country expert network; our Advisory Group; and BDL’s database of case studies, articles and reports.

The literature search enabled us to develop some key hypotheses. These were set out in detail in our First Interim Report. They also formed the basis for the development of a number of key tools for use in Stage Two.

### **2.2.5. “Tools” for Use in Stage Two**

A number of “tools” were developed for use in Stage Two, based on the hypotheses. These included a questionnaire for use in the survey of companies, and materials to facilitate the development of case studies (exemplars, standard formats etc.)

## **2.3. STAGE TWO**

### **2.3.1. The Survey of Organisations**

The purpose of the survey was to obtain quantitative information about the obstacles to New Forms of Work Organisation, and the reasons for non-use, from organisations across the EU.

Business Decisions Limited managed the survey. Abacus Research, a specialist market research company carried out the interviews.

We developed a standard questionnaire that could be used for all organisations. It was designed for use in a telephone interview lasting 15 minutes. The questionnaire was based on “closed” questions with pre-coded answers.

The questionnaire was designed for interviews with the senior manager responsible for Human Resource issues (usually the Personnel or HR manager).<sup>13</sup>

The questionnaire contained some questions that were common to all respondents, and others that were specific to different groups (“Non-users” versus “Users”, for example).

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<sup>13</sup> Due to the scale and nature of the survey, it was not possible to interview more than one person in each organisation. The HR Manager was chosen because he/she is at the interface between the business management of the organisation on the one hand and its employees and their Trade Union representatives on the other. He/she is also best placed to provide an overview of the main personnel issues, including relations with Trade Unions.

It was checked for length and feasibility with our market research advisors. We also sought comments from EWON and from our Advisory Group. We then carried out a pilot survey in advance of the main fieldwork, in order to fine-tune the questionnaire. Fifteen interviews were conducted, spread across three countries (UK, Germany and Denmark). The pilot was successful. It showed that the questionnaire took, on average, around 15 minutes to complete and that respondents were able to answer the questions without difficulties. Some minor changes were made to the questionnaire as a result of the feedback from the pilot.

The final questionnaire is contained in Appendix A.

The survey was carried out in 10 countries with a sample of 810 organisations (completed interviews). The sample was drawn by the professional Market Research Agency from the leading directory of companies (Dunn and Bradstreet). This is a reasonably comprehensive, independent list of organisations in each country, commonly used by leading Market Research Agencies for sampling purposes in Europe, as the lists are generally up-to-date, and avoid repetition of entries. The sample was selected on a random basis. Quotas were then established to ensure that we completed sufficient interview with organisations of a sufficient size, and in a spread of sectors (Manufacturing, services and public).

The survey was focused on organisations with more than 50 employees, across the private sector (manufacturing and services) and selected parts of the Public Sector (specifically hospitals, social services, residential care, general government and public administration). We chose to focus the survey on organisations of 50 employees and above because our literature search showed that small companies (those with less than 50 employees) make less use of new work practices or methods<sup>14</sup>. This is because they have relatively less need to employ techniques designed to enhance participation and adaptability. In many situations, such enterprises are too small to support high levels of functional specialisation or structural complexity. Managers and employees often work closely together and are frequently multi-skilled. There are, of course, exceptions to this, but it was agreed that the survey should focus on those organisations where the likelihood of usage was significantly higher. It was agreed, however, that the case studies could include smaller organisations.

We chose to focus on hospitals, social services, residential care, general government and public administration because they provided a range of different types of Public Sector organisations.

In order to ensure that we would obtain enough completed questionnaires from companies who have implemented New Forms of Work Organisation, we included a “boost” sample for this group.

The achieved sample is shown in Exhibit 2 below. This meets the proposed sample agreed with the Commission and the Advisory Group at the end of Stage One.

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<sup>14</sup> OECD *‘Technology, Productivity and Job Creation: Analytical Report’* (1996) and OECD *‘Technology Productivity and Job Creation – Best Policy Practices’* (1998)

**Exhibit 2**

<b>Survey of Organisations: Sample Achieved</b>		
<b>Country</b> <sup>15</sup>	Germany	175
	UK/Ireland	131
	France	126
	Italy	125
	Spain	101
	Benelux (Belgium & The Netherlands)	76
	Nordic (Denmark & Sweden)	76
<b>Sector</b>	Private Manufacturing	301
	Private Services	305
	Public Sector	204
<b>Size</b>	SME (50-249 employees)	401
	Large (250+ employees)	409
<b>Grand Total</b>		<b>810</b>

**2.3.2. The Case Studies**

The purpose of the case studies was to examine in more detail the specific problems experienced by individual organisations in introducing New Forms of Work Organisation, and to seek to identify the underlying reasons why these problems occurred.

Business Decisions and its network of Country Experts developed the case studies. In total, we developed 50 cases. The cases were selected to ensure a good spread of examples across:

- EU countries;
- The private and public sector;
- Large organisations and SMEs;
- A range of manufacturing and service sectors;
- National companies and multi-nationals; and
- Organisations with different experiences of New Forms of Work Organisation.

We identified suitable organisations to feature in the cases from a range of sources:

- BDL’s in-house data base of articles and case studies covering all aspects of “high performance work systems”;
- The databases held by BDL’s network of country experts;
- The Advisory Group set up to oversee the project;
- BDL’s academic network;

<sup>15</sup> It was agreed that the survey would cover a minimum of 10 EU countries. In some cases, countries have been grouped together, in order to ensure that samples are of sufficient size for meaningful analysis. We acknowledge, however, that there could be some differences between such countries that we have been unable to examine in this survey. Moreover, due to the size of the samples, care needs to be taken in the interpretation of the findings at a national level.

- Literature and other specialist academic resources, including London Business School, Oxford University (Templeton College), the University of Brighton (CENTRIM) and the University of Sussex (Institute of Manpower Studies);
- Survey respondents who volunteered to participate in the development of a case study.

All cases were written using a standard format. They were developed using a mix of literature and face-to-face and telephone interviews. Typically, the following process was followed:

- Review of literature available. Some were developed using literature that included input from employees and/or their Trade union representatives.
- Interviews with organisations (using a mix of face-to-face interviews and telephone) to complement material available from other sources. Some included interviews with employee and Trade Union representatives.
- Writing of case study, using the standard case study format developed during Stage One. The standard Case Study Format is shown in Exhibit 3 below. Detailed instructions for the writing of case studies, and an “exemplar” case, were given to all members of the Expert Network in advance, in order to ensure high quality outputs. (These are included in Appendix B.)
- Where appropriate, case studies were then agreed with the organisations concerned.

Once completed, BDL reviewed all of the draft cases, edited them as appropriate, and requested further information where needed. This ensured that quality standards were maintained.

**Exhibit 3**

<b>Standard Case Study Format</b>
<p><b>The Organisation</b></p> <p><i>A brief description of the organisation, its size, sector etc.</i></p>
<p><b>The Rationale</b></p> <p><i>A brief description of why the organisation decided to introduce New Forms of Work Organisation.</i></p>
<p><b>The Changes Introduced</b></p> <p><i>A description of the main changes introduced.</i></p>
<p><b>The Obstacles</b></p> <p><i>* A summary of the problems that emerged during implementation; and</i>  <i>* Identification of the underlying obstacles to organisational reform (reasons why problems emerged)</i></p>
<p><b>The Consequences</b></p> <p><i>Brief description of the consequences of the problems</i></p>

**The Conclusions**

Each case study is around 2-3 pages in length.

Our research has shown that organisations are often reluctant to participate in case studies on a named basis. The cases have therefore been written on an anonymous basis.

A list of the case studies is included in Appendix C. The case studies themselves are contained in an ANNEX to this report. In total they cover 14 EU countries.

Exhibit 4 below summarises the type of case studies included.

**Exhibit 4**

<b>Analysis of Case Studies</b>						
	<b>SME</b>	<b>Large</b>	<b>Transition Users</b>	<b>System Users</b>		<b>Grand Total</b>
<b>Public Sector</b>	5	9	10	4		<b>14</b>
<b>Private Sector</b>						
<b>Manufacturing</b>	5	16	13	8		<b>21</b>
<b>Services</b>	11	4	7	8		<b>15</b>
<b>Sub Total</b>	16	20	20	16		<b>36</b>
<b>Grand Total</b>	<b>21</b>	<b>29</b>	<b>30</b>	<b>20</b>		<b>50</b>

**2.4. STAGE THREE**

The objective of this phase was to analyse the findings from the fieldwork, draw conclusions, and write the final report.

Business Decisions Limited undertook the analysis of the survey, supported by Abacus Research.

Abacus was responsible for data processing the results from the survey, according to BDL’s specification. Abacus produced data tabulations that enabled analysis by key sub-groups (such as company size or sector). BDL then analysed the data tabulations and interpreted the results.

The Case Studies were analysed by BDL. We drew up an analysis framework to take account of the different types of organisations and the different types of “Users”. BDL then identified the key findings from the case studies and extracted illustrative examples for the final report.

BDL produced an overall analysis of the findings from the case studies and the survey. BDL also drew our preliminary conclusions from this analysis. This formed the basis of the First Draft Final Report.



This was discussed at the Second Meeting of the Advisory Group. The Advisory Group reviewed the findings from the project, and worked with BDL to draw conclusions from it, and to identify the policy implications.

The Second Draft Final Report was then discussed at the Third Meeting of the Advisory Group.

The outcome of this meeting, and comments received from DG Employment and Social Affairs and the country experts form the basis of the Final Report.

## **2.5. THE TIMETABLE**

The original timetable for the project is shown in Appendix D. The project has met this timetable.

### 3. NEW FORMS OF WORK ORGANISATION

#### 3.1. A DEFINITION

The term “New Forms of Work Organisation” is used to encompass a wide range of organisational changes. This reflects the wide range of circumstances in which they are used.

There is, however, no single, universally used definition. Different definitions are used in different circumstances.

There is clearly no single “right” organisation, or “right” combination of New Forms of Work Organisation practices. The approach that is appropriate for any specific organisation will depend on its sector, size, strategy and culture.

Nevertheless, most experts agree that New Forms of Work Organisation are most effective when linked together as part of a “System” - a group of inter-related and internally consistent work practices and human resource management policies.

A “System” brings added benefits because:

- An organisation achieves “complementarity”. In other words, all the different elements of the new organisation fit together and reinforce each other. Without a “System”, some work practices or HR policies can undermine the effectiveness of others.
- The organisational “System” fits with the overall strategy of the business.

Moreover, research has shown that companies that establish a system of inter-related working practices, policies, and methods achieve higher returns than organisations that use individual work practices<sup>16</sup>.

#### Exhibit 5

##### **New Forms of Work Organisation: The Benefits of a “System”**

A study of 1,300 manufacturers of investment goods in Germany noted that companies who implement groups of complementary work practices generate the highest levels of improvement in labour productivity from organisational changes.<sup>17</sup>

This is supported by findings from an analysis of innovative work organisations in 90 auto assembly plants worldwide<sup>18</sup> and a study of work systems in 35 steel plants in the USA.<sup>19</sup>

<sup>16</sup> See MacDuffie ‘*Human Resource Bundles and Manufacturing Performance*’ Industrial and Labour Relations Review (1995).

<sup>17</sup> Lay, Shapira and Wengel ‘*Innovation in Production*’ Technology and Innovation Policy (1999).

<sup>18</sup> Womack, Jones and Roos ‘*The Machine that Changed the World*’ (1990).

<sup>19</sup> Arthur ‘*Effects of Human Resource Systems on Manufacturing Performance and Turnover*’ Academy of Management Journal (1994) and ‘*The Link between Business Strategy and Human Relations Systems in American Steel Mini-mills*’ Industrial and Labour Relations Review vol 45 1992

In order to develop a definition for this project, BDL looked at a range of existing definitions and other literature that offered useful insights, such as:

- Existing definitions, including EPOC<sup>20</sup>, EWON<sup>21</sup>, the Nordic definition (used in Sweden, Finland, Denmark, and Norway)<sup>22</sup>, and work by German, UK, Belgian, US, Canadian, and Australian researchers<sup>23</sup>;
- A range of case studies<sup>24</sup> of companies who have implemented “High Performance Work Systems”; and,
- The Human Resource Management and Organisational Economics literature<sup>25</sup> to identify the generic tasks of any organisation.

This enabled us to develop a set of criteria to determine the shape of our definition.

We decided that our definition must:

- Fit with the generic definitions of all “organisations” i.e. it must show how people are “co-ordinated” (to take advantage of specialisation), how activities across an organisation are integrated, and how people are “motivated” to act in accordance with a common plan and to show initiative and judgement<sup>26</sup>;
- Encompass the commonly agreed characteristics of New Forms of Work Organisation (“high trust”, “high skill”, “participation”, and “flexibility”);
- Cover the most commonly used practices and processes used in New Forms of Work Organisations;
- Be based on the essential components of a *system* (i.e. how all of the different elements fit together and reinforce each other to achieve ‘complementarity’);
- Be applicable to companies in all sectors (i.e. it must exclude sector-specific activities, processes or terminology); and,
- Be capable of distinguishing between the three different groups (“Non-Users”, “Transition Users”, and “System Users”).

For this project, therefore, we identified *three principal dimensions* of a New Forms of Work Organisation “System”. These are:

- The way in which work is organised within operational activities;
- The way in which work is co-ordinated across the organisation; and,
- The supporting Human Resource Management policies.

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<sup>20</sup> European Foundation for the Improvement of Living and Working Conditions ‘*Employment through Flexibility – Squaring the Circle?*’ (1999).

<sup>21</sup> EWON ‘*Definitions for the European Work Organisation Network*’ (1999).

<sup>22</sup> NUTEK ‘*Towards Flexible Organisations*’ Swedish National Board for Industrial & Technical Development (1996), Danish Ministry of Business and Industry ‘*Technological & Organisational Change: Implications for Labour Demand, Enterprise Performance, & Industrial Policy*’ (1996) and Ylostalo and Antila ‘*Workplace Flexibility in Finland*’ (1999).

<sup>23</sup> Including Wengel & Lay ‘*Surveying Organisational Innovation on a European Level*’ Fraunhofer Institute for Systems and Innovation Research (2000), Ashton ‘*High Performance Working: Research Project*’ (for ILO) (2000), Delagrangé ‘*Organisatievernieuwing op maat*’ STV Innovatie and Arbeid (1999), MacDuffie ‘*Human Resource Bundles and Manufacturing Performance*’ Industrial and Labour Relations Review (1995), Betcherman & Chaykowski ‘*The Changing Workplace: Challenges for Public Policy*’ (1996).

<sup>24</sup> Business Decisions Limited “*New Forms of Work Organisation: Case Studies*” (1998).

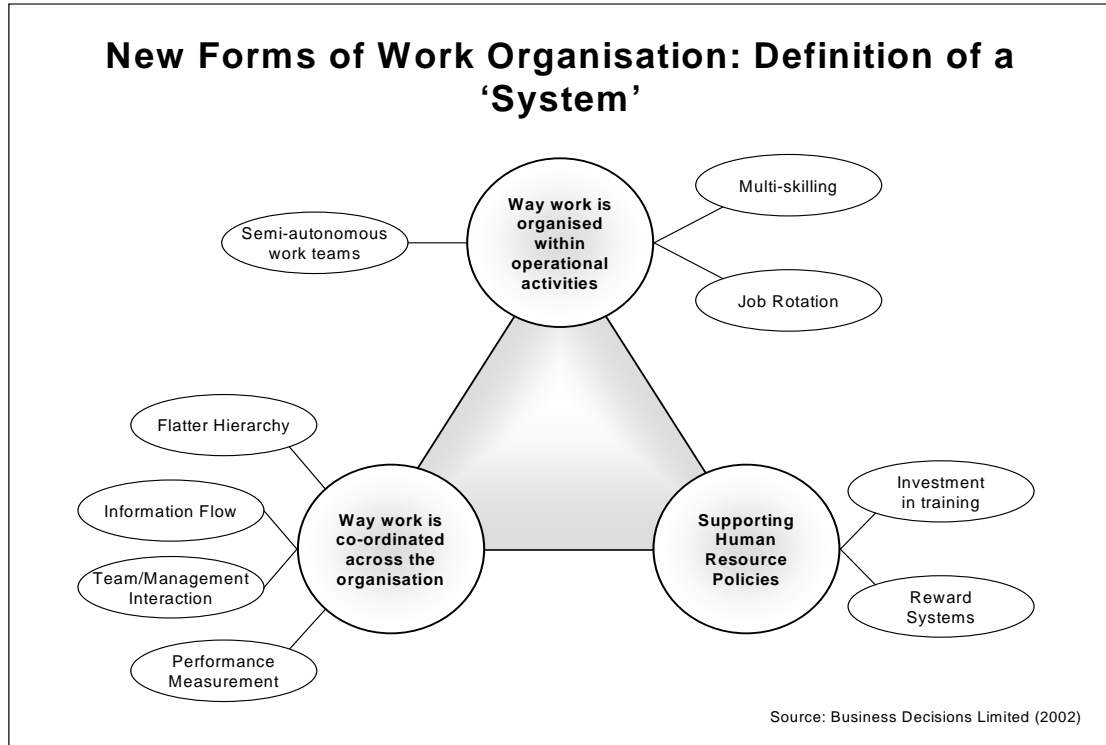
<sup>25</sup> See, in particular, Milgrom & Roberts ‘*Economics, Organisation & Management*’ (1992).

<sup>26</sup> Milgrom and Roberts ‘*Complementarities and Fit: Strategy Structure and Organisational Change in Manufacturing*’ Journal of Accounting & Economics (1995).

Within each, we have identified the *minimum* components of a “High Performance Work System”, i.e. those components which, if they are not present, mean that a “System” is unlikely to exist.

This is illustrated diagrammatically in Exhibit 6 below.

**Exhibit 6**



One key feature of a “Systems” approach to New Forms of Work Organisation is that it allows for changes in organisational structures and working practices as a result of changes in the business environment. It also reflects the importance of “learning” within an organisation.

The definition developed and agreed for use in this project is summarised in Exhibit 7 below.

**Exhibit 7**

**A Definition of “New Forms of Work Organisation”**

**Dimension 1 – The way work is *organised* within operational activities**

- **Semi-autonomous work teams** – these have a number of distinct features. Team members:
  - \* Decide jointly how work is carried out;
  - \* Are responsible for solving operational problems;
  - \* Are responsible for quality assurance tasks;
  - \* Are accountable for achieving agreed targets; and,
  - \* Sometimes choose their own leaders.
- **Multi-skilling** – in order to operate effectively, team members are trained to carry out more than one task within the team.
- **Job Rotation** – team members regularly alternate between different tasks.

**Dimension 2 – The way work is *co-ordinated* across the organisation**

- **Non-hierarchical** – decision-making is decentralised and pushed down to the lowest possible level.
- **Information Flow** – detailed (financial and non-financial) performance information is made available to semi-autonomous teams on a regular basis.
- **Team/Management Interaction** – high levels of employee participation are used, including regular meetings between team members and business managers to discuss performance.
- **Performance Measurement** – a range of financial and non-financial measures is used to measure performance.

**Dimension 3 – *Supporting* Human Resource Management policies**

- **Investment in Training** – All team members receive regular off the job training paid for by the company. The training covers both job specific *and* general skills (such as problem-solving, team working etc).
- **Reward Systems** – An important element of the pay of team members depends on individual or team performance.

Changes in “remuneration” and “working time” on their own do not fall within our definition of a “System” user.

**3.2. A CLASSIFICATION OF ORGANISATIONS**

For the purposes of this project, we classified organisations into three groups. The classification is based on the progress that an organisation has made towards implementing a New Forms of Work Organisation “System”.

We believe that this approach is appropriate because it reflects:

- The long-term nature of the investment in organisational change;
- The fact that many organisations have implemented at least one new work practice;
- The finding that the greatest success comes from the linking together of new work practices as part of a “System”; and,
- The fact that many organisations implement organisational change in a staged approach (and hence may be on their way to a “System” but not there yet).

The groups of organisations (and their sub-groups) are shown in Exhibit 8 below.

<b>New Forms of Work Organisation A Categorisation of Organisations</b>		
<b>Category A Non-Users</b>	<b>Category B 'Transition' Users</b>	<b>Category C 'System' Users</b>
<ul style="list-style-type: none"> <li>➤ Unaware of NFWO</li> <li>➤ Aware but rejected it</li> <li>➤ Planning to introduce it in the future</li> </ul>	<ul style="list-style-type: none"> <li>➤ Did not set out to introduce a 'system'</li> <li>➤ Tried but failed (so far) to introduce a 'system'</li> <li>➤ On the way to a 'system' but not get there yet (eg step-by-step approach)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Implemented a 'system' but experienced difficulties on the way (which led to delays, or amendments to the original plan)</li> <li>➤ Implemented a system and experienced no problems</li> </ul>

Source: Business Decisions Limited (2002)

**Exhibit 8**

It should be noted, however, that even “System” users are in a state of constant improvement and change<sup>27</sup>.

Appendix E summarises the precise methodology used in the survey to determine whether an organisation is a “Non-User”, a “Transition” or a “System” user.

<sup>27</sup> The term “System” is used in this context to convey an approach in which all of the inter-related parts work together and reinforce each other. We do not intend to imply that a “System” is in any way rigid or fixed or that once an organisation becomes a “System” user that it no longer makes any further changes.

### 3.3. EXTENT OF USE

#### 3.3.1. Methodological Considerations

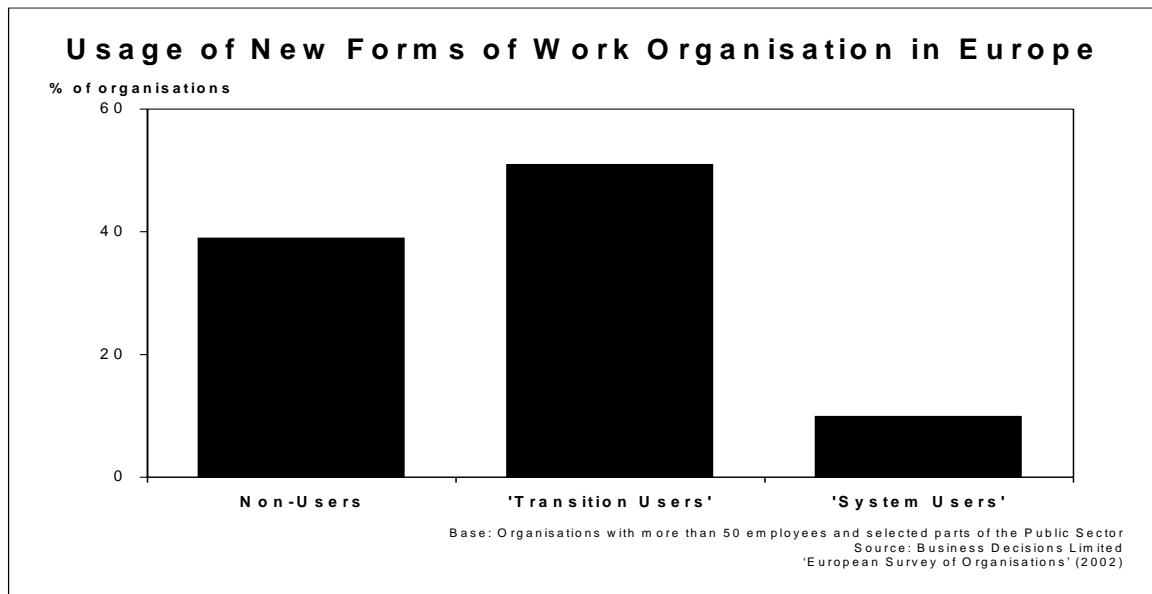
The primary purpose of the survey was to gather information about the reasons for non-use of New Forms of Work Organisation and the obstacles faced by those who do introduce new working practices.

However, we also obtained useful *indicative* information<sup>28</sup> about the extent of use of New Forms of Work Organisation (as defined in section 3.3.1. above), and in particular, the penetration of “Transition” and “Systems” users<sup>29</sup>.

#### 3.3.2 Key Findings

Our survey shows that 60% of organisations with more than 50 employees are users of one or more elements of New Forms of Work Organisation. But only 10% are “System” users. Fifty per cent are “Transition” users (See Exhibit 9 below)<sup>30</sup>.

##### Exhibit 9



<sup>28</sup> Data should be treated as indicative only. It was collected via a telephone interview with the HR Director or Managing Director. This means that responses were based on the opinion of these individuals, and have not been validated through site visits or observation. In some situations, this may lead to a degree of “over-claiming” by some organisations (although we took steps to try to minimise this through the development of questions that were very detailed and precise in nature). On the other hand, it is possible that some (smaller) organisations use New Forms of Work Organisations without fully recognising that they are doing so, particularly if such practices are deeply embedded in the culture of the organisation. This could result in a potentially counter-balancing degree of “under-claiming”

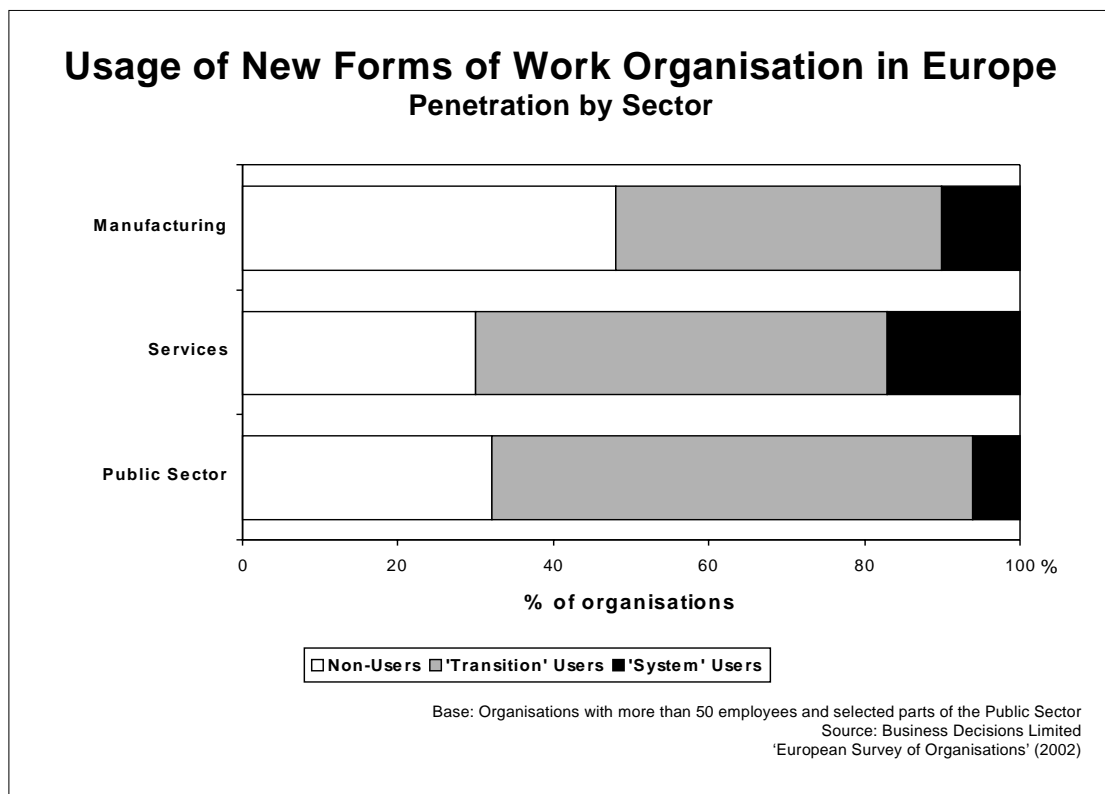
<sup>29</sup> The figures are based on organisations with more than 50 employees and selected parts of the Public Sector (specifically hospitals, social services, residential care, general government and public administration).

<sup>30</sup> The overall usage data has been re-weighted to reflect the total number of organisations in each size category.

In overall terms, this finding shows that most organisations (with more than 50 employees) in Europe have introduced some new working practices, but that only a small proportion have introduced a wide range of new working practices (and hence gained the full benefits from a system).<sup>31</sup>

The survey shows that penetration of New Forms of Work Organisation is higher than expected in the Service Sector and lower than expected in the Manufacturing Sector. It is also higher than expected in the Public Sector (specifically hospitals, social services, residential care, general government and public administration), as it is traditionally thought that the Public Sector is more reluctant to take risks by introducing New Forms of Work Organisation. However, “System” usage is much lower in the Public Sector than in the Private Sector, perhaps because they are less likely to introduce new performance-linked remuneration systems.

**Exhibit 10**

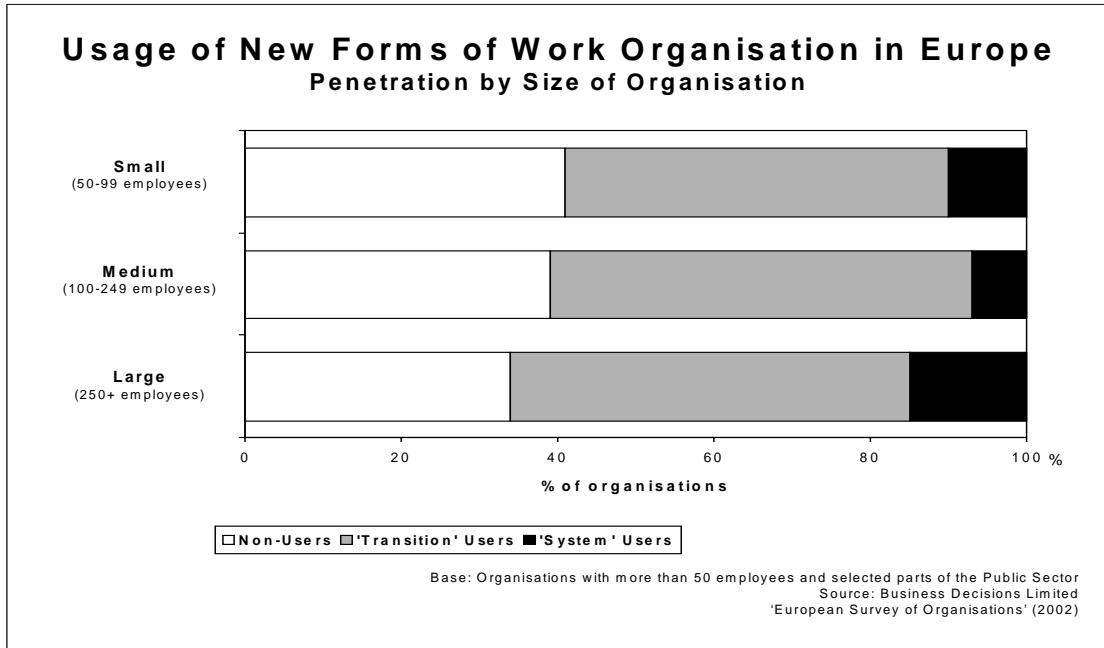


Unsurprisingly, penetration of New Forms of Work Organisation is higher amongst larger organisations. In Small (50-99 employees) organisations and Medium-sized (100-249) organisations penetration is 59% and 61% respectively. In Large organisations (250+), however, 66% are Users. The differences are much more pronounced, however, with regard to “Systems” usage where 15% of Large organisations (with more than 250 employees) are “Systems” Users, whilst only 8% of SMEs (with less than 250 employees) are “System” Users.

<sup>31</sup> This survey focused on organisations with more than 50 employees. The situation amongst organisations with less than 50 employees is likely to be different.



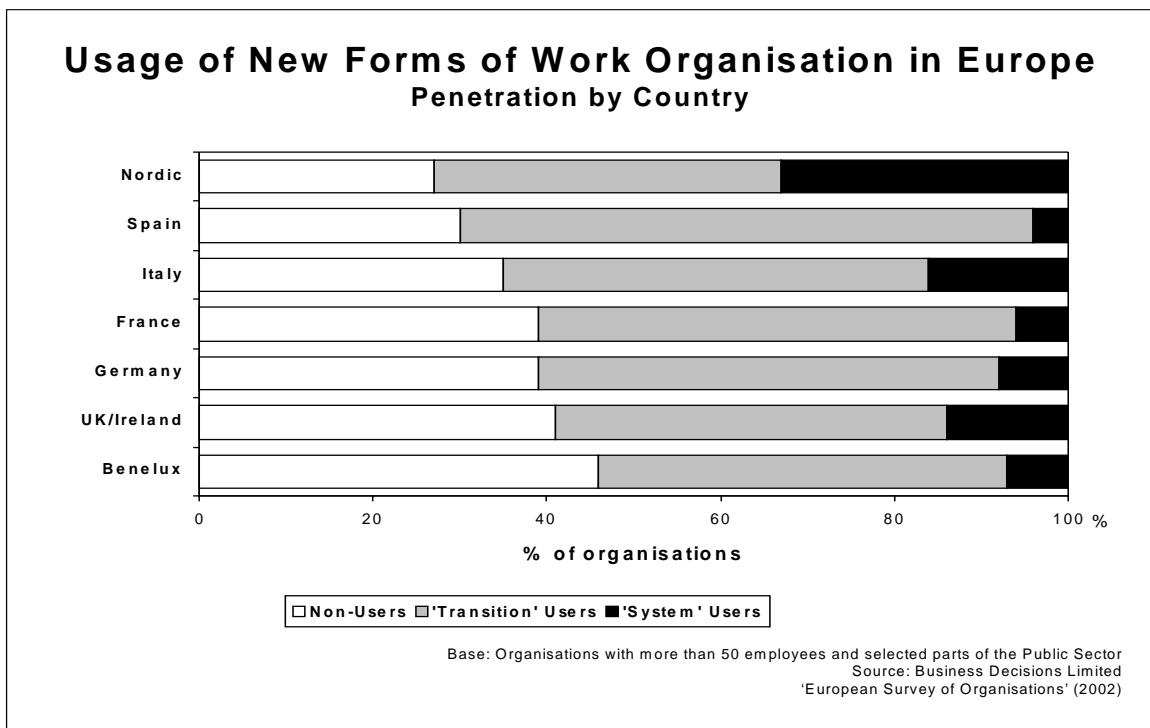
Exhibit 11



Our survey also reveals that there are major differences between countries. Penetration of New Forms of Work Organisation is highest in the Nordic countries, particularly System usage. Here 73% of organisations in our survey are users, nearly half of whom are “System” Users.

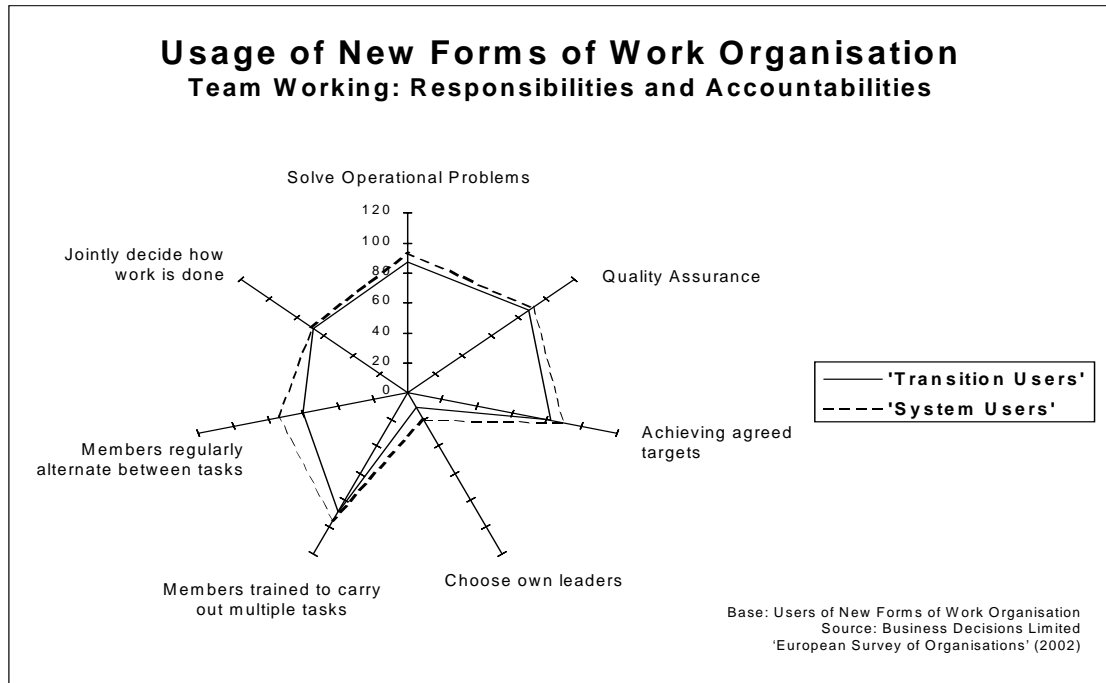
The lowest penetration is in the Benelux, where only 53% of organisations are users, and only 7% are “Systems” Users.

Exhibit 12



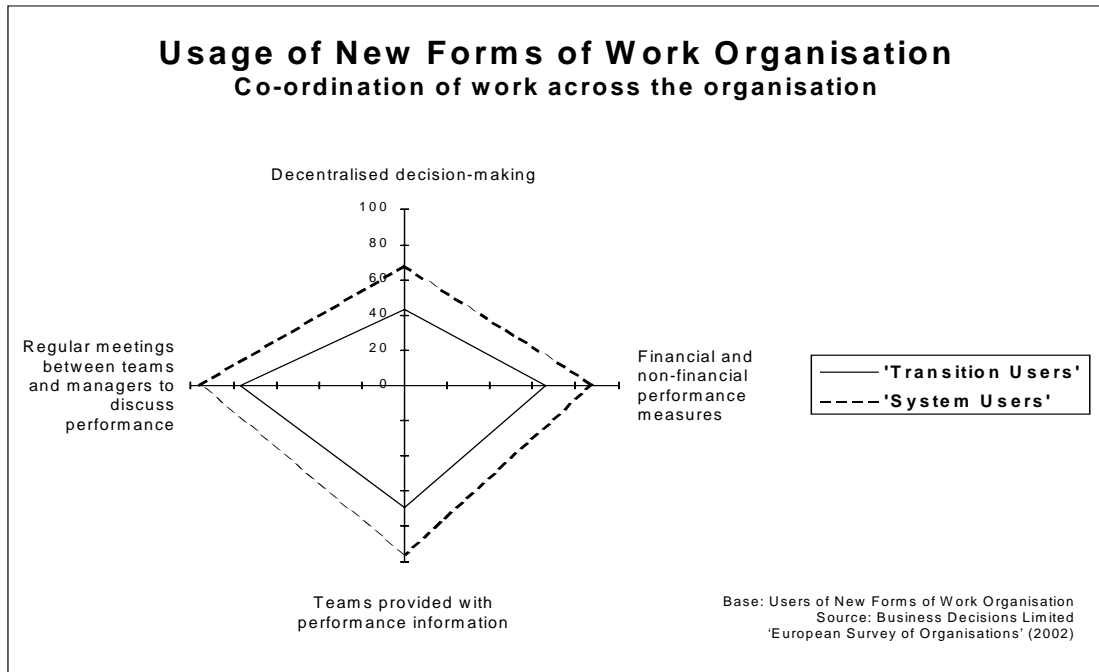
Our survey also shows where there are major differences between “Transition” and “System” Users. There is little difference in the way in which teams work. Generally, the features of formally designated teams are broadly similar between Transition and System users.

Exhibit 13



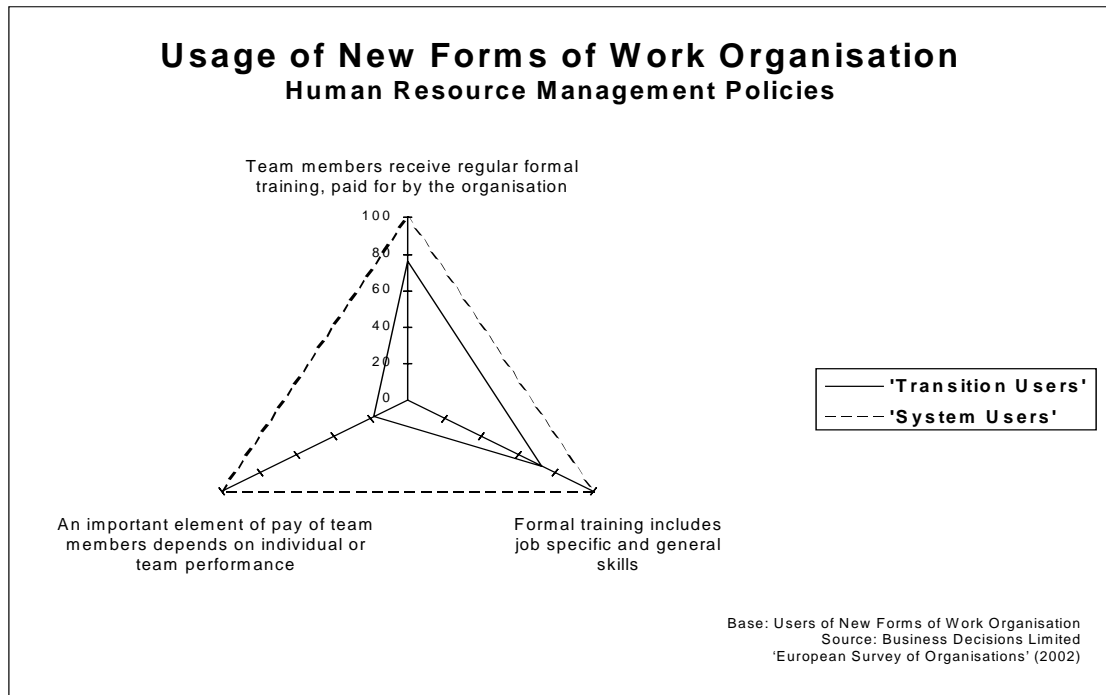
There are, however, major differences in the way in which work is co-ordinated. “System” Users tend to decentralise more decision-making; use a wider range of financial and non-financial performance measures; provide teams with more regular performance information; and discuss performance to a greater extent than “Transition” Users.

Exhibit 14



There are also differences between “Transition” and “System” Users in their Human Resource Management policies. There are differences in the extent and nature of training between “Transition” and “System” users, but the biggest difference lies in the use of pay systems. “System” users link the pay of team members to individual or team performance, whereas only a small proportion of “Transition” users do this.

Exhibit 15



## 4. NON-USERS OF NEW FORMS OF WORK ORGANISATION: REASONS

### 4.1. OVERALL SITUATION

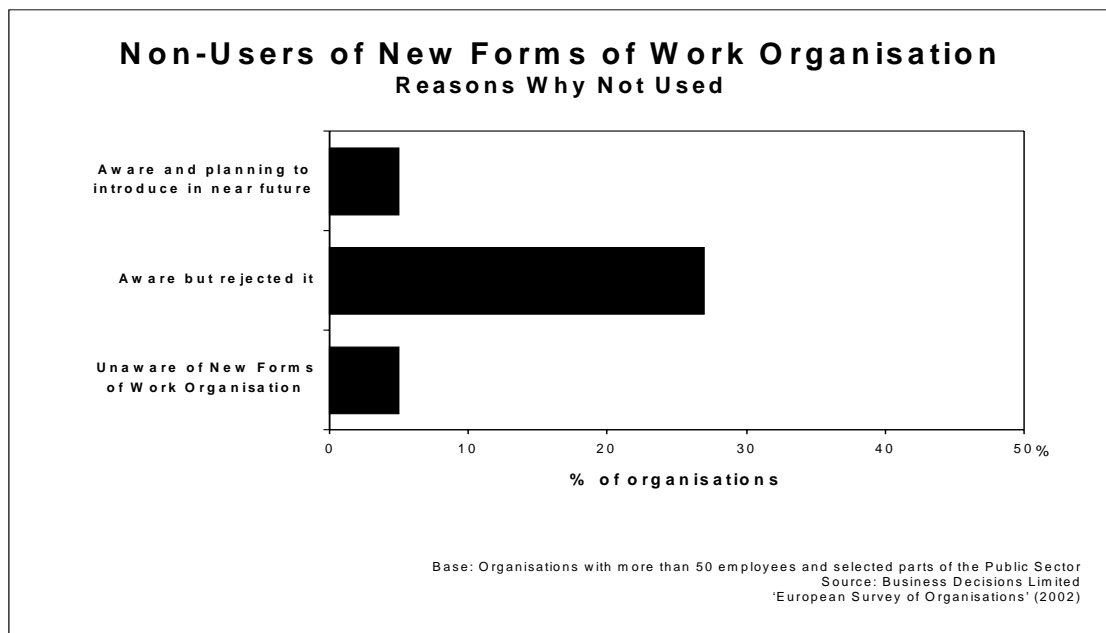
Our survey reveals that 40% of organisations with more than 50 employees are Non-Users of New Forms of Work Organisation in Europe.<sup>32</sup>

Within this group of Non-users, we have identified three sub-groups:

- Organisations who are aware of New Forms of Work Organisation and are planning to introduce it in the near future;
- Organisations who are aware of New Forms of Work Organisation but have rejected it and decided not to introduce it in their organisation; and,
- Organisations who are unaware of New Forms of Work Organisation.

These are illustrated in Exhibit 16 below.

Exhibit 16



The first conclusion is that most European organisations claim to be aware of the New Forms of Work Organisation. Only 5% are not aware.<sup>33</sup>

The second conclusion is that a significant minority of organisations are aware of the existence of New Forms of Work Organisation (30% of the total sample and 75% of

<sup>32</sup> See Appendix C for a detailed explanation of how Non-Users were defined for the purpose of this project.

<sup>33</sup> It is important to recognise that there are different levels of awareness. Some respondents may have only have a very general awareness, rather than a detailed knowledge or understanding of the benefits of New Forms of Work Organisation.

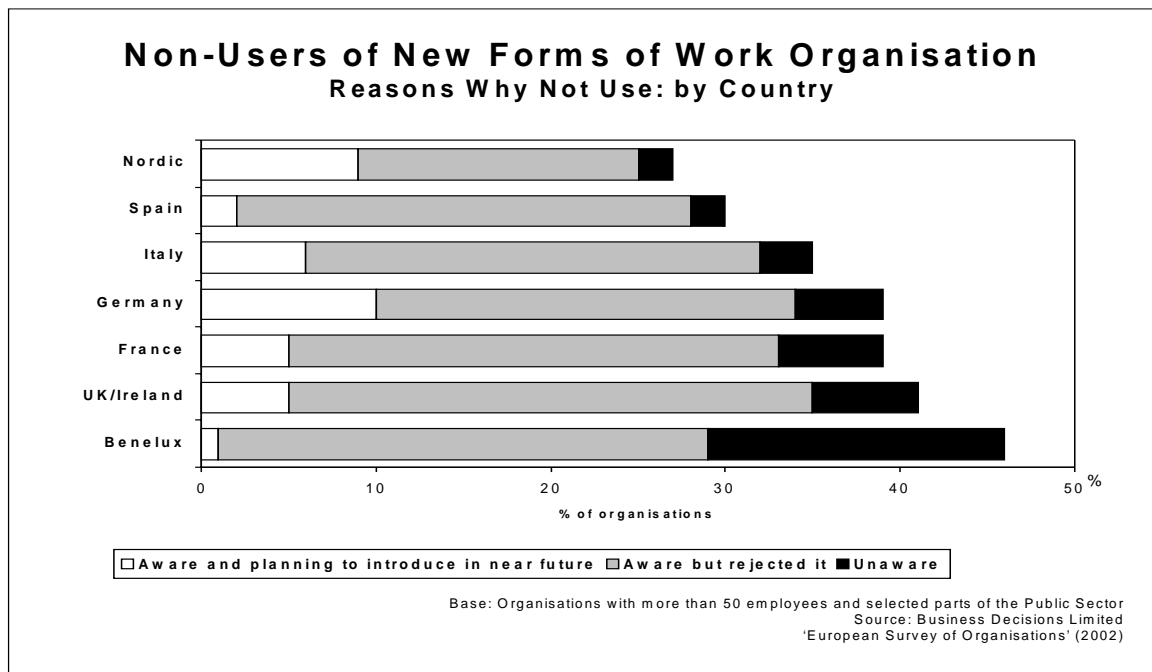
Non-users) *but* have decided not to introduce them. We examine some of the reasons why this might be the case in section 4.2 below.

The third conclusion is that only 5% of organisations (14% on Non-Users) are planning to introduce New Forms of Work Organisation in the near future.

These three sub-groups exist in a broadly consistent pattern across organisations in different sectors and of different sizes.

There are however, differences between countries (Exhibit 17). Lack of awareness of New Forms of Work Organisation is higher in the Benelux, and the proportion of organisations planning to introduce New Forms of Work Organisation in the near future is higher in the Nordic countries and in Germany.

**Exhibit 17**



## 4.2. REASONS FOR REJECTION

### 4.2.1. Overview

30% of organisations in the EU are aware of New Forms of Work Organisation but have rejected it and decided not to introduce it in their organisation. This group divides into two groups:

- **“Top of the Mind Rejecters”**: This group constitutes 17% of all organisations (and 55% of all rejecters). They are aware of New Forms of Work Organisation but they have rejected its use in their organisation without much consideration.
- **“Analytical Rejecters”**: This group constitutes 13% of all organisations (and 45% of all rejecters). They are also aware of New Forms of Work

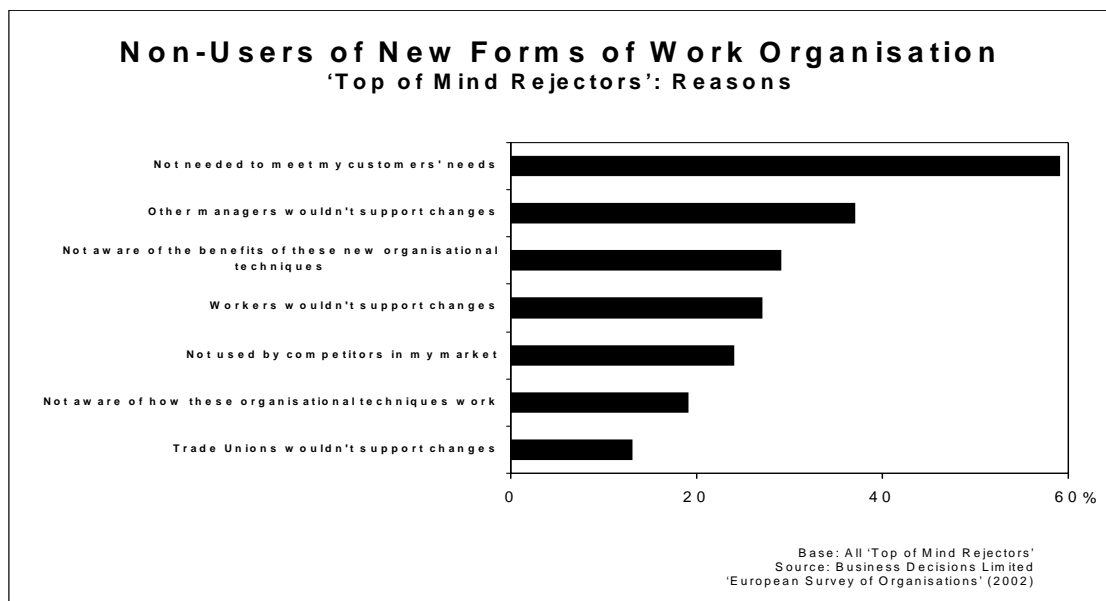
Organisation but have rejected its use in their organisation after either an informal or a formal review. Indeed approximately half of this group rejected it after an in-depth internal assessment.

We examined each of these groups separately to understand better the reasons why they have rejected New Forms of Work Organisation.

#### 4.2.2. “Top of the Mind Rejecters”

Organisations that fall into this category were asked to assess whether each of a list of seven reasons were important or not important in their decision not to introduce New Forms of Work Organisation.

Exhibit 18



Few organisations rejected New Forms of Work Organisation because of a lack of awareness of methods or benefits. Moreover, few organisations considered that lack of support from trade unions or workers were important reasons.

The principal reason cited by “Top of the mind Rejecters” for not using New Forms of Work Organisation is the belief that such organisational methods are not needed to meet their customer needs (59% of “Top of the Mind Rejecters”).

This appears to be a rational, economic, market-based reason. For example, organisations pursuing strategies based on high levels of investment in R&D and strong product innovation, or on cost competition, may decide that New Forms of Work Organisation are not essential or appropriate for their success. Others, on the other hand, may take the view that their current approach meets current market needs and therefore there is no real need to take risks or to change anything. It is also possible that some organisations are “Top of Mind Rejecters” because they are not fully aware of the benefits of New Forms of Work Organisation, or have not fully considered the opportunities and benefits that New Forms of Work Organisation can bring.

The second most important reason was perceived managerial opposition (37%). There are very few differences between organisations of different sizes. The main differences lie between the Public Sector and the Private Sector. Not surprisingly, market-place reasons are much more important in the Private Sector (65% of companies) than in the Public Sector (36% of organisations). However, managerial opposition is viewed as a more important reason in the Public Sector (45%) than in the Private Sector (35%), as is lack of awareness of how these organisational techniques actually work (16% versus 32% respectively).

#### **4.2.3. “Analytical Rejecters”: Reasons**

“Analytical Rejecters” (who account for 12% of the total sample and 45% of all Rejecters) are organisations that have undertaken some form of review to assess whether or not to introduce New Forms of Work Organisation. Approximately half of them rejected it after an extensive internal assessment.

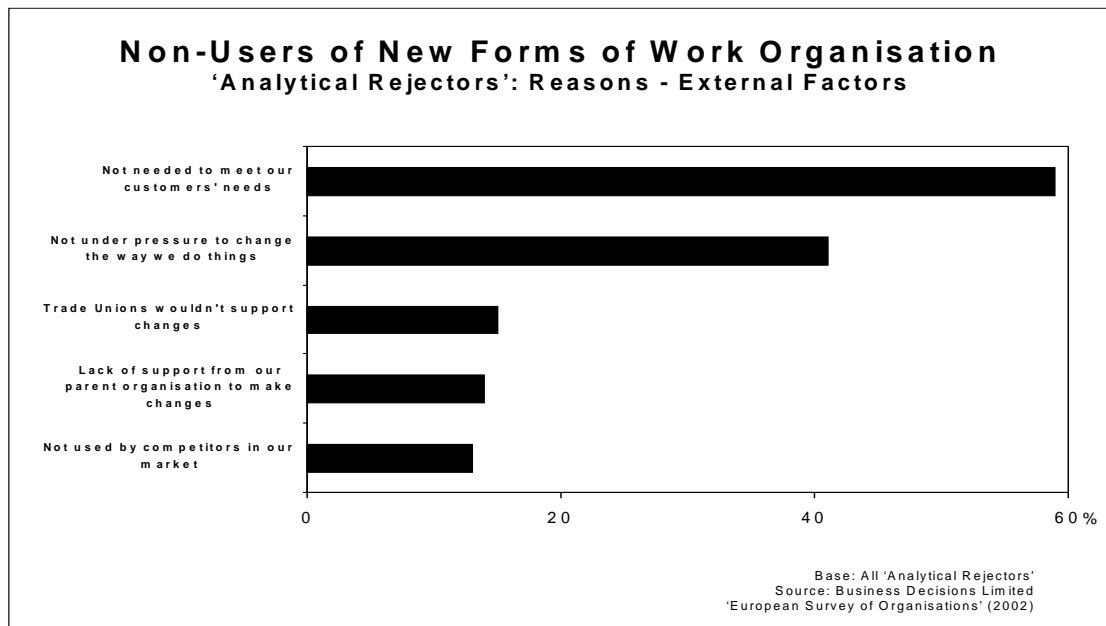
Our survey examined both the *external* reasons and the *internal* reasons why some organisations seriously considered using New Forms of Work Organisation, but rejected the idea.

Organisations were asked to assess whether each of a list of five external reasons and ten internal reasons were important in their decision not to introduce New Forms of Work Organisation. The results show that organisations have rejected the idea for a combination of external and internal reasons.

The most important *external* factor influencing the decision not to introduce New Forms of Work Organisation is again customer-based. Organisations believe that it is not needed to meet their customers’ needs (59%).

Once again, few organisations considered that Trade Union opposition was a major reason for deciding against the introduction of New Forms of Work Organisation.

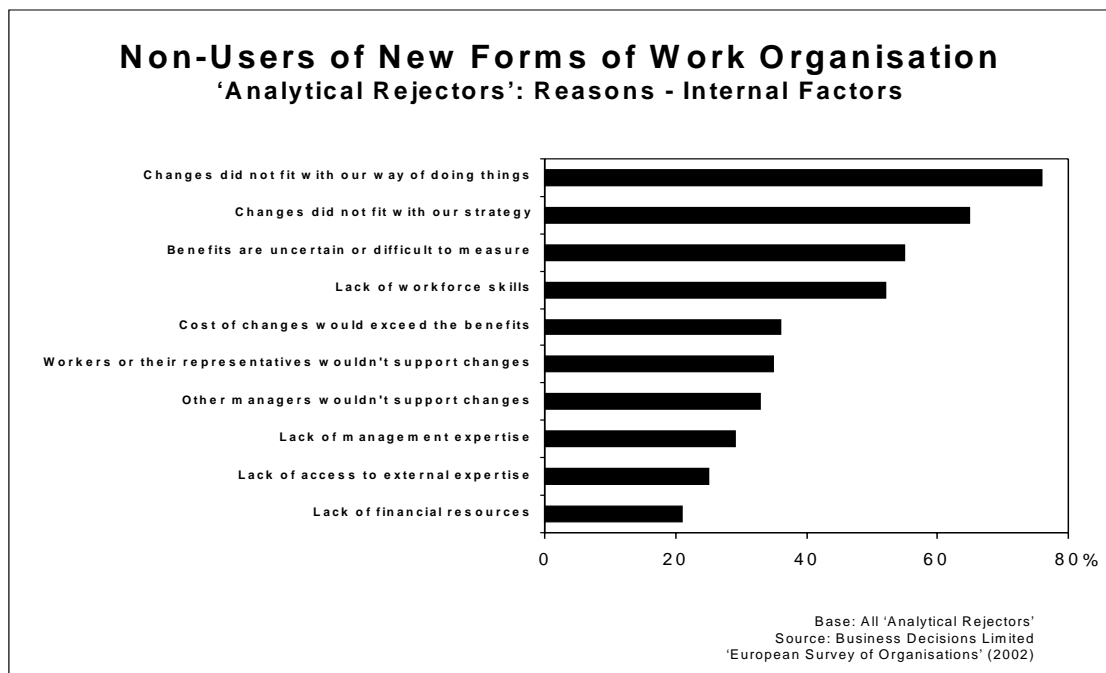
Exhibit 19



The two most important *internal* factors influencing the decision not to introduce New Forms of Work Organisation are cultural (76%) - the belief that the changes in work organisation did not fit with their organisation's way of doing things - and strategic (65%) - the view that changes did not fit with the organisation's strategy.

Other important internal reasons were that the benefits are uncertain and difficult to measure (55%); and that there is a lack of workforce skills (52%).

Exhibit 20



In overall terms, these results show a highly rational approach. Organisations reject New Forms of Work Organisation principally for strategic or for cost/benefit reasons.



In general, organisations did not reject New Forms of Work Organisation because they faced a significant resource gap (in terms of financial resources, access to external expertise or lack of management expertise).

There are some differences between different types of organisations, particularly between the Private and the Public Sectors. Private Sector organisations are more concerned about lack of strategic fit (79%) than Public Sector organisations (54%), and about the difficulty of measuring the benefits (61% and 45% respectively).

Public Sector organisations, on the other hand, are more concerned about potential managerial opposition than Private Sector organisations (64% and 30% respectively). They also cite lack of pressure to change the way they do things as a much more important external reason than the Private Sector (73% and 38% respectively).

## 5. USERS OF NEW FORMS OF WORK ORGANISATION

### 5.1. OUR APPROACH

There is extensive literature available that describes some of the *operational problems* encountered by organisations when attempting to introduce new ways of working. Examples include failure to:

- Lead the organisation effectively from the top;
- Consult middle managers and employees extensively and involve them continually in the process;
- Develop effective partnerships between managers, employees, and employee representatives;
- Communicate effectively with people throughout the organisation, in an appropriate manner and on an on-going basis;
- Build commitment to the new organisational system and to overcome fears amongst managers and staff;
- Implement the new system in an integrated fashion;
- Adapt the implementation plan as necessary over time and to recognise that the change process is a continuous one;
- Invest adequately in training and new technology; and,
- Measure change throughout the implementation phase.

But much of the literature focuses primarily on the *symptoms* not the *underlying reasons* why problems occur. Few existing analyses address the causes, such as lack of managerial competence; lack of access to expertise; lack of fit with existing culture; lack of long-term commitment; lack of staff skills; negative attitudes; difficulties with industrial relations institutions and structures and Labour Market Regulations; insufficient financial resources; and lack of investment in relevant complementary technologies, especially ICT.

Our analysis has sought to distinguish between the apparent problem (or “symptom”) and the underlying causes.

We believe, however, that there is no simple, linear, mono-causal relationship between the symptoms and the underlying causes. Indeed the survey and the case studies show that the relationship is a complex one, as obstacles manifest themselves in a series of overlapping problems.

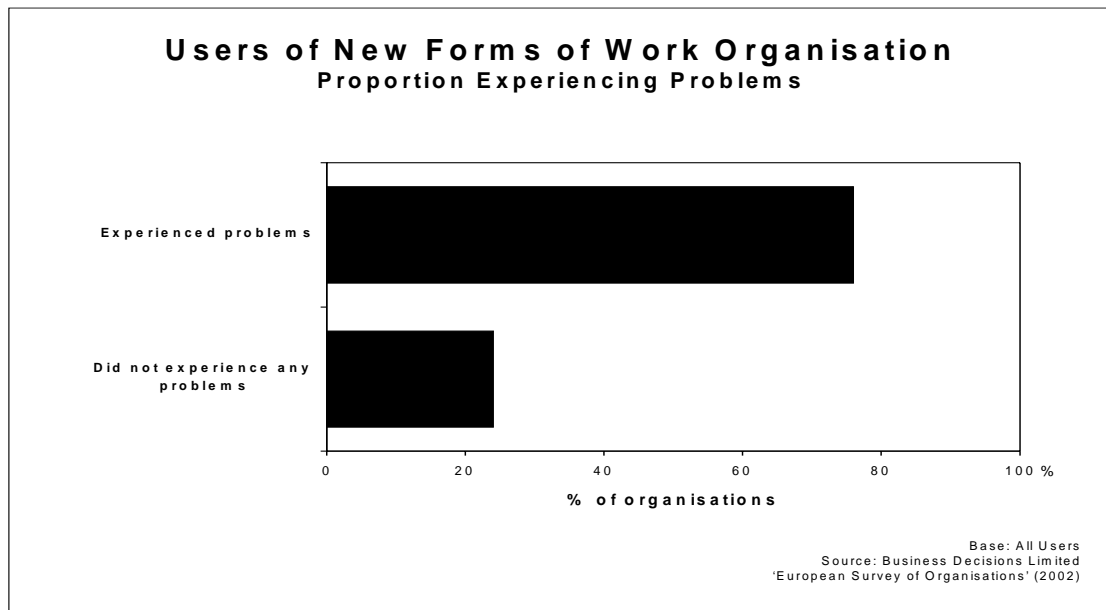
### 5.2. THE APPARENT PROBLEMS

#### 5.2.1. Problems: Scale

Our survey explored the extent to which users of New Forms of Work Organisation experience problems during implementation.

In overall terms, 76% of organisations in our survey had experienced problems of some sort during implementation.

**Exhibit 21**



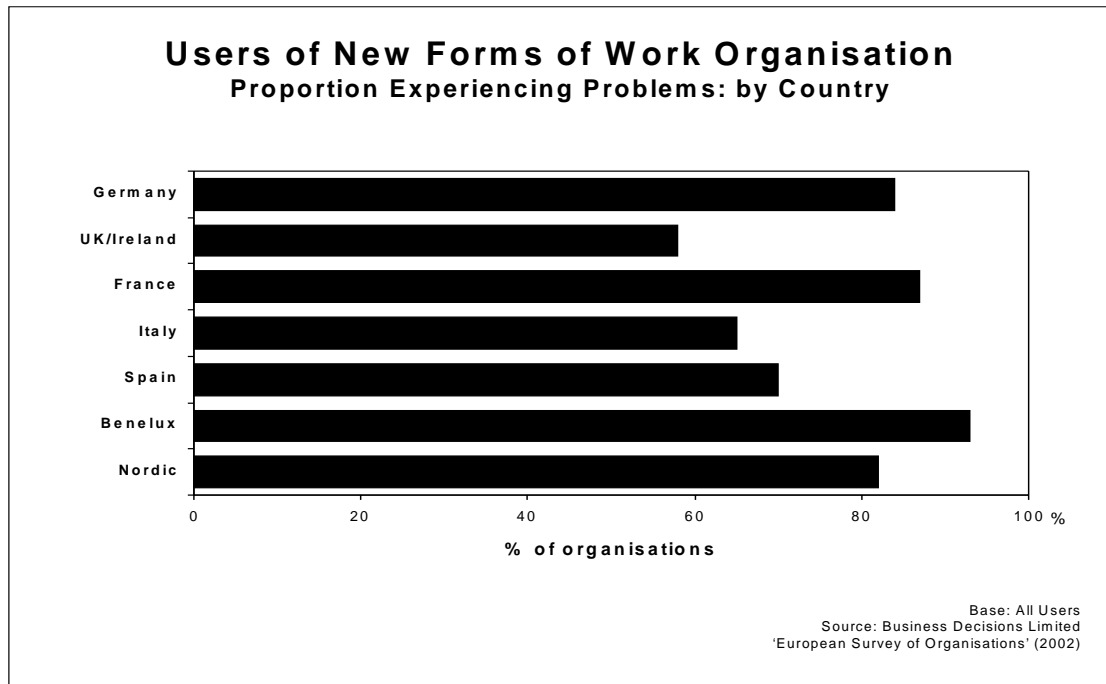
A quarter of the organisations in the sample claim that they had managed to introduce new working practices without experiencing any major problems.

This scale of problems is consistent with the experience of organisations when they attempt to introduce a major IT systems, but it is considerably greater than that normally experienced by organisations when they make an investment in physical equipment. One reason for this is that organisations have plenty of experience in making physical investments but much less experience in making investments in organisational change.

Not surprisingly, larger organisations experience more problems than smaller organisations. This probably reflects the increased complexity of larger organisations in terms of functions, product lines and geography.

In addition, organisations in some countries appear to experience more problems than in others. This is particularly the case in the Benelux, France, Germany and the Nordic countries. However, there is no simple correlation between extent of use and problems experienced. In the Nordic countries, for example, a relatively high proportion of organisations experience problems (82%), yet penetration of New Forms of Work Organisation is very high. On the other hand, fewer organisations in the UK/Ireland experience problems (58%), yet penetration is lower than in the Nordic countries (59% versus 73%).

Exhibit 22



However, broadly the same number of “Transition” Users and “System” Users experience problems.

### 5.2.2. Problems: Nature

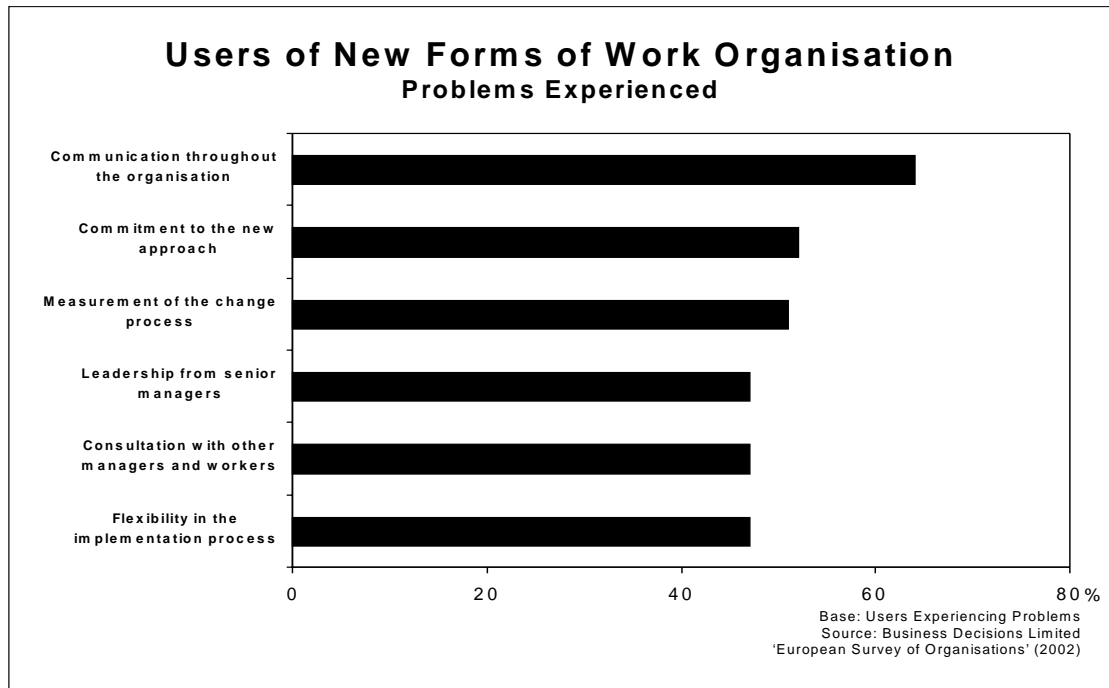
Organisations were asked to indicate whether they had experienced any of six problems identified from our literature search as being potentially important problems. They were also given the opportunity to identify other problems that they might have experienced in their organisation.

The research shows that there is no single dominant problem facing organisations. The types of problems experienced are quite disparate – different organisations experience different problems.

This is illustrated in the diagram below. It shows that the most frequently occurring problem relates to the difficulties of communicating effectively throughout the organisation (64%). But other problems were experienced by many organisations. These include:

- Lack of commitment amongst employees to the new approach (52%);
- Difficulties in measuring the progress of the change process (51%);
- Failures in leadership from senior managers (48%);
- Difficulties in consulting effectively (48%); and,
- Lack of flexibility in the implementation process (48%).

Exhibit 23



The wide range of problems experienced is confirmed in our case studies. Exhibits 24 and 25 below exemplify the problems experienced by a large public sector organisation in Belgium and by a manufacturing company in Spain.

Exhibit 24

**Case Study: PB (Benelux)**

PB is a large public sector organisation in the Netherlands, providing household services and nursing in the home to elderly and ill people.

In order to respond better to the needs of its patients, to improve efficiency, to improve staff morale, and to compete in the newly liberalised “market”, PB introduced a new system of team working.

However, they have encountered a wide range of problems:

- **Lack of leadership by senior managers:** there has been a failure to identify and maintain a consistent vision of the change process and its benefits.
- **Failure to build commitment to the new approach:** staff remain unconvinced that the changes represent a coherent way of achieving the goals of the organisation.
- **Design failings that make implementation less effective:** the changes have been partial and exclude key changes in complementary HR policies such as training and remuneration.
- **A poorly designed implementation plan:** the organisation has tried to do too many things too quickly and failed to tailor implementation to the capacity of the organisation to absorb change. Moreover, they simultaneously tried to implement a cost-cutting plan, which further undermined the organisational change process.
- **Inadequate consultation with employees:** there were inadequate feedback opportunities during the implementation process. Senior managers lacked information about the impact of the changes on the day-to-day work, and employees were unable to communicate their concerns effectively.

As a result of these problems, the new approach is not operating efficiently; the workload for employees has increased; targets have not been met; and employee perceptions of the new approach are negative.

**Exhibit 25**

**Case Study: SM (Spain)**

SM is a co-operative organisation in Spain. Employing around 1,400 people, it produces electrical appliances, telephony, and other electronic products for the automotive sector. It has three plants in Spain, one in the UK and one in Brazil. It also has local offices in France, Germany, Sweden, Japan and the USA.

Following a strategic review of the organisation at the end of the 1980s, SM introduced major changes including Continuous Improvement (“Hobekuntza”), customer based teams, devolved decision-making, new communication concepts, cultural changes, and training.

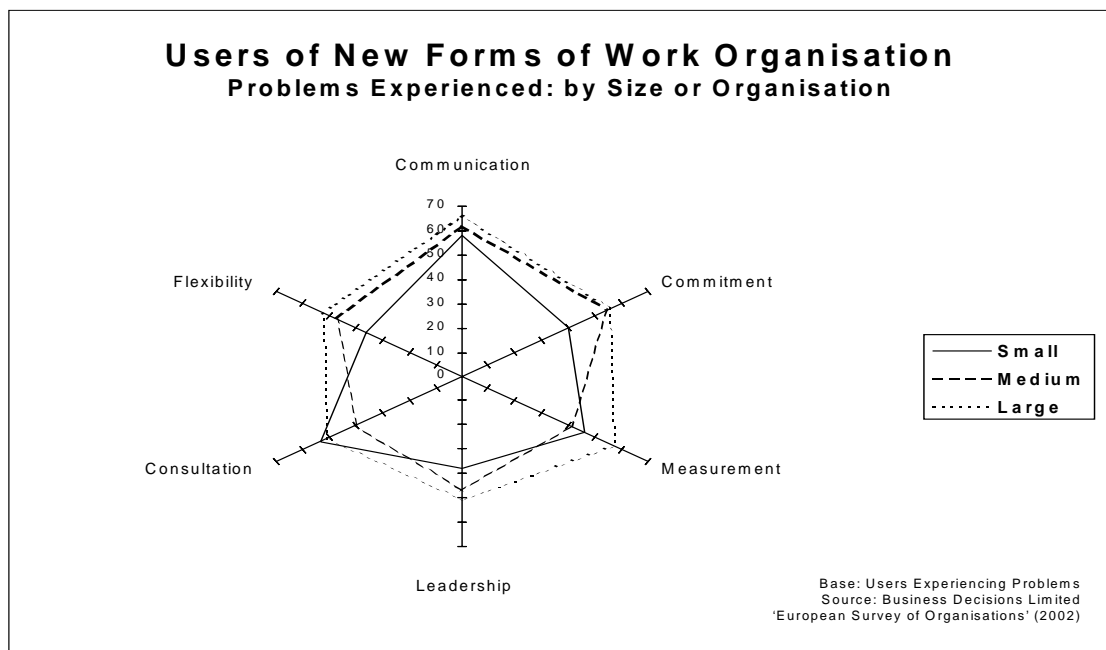
However, a wide range of problems emerged during the implementation process:

- **Lack of experience amongst managers of the change process:** in the early stages, there was a failure to develop an effective communication plan to build a common vision.
- **Ineffective communication throughout the organisation:** initially, the old communication structures proved inadequate to meet the new challenges.
- **An inflexible implementation process:** the process was unable to deal with the consequences of success. Overwhelming suggestions for improvements, for example, blocked normal work.
- **Lack of integrated approach to implementation:** initially, insufficient attention was paid to related issues, such as the ergonomics of equipment and work quality.

Many of the problems that emerged in the initial stages were later rectified, and SM has successfully transformed its organisation. Productivity has increased and new customers have been gained. However, the process has taken a long time.

Our survey shows that larger organisations have more problems than smaller ones. In particular, a greater number of large organisations have experienced problems in gaining commitment to the new approach from all staff; in providing effective leadership from senior managers; in measuring the change process; and in allowing flexibility in the implementation process. This is illustrated in the diagram below.

**Exhibit 26**



Our survey also reveals that more Public Sector organisations experience problems than Private Sector organisations, particularly with regard to communicating throughout the organisation (71% and 61% respectively) and gaining commitment to the new approach (58% and 49% respectively).

Moreover, more “System” Users experience problems than “Transition” Users, probably because of the scale of the changes that they are making.

In overall terms, however, the situation is broadly similar across countries.

Our case studies confirm these findings, but they also reveal two additional problems experienced by organisations.

The first problem concerns the initial *design* of New Forms of Work Organisation. It manifests itself in two ways:

Some organisations fail to create a new “System” in which all the components work together in a mutually reinforcing fashion. Our case studies reveal that gaps can occur in any area, but the most common are:

- **Lack of new performance measures:** some organisations introduce team working and delegate responsibility for meeting operational targets to each team. However, they then fail to introduce new performance measures that reflect operational targets (e.g. cycle time, waste, quality, and customer satisfaction). This is a significant problem because such measures are a key mechanism for resource allocation and priority setting. They are also crucial for establishing accountability amongst the teams and as a basis for pay systems that are linked to performance. Ultimately, it is very difficult to judge whether New Forms of Work Organisation are successful if there are no mechanisms to monitor effectiveness.
- **Insufficient training:** Some organisations fail to introduce sufficient new training programmes to overcome skills gaps and to help employees to master the new general skills needed to work in the new environment (e.g. team-working skills). This is important because few organisations have the necessary range of skills.
- **Pay systems:** Some organisations fail to introduce new pay systems that are linked to individual or group performance. This is a major gap as teams lack the incentive to achieve new targets and to change their working practices. Our analysis show that this is more likely to apply in the Public Sector than in the Private Sector and in SMEs than in Large Scale Enterprises.

There is also evidence in the case studies that some organisation make *mistakes* in the way in which they design specific components of the new work system. For example, an organisation may recognise the need to introduce pay systems linked to performance, but the specific system introduced may over-emphasise the performance of individual teams and discourage collaboration between teams even though this is also operationally important.

The Exhibit below illustrates the problems that arose in an Austrian Municipal Administration because of gaps in the initial *design* of the new work organisation system, specifically in terms of remuneration systems and training.

**Exhibit 27**

**Case Study: AMA (Austria)**

This organisation provides administrative services for activities delegated to Local Government in Austria. Activities include the operation of a kindergarten, five schools, an old age care facility, a wastewater disposal system, a swimming pool, municipal roads, and the administration of real estate owned by the municipality. It employs 68 people and has a budget of around Euro 14 million.

In recent years, responsibilities and staff numbers have both increased significantly. AMA recognised the need to establish an organisational structure to improve internal efficiency and better motivate employees. It therefore introduced a new team-based structure and new formal training programmes.

However, the effectiveness of the team working has been affected by gaps in the initial design of the new approach. New performance measures were not introduced, and no changes were made to the remuneration system. In addition, training was primarily focused on job-specific rather than general skills.

These problems, along with others, have limited the overall effectiveness of the changes and have delayed the implementation process.

The second problem identified in the case studies concerns the *integration* of new work organisation with other aspects of the organisation. This problem manifests itself in two ways:

- A failure to provide the necessary supporting infrastructure; and
- A failure to introduce New Forms of Work Organisation to enough parts of the organisation.

New Forms of Work Organisation often need additional complementary investments in supporting infrastructure in order to ensure effectiveness and to maximise the benefits. In some situations the necessary supporting infrastructure is inadequate or not changed to suit the new organisation of work. Examples of this include:

- **ICT:** Lack of suitable investment in the ICT infrastructure. Problems occurred, for example, for performance measurement systems, for management information and communication, and for job planning and resource allocation.
- **Production Equipment:** Existing equipment may be based on “Taylorist” work organisation systems or may emphasise “traditional” objectives (such as long production runs), which do not fit with the new ways of working.
- **Facilities:** Existing facilities may not match new working methods. Problems occurred where there were too few suitable teaching rooms in schools and too few libraries in universities.



- **Wider Planning and Control Infrastructure:** The existing infrastructure may not suit the new work organisation. Problems occurred if, for example, where the planning cycle did not match the new pattern of work, or where the timetable in schools did not meet the needs of the new system.

Integration problems can also arise if new work organisation methods are limited to one area in a larger organisation, or if they are used in different ways in different units. When this happens, it can undermine the capacity of different parts of the organisation to work together effectively. For example, problems can arise if teams have differing responsibilities and/or resources, or if teams have to work alongside more traditional, hierarchical units.

The Exhibit below illustrates the problems that arose in a UK University through lack of complementary investment in supporting ICT infrastructure and physical resources.

**Exhibit 28**

**Case Study: UKK (UK)**

Formerly a Polytechnic, UKK became a University in the early 1990s. The Faculty of Business is one of six faculties, and comprises the Business School and the Law School. It has some 3,500 students and around 200 academic staff.

In the late 1990s, faced with significant pressure to increase student throughput, to improve the quality of teaching and research, and to reduce wastage and costs, the Business School introduced a programme of organisational change based on team-working, new working methods, new structures, new managers, and new performance measures.

A number of substantial problems emerged during the implementation process. One of these concerned the lack of an integrated approach to investment. Resources were not made available to improve IT systems to support the other changes that were made. There was also a lack of teaching rooms of a suitable size. Moreover, funding for the library and learning resources (that had historically been low by national standards) was not increased to support the new objectives of the organisation. In addition, timetabling and other organisational changes were impeded by the absence of an effective University management information system.

These problems, among others, contributed to a significant decline in the morale of teaching and administrative staff, a slow down in the pace of implementation and an overall reduction in the effectiveness of the changes.

**5.3. THE UNDERLYING OBSTACLES**

**5.3.1. The Principal Obstacles**

Our survey examined the *underlying causes* of these problems. Respondents<sup>34</sup> were asked to think about the reasons why problems emerged during the implementation of New Forms of Work Organisation. They were asked to assess whether each of a list of ten obstacles were important or not important in their situation. They were also given the opportunity to identify additional obstacles that they had encountered.

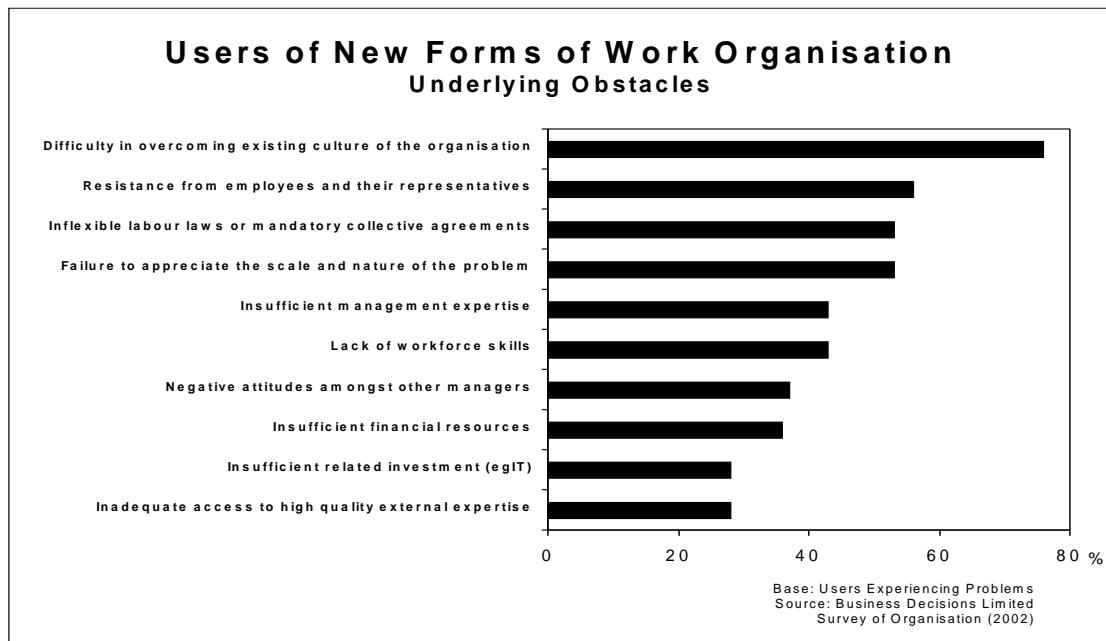
<sup>34</sup> The person responsible for Human Resources or Personnel Policy in the organisation, usually the HR Director (or the Managing Director in smaller organisations).

Three of the four most important reasons why problems emerge are primarily “internal”:

- Difficulty in overcoming the existing culture of the organisation (76%);
- Resistance from employees and their representatives (56%); and,
- Failure to appreciate the scale and nature of the problem (53%)

Only one of the four most important reasons why problems emerge is primarily “external” (Inflexible Labour Laws or Mandatory Collective Agreements – 53%). Moreover, responsibility for two of the three internal obstacles lies principally with management (cultural obstacles and management competence).

**Exhibit 29**



Given the nature of the changes we are examining (changes in working practices, structures, and systems), it is not surprising that the two most important obstacles are “existing cultures” and “resistance to change”.

The existing culture of an organisation is usually deeply embedded and specific to that organisation. Moreover, it simultaneously reflects *and* drives organisational structures, practices and systems.

Equally, it is not surprising that “fear of change” is another major obstacle faced by organisations, given the uncertainty that accompanies major organisational change and the potential loss of status, jobs, and money that may arise for some workers.

But organisations also consider that inflexible labour laws and mandatory Collective Agreements create significant obstacles for organisations in introducing New Forms of Work Organisation. Moreover, organisations also believe that lack of managerial competence (especially the failure to appreciate the scale and nature of the problem) as a significant obstacle to the introduction of New Forms of Work Organisation.

Another key conclusion of the survey is that lack of resources (financial, investment or external advice) is *not* perceived to be a major obstacle by the majority of organisations.

### 5.3.2. Cultural Obstacles

The culture of an organisation embodies the ideologies, beliefs, customs and deep-set values held by the organisation. It encompasses the way an organisation thinks about things and its way of doing things. It is important as it guides the way people think, feel, behave and work in an organisation.

Not surprisingly then, organisations that introduce significant changes in work organisation often encounter cultural obstacles.

Indeed, difficulties in overcoming the existing culture of the organisation is cited as the single most important obstacle by organisations of all sizes, in all sectors, in all countries. Moreover, both “System” Users and “Transition” Users identify it as the most important obstacle that they faced.

There are some variations in terms of the relative importance of this obstacle. Larger organisations, for example, identify it as a more important obstacle than Small organisations (78% and 63% respectively). This reflects the greater complexity of a large organisation and the greater scope for the emergence of strong specialist “sub-cultures” and entrenched managers pursuing their “own agendas”.

There are also some country variations. Whilst culture was identified as the most important obstacle in all countries, it is seen as a particularly important obstacle in the UK (86% compared to an average of 75% across all other countries).

But there are no significant differences between organisations in Manufacturing or Service Sectors, or between the Private and the Public Sector.

Our case studies confirm these findings and shed greater light on why the existing culture of an organisation can be such an important obstacle to the introduction of New Forms of Work Organisation.

In general terms, our case studies show that New Forms of Work Organisation encourage the development of cultures that are based on high levels of participation in decision-making; sharing and transparency of information; multi-skilling; and collaboration within and between work groups. On the other hand, clear performance targets are set at all levels, and responsibility and accountability for meeting targets is delegated to workers.

This leads to a number of different types of cultural obstacles:

- **A clash with existing “traditional” cultures:** Our case studies reveal that there can be direct clashes between the culture associated with successful implementation of New Forms of Work Organisation and more traditional cultures, particularly “Taylorist” cultures and “Individualistic” cultures.

- **Taylorist Cultures:** These cultures tend to emphasise hierarchy; strong controls; limited worker responsibility; limited worker participation; limited information flows; and narrow skills. Some managers and workers feel comfortable in this environment, particularly if an organisation has used this approach successfully and/or for a long time. Any new approach must over-come the consequences of this traditional approach and deal with the problems that arise from disrupting the stability, secure status, and predictability associated with it.

The Exhibit below illustrates this problem in a company in Portugal.

**Exhibit 30**

**Case Study: PN (Portugal)**

PN is a Portuguese accounting, taxation and financial management services company. Founded in 1978, it now has a network of 9 offices in the Greater Lisbon area, providing services to self-employed people and SMEs. It now employs 140 people and has a turnover of Euro 3.5 million.

To respond to increasing levels of competition, PN designed and implemented a high performance work system. It introduced a new structure based on Strategic Business Units, new operational processes, team working, new communication improvements, new remuneration systems, and revised HR policies.

However, PN faced a number of problems during the implementation process, some of which were caused by difficulties in over-coming the existing culture and values of the organisation. At the beginning, many employees saw the change process as peripheral to their activities. They compared it unfavourably with the previous hierarchical culture with its rigid, functional structure, secure status, and predictable promotional opportunities.

But once the company improved employee participation and involvement in the implementation process, attitudes began to change. But the overall change process took longer than expected.

The new work system has already generated many benefits for the company, including improved staff motivation, improved customer satisfaction, and more effective communication. Moreover, staff are now questioning existing ways of doing things, and proposing changes to improve efficiency. Despite the short time since implementation began, productivity has also increased.

- **Individualistic Cultures:** Often associated with professional service organisations, technicians and public sector professionals, “Individualistic” cultures tend to have a strong technical focus and extensive freedom for individual professionals to work on their own. There is little collaboration between individuals in such organisations and there is a tendency towards loose forms of managerial control. Any new culture associated with changes in work organisation has to overcome the strong technical focus and the extensive “professional freedom” of the existing organisation and encourage stronger team working, multi-skilling and performance measurement in the new organisation.

The Exhibit below illustrates this problem in a private sector company in the Benelux.

**Exhibit 31**

**Case Study: BTM (Benelux)**

Located in Benelux with turnover in excess of Euro 500 million, BTM provides international airline services. A specialist, in-house department provides the company and third party airline operators with fleet maintenance services.

This case focuses on the introduction of teamwork among 4000 technicians in the aircraft maintenance department.

The pilot phase of introduction helped the maintenance department to identify problems and underlying obstacles that might reduce the effectiveness of a wider reform programme. A number of major problems emerged during the pilot phase.

But the biggest obstacle to change was the difficulty in overcoming the existing culture and values of the organisation. A dominant culture existed within the organisation. Many team members “just wanted to do their job” without all the extra tasks that were involved in teams, and some wanted strong leadership. The project leaders described this as ‘binary thinking’: “I have a boss or I don’t have a boss”. It was believed to stem from a ‘technicians culture’ and way of thinking. There were also culture clashes with other, un-reformed parts of the organisation. Team members reported a refusal from personnel outside the teams to accept their autonomy, for instance by refusing to allow team members to collect parts from the store where they did not have the authority to do so before.

Despite the obstacles, teamwork has been introduced for all the personnel in BTM, although the team-design that was established in the pilot stage has been modified. BTM is now the best performing business inside the company and is seen to be an example of excellence.

- **Difficulties of merging different types of cultures whilst introducing new work organisations:** Our case studies show that some organisations attempt to introduce New Forms of Work Organisation as part of the process of merging two separate organisations (often after an acquisition or merger). This leads to particular problems as organisations try to merge two different organisations to create a third.

The Exhibit below illustrates this problem in a private sector services company in Greece.

**Exhibit 31**

**Case Study: GO (Greece)**

GO is a subsidiary of a multinational energy company, distributing and selling energy products. It employs approximately 400 people and has a turnover of Euro 1.4 billion.

In the late 1990s, the company entered into a “joint venture” with another energy company, and subsequently purchased the business. The challenge for the company was to sustain its market position and retain its flexible work organisation, an important competitive advantage. GO was aware that other acquisitions had failed to merge work practices effectively and hence it took a cautious, slow, but systemic approach to bringing the other company’s personnel practices and work organisation into line with its own approach.

GO was aware of the need to create a new, unified culture and set of organisational practices. In particular, GO wanted to transform the more “traditional” work organisational practices of the divisions it had acquired to its own “flexible” and “participatory” philosophy and practices.

One of the biggest obstacles that the company faced during the process of implementation was the difficulty of overcoming the existing culture and values of the acquired company, where staff had been used to working in a “traditional” manner, with a specific set of individual responsibilities, performance measurement systems, a hierarchical organisation and one-way communication and reporting systems. In contrast, most GO employees had started their working lives at that company, at a young age, and thus its organisational structure was the only one they were familiar with.

A year after the introduction of GO’s “flexible” work organisation and practices into the acquired company’s operations, the company is pleased with the outcomes. While operational improvements are hard to quantify, the company feels that visible and significant operational improvements have been attained with the reform program. Product delivery and customer satisfaction measurements for the two groups are now almost identical.

The majority of the new staff have adapted to the new setting and corporate culture willingly and well, having been given time to understand the philosophy behind GO’s work organisation and its benefits for them. The difficulty that remains is that the middle management of the acquired company seems less enthusiastic and not as committed to the changes.

- **A clash with wider attitudes in society:** Our case studies show that, on occasions, the cultural problems associated with the introduction of New Forms of Work Organisation are not organisation specific. Sometimes the problems relate to a wider clash with more general societal attitudes, or the attitudes of some groups in society. For example, some societies may place a higher emphasis on hierarchy or on pay practices that reward all equally or on the basis of length of service. In others, education systems may place more emphasis on narrow technical skills and less on wider, more general skills. In some situations, these issues can create cultural obstacles to change.

The Exhibit below illustrates this problem in a large Public sector organisation in Sweden.

**Exhibit 33****Case Study: SC (Sweden)**

Responsible for local government in a small town in Sweden, SC employs more than 600 people. As well as implementing local regulations, SC is responsible for the delivery of a wide range of services, including education, leisure, child care and care for the elderly. This case study focuses on the 300 SC employees responsible for the provision of care for the elderly.

In the late 1990s, SC decided to review its provision of care for elderly residents. Its aim was to improve the quality of service and cost efficiency. To achieve this, SC decided to make major reforms in work organisation. SC introduced a “high performance work system”, including a new flatter organisation, based on semi-autonomous teams, new communication and consultation processes, new performance measurement systems, formal training programmes, and revised remuneration systems.

During the process of implementation, SC encountered a number of problems, many of which arose from the difficulty of overcoming the existing culture of the organisation.

The previous old-fashioned and traditional model of organisation was strongly supported by most workers and managers. It had a strong ‘fit’ with the cultural values of the locality. The new model was based on more modern principles that emphasised equality and individual responsibility rather than conformity to traditional, hierarchical values. Organisational change, therefore, needed to overcome cultural values that had their roots in the wider, societal framework.

As a result, the process of organisational reform took longer than planned and was less effective in the early stages. It also required more investment in employee training than envisaged originally.

**5.3.3. Resistance to Change**

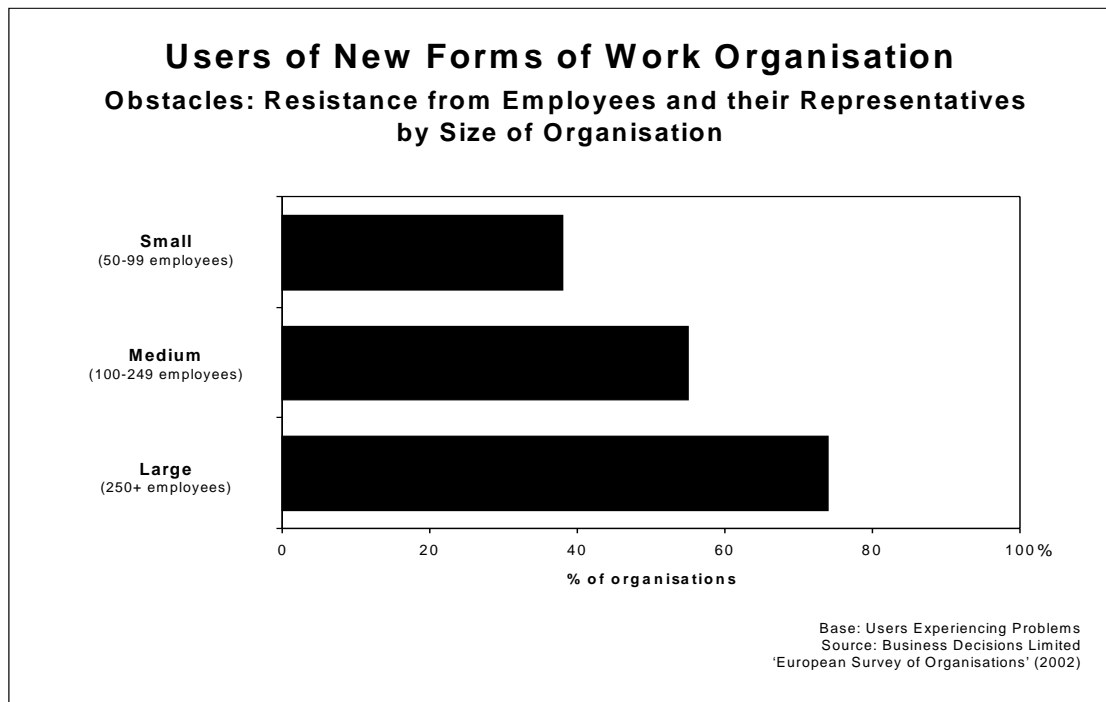
The introduction of New Forms of Work Organisation involves significant changes in working practices, processes, structures and Human Resource policies. Such changes, by their very nature, create uncertainty, fear, losses and losers. Hence it is not surprising that some people will fear the change process, because they fear loss of job security or status or because they are concerned about the new role that they might be required to fulfil.

Resistance to change can be felt amongst employees and their representatives and amongst middle managers. But our survey shows that amongst users on New Forms of Work Organisation, resistance amongst employees and their representatives is considered to be a more significant obstacle than negative attitudes amongst middle managers.

Overall *resistance from employees and their representatives* is considered to be the second most important obstacle.

There are, however, some important differences between organisations of different sizes. Larger organisations consider it to be a much more important obstacle than smaller organisations (74% and 38% respectively). Indeed for smaller organisations (with less than 100 employees) this obstacle was ranked only fifth in order of importance.

**Exhibit 34**



There are also important differences between countries. It is perceived to be a much more important obstacle in the UK/Ireland and in Germany, than elsewhere (68% and 63% compared to an average of 52% across other countries).

There are also some differences between sectors. Service Sector companies believe it to be a more important obstacle than Manufacturing companies, but there are few differences between the Private Sector as a whole and the Public Sector.

Our case studies provide further information about the reasons that workers may resist:

- Fear of job losses;
- Fear of detrimental changes in pay or working conditions;
- Uncertainty regarding their ability to work effectively in a more demanding environment;
- Dissatisfaction with potential increases in accountability, and requirement to fulfil a wider range of more complex tasks;
- Fear of a higher work load;
- Fear of loss of autonomy or technical status; and
- Unwillingness to accept responsibility for quality, continuous improvement or customer satisfaction.

Some of these problems are illustrated in the case of a large manufacturing company in Benelux in the Exhibit below.



**Exhibit 35****Case Study: BF (Benelux)**

One of the most important employers in its part of the Benelux region, BF produces technologically advanced electrical equipment. Part of a larger group of companies, the plant employs around 2500 people and has a turnover in excess of € 300 million.

As part of a strategic review, the company identified the need to improve efficiency, raise quality, optimise maintenance activities and expand the range of products. BF therefore decided to introduce work organisation changes that would allow employees to switch between different units within the plant more easily and enable work to be carried out with more autonomy to solve everyday production issues. This, the management believed, would be achieved through the introduction of team working.

BF had, however, introduced limited teamwork 20 years ago. This was limited to some dispersed experimental teams. In the 1990s, these had been expanded but the number of employees involved remained small. The isolation of the teams had led to different team designs that were not compatible. Therefore, in this new plan, an integrated approach was established.

Previous experience with team working enabled BF to anticipate some of the problems that would emerge from implementation. Nevertheless, a number of unanticipated problems also emerged. For example, many functional specialists and older production workers opposed the process of change. Communication and consultation programmes failed to build commitment to change amongst these groups.

Some employees were highly resistant to change. Workers in specialist functions, such as maintenance, whose activities will be taken over by the new teams refused to share their knowledge during the implementation process because of fears of loss of status.

As a result of these problems, implementation was more expensive (because of more intensive communication and training for older employees), slower, and less extensive. In some units, implementation has been delayed and for those in partially mechanised production environments, teams are not yet fully operational.

Even though the reform programme is not yet finished, the effects are positive. Operators can switch more easily between different workspaces, quality has improved and the process for resolving operational issues is now faster. BF claims that even in this stage, the positive results are reflected in the improved financial performance.

Our case studies also shed greater light on the attitude of Trade Unions. They show that whilst some Trade Unions promote the introduction of New Forms of Work Organisation, others resist, particularly where there has been a history of adversarial Industrial Relations<sup>35</sup>. Some Trade Unions resist because:

- They reflect the concerns and fears of their members;
- They fear the loss of traditional collective bargaining arrangements or loss of status or influence; and
- They are uncertain how to function in a more complex IR environment.

The problems of employee and Trade Union resistance are illustrated in the case of a large company in Denmark, and are summarised below.

<sup>35</sup> It should, however, be recognised that in some situations, employee representatives take the initiative and advocate the introduction of New Forms of Work Organisation practices.



**Exhibit 36****Case study: DE (Denmark)**

Based in Denmark, this company employs 650 in the engineering sector. Its main products are machines for power generation, known as “GenSets”. It has a turnover in excess of Euro 100 million. It is a subsidiary of a large global engineering group.

New Forms of Work Organisation were introduced in two waves. In the first wave, changes complemented the introduction of new manufacturing technologies. The second wave of change took place a number of years later, in order to respond to increased competitive pressure and to attract better quality, skilled labour.

In the first ‘wave’ of organisational reform, the objective was to establish an autonomous group responsible for the day-to-day operation of the newly acquired “Flexible Manufacturing System” (FMS). Part of the inspiration for this model came from the employees. Through the union’s work with a technology assessment project, they had illustrated the possibilities for changing work content in a desired direction in connection with the introduction of a new advanced production system. The management welcomed this invitation from the employees to discuss the best way to achieve a win-win outcome in the FMS department. They were granted development support from a programme under the Danish Department for Trade and Industry against an agreement to act as a demonstration workplace for others.

The new approach included: autonomous teams, extensive training activities, and a new remuneration system. The results have been very positive. Lead-time has been reduced from 8 weeks to 1 week; batch sizes have more than halved; and productivity has been increased considerably. The system now runs with an active operating time of more than 90%.

Despite the positive results from the first wave of changes, the new working practices were not spread to the rest of the enterprise. The second wave did not begin until a number of years later and has encountered problems. In one case, new group working processes have been abandoned because of employee resistance.

One of the obstacles, amongst others, has been resistance from employee representatives. The company has had an adversarial, zero-sum industrial relations culture. The enterprise was set up over 100 years ago as a metalworking company and that is quite obviously reflected in the culture of employee-management relations. Traditionally, the situation is considered as one in which the gains of one party in the negotiations become a shortfall for the other. Mutual confidence between the parties as a precondition for an experimental win-win development was lacking.

As a result of this, and other obstacles, there has been a delay in the introduction of NFWO throughout the enterprise for a number of years. Fortunately, the original pilot group is still operating successfully and so the experiences gained from this group can still form the basis for future developments.

However, our case studies include a number of examples where organisations have involved their employees during the change process and where managements have altered designs and implemented “consensus” solutions after consultation with employees and their Trade Unions.

There is no evidence from the survey or the case studies that it is more difficult to implement organisational change in organisations where employees are represented by Trade Unions. There is, in fact, some evidence from literature that the change process is easier where Trade Unions are proactive and supportive.

Moreover, there are no example in the case studies where companies have gained the full benefits from change by “imposing” it on an unwilling work-force.

In overall terms, *negative attitudes amongst middle managers* are perceived to be a less important obstacle than employee resistance. This pattern is consistent across organisations of different sizes, in different sectors and in different countries. Nevertheless, middle managers are perceived to a relatively more important obstacle in the Public Sector than in the Private Sector (46% and 34% respectively), and in the UK/Ireland (50% compared to an average of 36% elsewhere). Indeed in the UK/Ireland, negative attitudes amongst middle managers were perceived to be the third most important obstacle.

Again, our case studies provide further information about the reasons that middle managers may have negative attitudes to New Forms of Work Organisation:

- Fear of job losses due to de-layering of the organisation;
- Fear of loss of status and self-image
- Concern about future promotion prospects in the new organisational structure; and
- Concern about the difficulty of fulfilling a “manager-as-coach” role in the new participative culture.

This is illustrated in the case of a Public Sector organisation in Germany.

**Exhibit 37**

**Case Study: GE (Germany)**

This Elderly Care Centre was set up in 1983 as a retirement home in Cologne. It is a Public Sector organisation, which belongs to the AWO (Arbeiterwohlfahrt), a well-established workers welfare institution in Germany. In total, the home caters for around 200 inhabitants at any one time. The organisation offers medical care, as well as other services such as household services and cultural and entertainment facilities to the elderly people and their relatives. Overall, the organisation employs around 170 people, including a significant number of part-time employees.

In recent years there has been a significant increase in competition within regional private and public care-markets, and in expectations for service quality amongst the elderly and their families. The organisation, therefore, faced the challenge of improving efficiency through reducing costs and improving quality. Moreover, it also had to introduce a new Government specified internal quality-system.

The Care Centre therefore implemented a major programme of organisational reform. A new quality system was introduced based on the EFQM-Model for Excellence of the European Foundation for Quality Management (EFQM). Changes include changes in leadership style, project teams, new performance measurement systems and new quality systems.

However, the organisation encountered a number of problems. In particular, middle managers were, at first, resistant to the new changes introduced. They feared loss of status, the devaluation of their work and an increase in “control by operating figures”. Also they were afraid of the new opportunities for employees to participate in the day-to-day decision-making, as it made them feel uncertain.

This made the implementation process more difficult than expected and led to delays.

Our case studies also show that, in general terms, resistance to change amongst employees, trade unions or middle managers can take one of two different forms: “passive” or “active”.

“Passive” resistance involves lack of co-operation; refusal to share information, “feet dragging” and “not invented here” type attitudes. “Active” resistance, on the other hand, can involve a refusal amongst managers to implement necessary changes, unnecessary delays (or even a halt to the process) by the Trade Union or the Works Council, and an overly strict interpretation of the rules by Trade Unions.

### 5.3.4. Legislative Obstacles

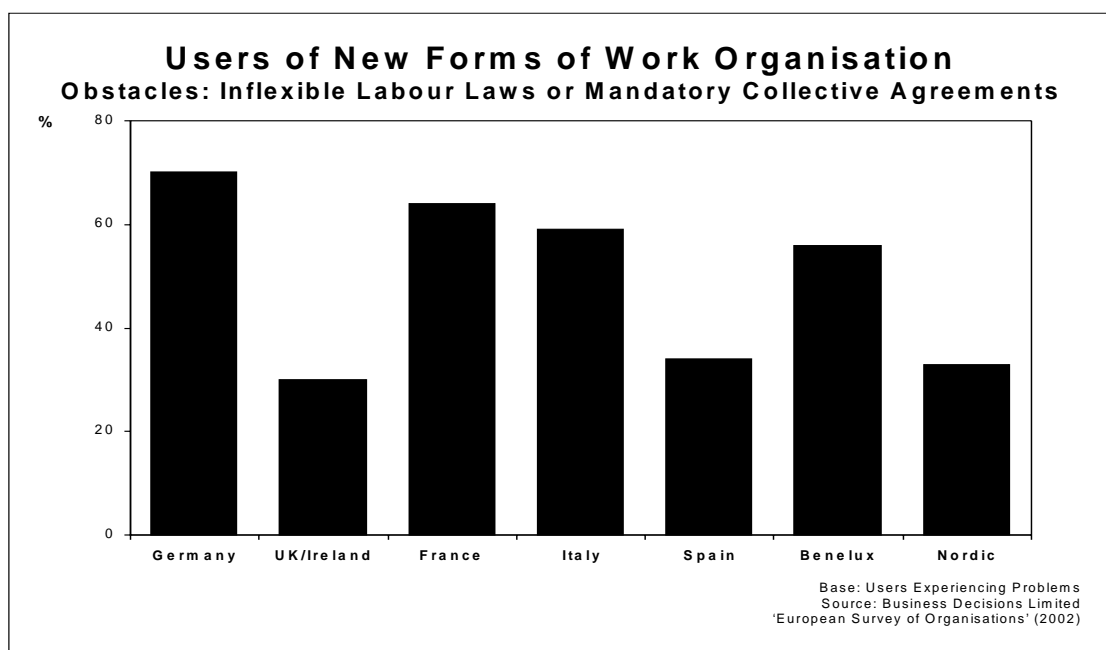
The introduction of New Forms of Work Organisation frequently involves major changes to working time, job classifications, consultation processes, and reward systems. Moreover, these changes are often specific to individual teams or to individual plants or sites. They tend not to be industry- or even company-wide.

In many EU countries, these issues are regulated directly by legislation (Labour Law, Fiscal Law) or indirectly through the terms of Collective Agreements.

Our survey shows that respondents in some organisations perceive that inflexible labour laws or Collective Agreements create a significant obstacle to the introduction of New Forms of Work Organisation (53% of organisations).

But there are significant differences between countries. Organisations in Germany (70%), France (64%), Italy (59%) and Benelux (56%) perceive it as a much more significant obstacle than in other countries. Indeed organisations in Germany believe that inflexible labour laws and Collective Agreements are the second most important obstacle, nearly as significant as cultural obstacles (73%).

This is illustrated in the diagram below.



Our case studies shed greater light on some of the reasons why Labour Laws and Collective Agreements create problems:

- **They can create significant inflexibility:** Labour laws and Collective Agreements can make it difficult for organisations to design solutions that meet the needs of their particular circumstances. They can make it difficult, for example, to design pay systems for teams, departments or plants that meet the specific needs of that organisation. They can also make it difficult to change working time arrangements to meet the needs of individual teams. This can limit their effectiveness. This is illustrated in the case of an Austrian District Administration.

**Exhibit 39**

**Case Study: ADA (Austria)**

This organisation delivers administrative services delegated by law to the district level. It employs 125 people and its annual product budget is around Euro 9 million.

After a change in the top management of the organisation had taken place in 1994, the new director personally decided to re-design the organisation and introduce New Forms of Work Organisation.

The new director established a new vision for the organisation. The goal was to establish the district administration as a customer oriented service unit and to improve service quality according to citizens' need. Cost transparency was to be improved and efficiency raised. There was also a desire to use new information and communication technologies more effectively.

Applying a holistic approach of organisational reform brought about fundamental changes. These included greater employee participation, team-working, new structures, new quality control and performance measures, and new training programmes.

As a result of the changes there has been a significant and measurable improvement in many activities of the organisation. Overall the process of re-organisation is considered to be a success story both within the organisation by management and employees, by other administrative units of the provincial administration (even by fellow district administrations), and in the academic sphere.

But, the organisation encountered a number of problems during the implementation process. One of the reasons for this was inflexible labour regulation in Austria. Labour law in Austria for public sector employees is particularly restrictive, and this made it difficult for the organisation to implement changes in work organisation. Major problems were encountered because of the lack of opportunity to compensate extra hours adequately with leisure time and to make work time more flexible in general. Moreover, regulations in Austria do not provide opportunities to reward employees according to their own individual performance or their team's performance. Ultimately, this can impose limits on the success of team working.

- **They can raise costs:** In order to overcome the difficulties associated with inflexible Labour Laws and Collective Agreements, and to ensure that new working practices are effective, some organisations in Europe are compelled to develop expensive "local solutions" to overcome problems. They also have to hire specialist advisors to devise complex solutions. For example, remuneration packages that include stock options require extensive specialist

input in some countries. This is illustrated in the case of a Finnish manufacturer.

**Exhibit 40**

**Case Study: FHK (Finland)**

A Private Sector firm FHK is a nationwide company producing meat products, convenience foods, and pet foods in several factories around Finland. This case examines a factory located in southwest Finland, employing about 215 people.

To respond to significant increases in competition, and to rectify problems of falling turnover, profitability, and productivity, senior management was forced to develop a new strategy in order to survive. The company started a reform programme in all of its factories. The aim was to create trust and develop a new way of working through the development of a new approach to leadership, new communication practices, and new reward systems.

The changes introduced have had positive outcomes on the work environment, work processes and productivity of the company. There have been no strikes during the development process, and customer satisfaction has improved.

However, the company encountered a number of problems during the implementation process. Some of these arose because of inflexibility in Labour Laws and Collective Agreements. Whilst existing Collective Agreements did not actually stop the changes, they did not help them. With the help of local officials and shop stewards, it was possible to find local solutions to meet the specific market situation. For example, Labour Laws placed some restrictions on working time arrangements. This complicated the organisation of work. But it was possible to devise local flexible solutions. For example, a group of volunteers work on Saturdays and Sundays for 12-hour shifts, in return for 42 hours pay and a week's allowance.

- **They can delay the introduction of New Forms of Work Organisation:** The need to revise national agreements in some situations, or to devise “local” ad hoc solutions often delays the introduction of New Forms of Work Organisation. This is illustrated in the case of a large Italian food manufacturing company.



**Exhibit 41**

**Case Study: IB (Italy)**

A leading Italian company in the food industry, IB has 25 production centres, 16 in Italy and 9 overseas. The company employs more than 7,000 people and has a turnover of over Euro 2 billion.

IB has reformed its internal organisation and working practices to improve market performance by increasing the efficiency of production units; to align the organisational structure and working practices with market trends; and to invest in training and the professional growth of human resources.

The new organisational model was introduced in 1999, following agreement with the trade unions. To date, it has been adopted by over 30% of production workers in all of the group's units. There are plans to extend the model to all production workers over the next two years.

The changes have focused on the introduction of a modern, high performance work system, including team working, a new system for measuring individual and team performance, new communication methods, new training programmes, and a new performance linked remuneration system.

The new organisational model has been in place for less than a year, but there has already been a material increase in productivity.

The main problem encountered by the company during the implementation process was the difficulty in building commitment to the process of change. This problem was a symptom of more complex, underlying obstacles to organisational reform within the company. There were three major obstacles: lack of managerial skills, the existing culture of the organisation, and inflexible Collective Agreements.

Mandatory Collective Agreements were a problem because the introduction of new labour organisation methods in general, and the new reward system mechanisms in particular, did not conform to the existing national, Collective Agreement. To overcome this, the company was forced to negotiate at a national level through the creation of an ad hoc committee, whose members included trade union representatives from outside the firm, to define a supplementary agreement.

The implementation process took at least a year longer than scheduled, because of the need to overcome this problem.

The key issue that emerges from our case studies is the *design* of Labour Laws and Collective Agreements. New Forms of Work Organisation are based on a multiplicity of different organisational solutions that are specific to an individual organisation and to individual parts of the organisation. This is very different from traditional "Taylorist" approaches where there tended to be strong similarities between the approaches used by different organisations.

This may mean that the nature of regulations and Collective Agreements need to shift away from prescriptive, command and control approaches towards an approach that allows greater flexibility and local adaptation, within a broad framework.

Further work is required, however, to understand the detailed problems created by existing Labour Laws and Collective Agreements in Europe. In particular, there is a need to explore the extent to which the problem is based on perception rather than

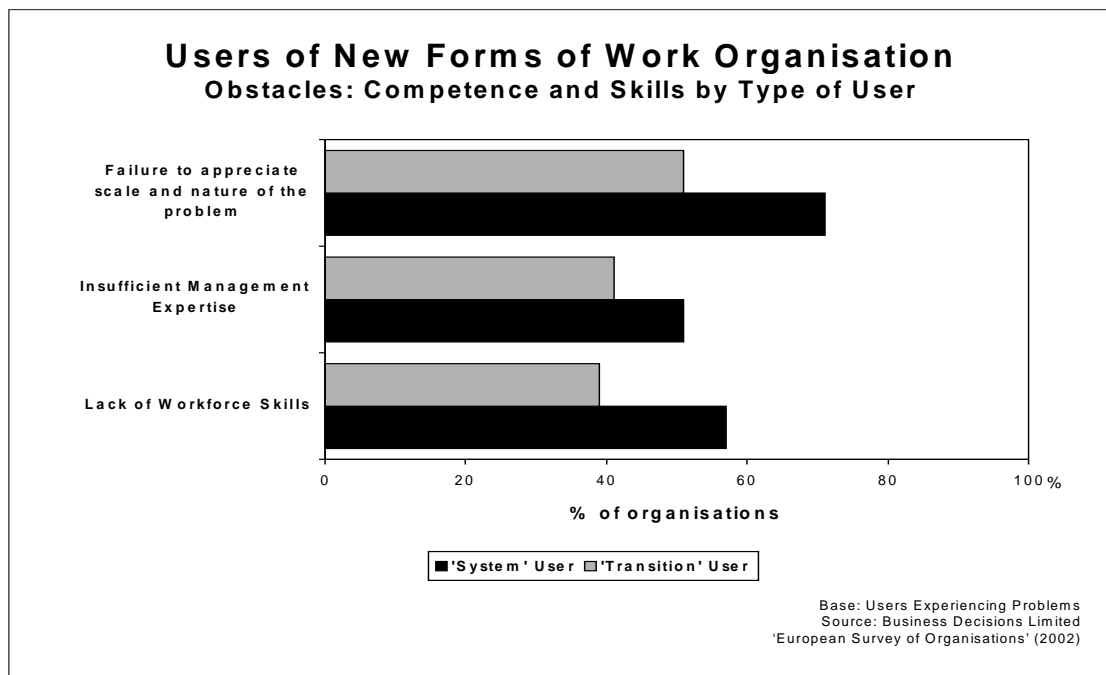
reality, and the extent to which Labour Laws and Collective Agreements create genuine problems that are difficult to overcome within a reasonable period of time.

### 5.3.5. Competence and Skills

Our survey identifies that there is a general competence and skills gap at all organisational levels – senior management, middle managers and workers. They are all important, but our survey shows that the most important gap is lack of skills among senior managers, leading to a failure to appreciate the scale and nature of the problems associated with organisational change.

Failure by senior management to appreciate the scale and nature of the problem is important across organisations of different sizes and in different sectors. But it is relatively more important in Small organisations (where it is ranked as the second most important obstacle) and in Manufacturing companies (where it is again ranked as the second most important obstacle). Public Sector organisations, on the other hand, ranked this as a less important issue. “System” Users see it as a significantly more important obstacle than “Transition” Users (71% and 51% respectively). Organisations in the Nordic countries, Benelux, Germany and Italy also see it as a relatively more important obstacle than organisations in other countries.

Exhibit 41



Our case studies provide further insight into this issue. They show that the issue manifests itself in a number of different ways:

- **Design skills:** Some senior managers are not fully aware of the importance of creating a “System” of inter-related and internally consistent work practices and human resource management policies. In this way, the different elements of the new organisation fit together and reinforce each other. Moreover, some

senior managers also fail to appreciate the need for complementary changes in other parts of the organisation and in the supporting infrastructure.

- **Planning skills:** Some senior managers fail to recognise the importance of overcoming the “soft” obstacles in their organisation, particularly cultural obstacles and resistance to change amongst middle managers and workers. Some also fail to understand the overall capacity of an organisation to absorb rapid, complex organisational changes. They tend to expect “too much too soon”.
- **Implementation skills:** Some senior managers are not aware of the importance of a clear vision, strong focus, wide consultation, good listening skills, extensive communication, strong involvement, and high commitment. Some are also too optimistic about the length of time it takes to implement new work organisations.

Much of the day-to-day responsibility for implementing organisational change falls on middle managers. But middle managers often lack the relevant expertise, as they tend frequently to have strong functional or technical backgrounds. Moreover, many have little experience in managing organisational change.

This is reinforced by our survey, which shows that insufficient management expertise is an important obstacle for some organisations (43%) but particularly for “System” Users (51%) and for organisations in the Nordic countries (71%).

Our case studies show that the biggest problems tend to lie in the areas of design (particularly of new performance measurement systems and of new remuneration systems), and implementation (particularly overcoming cultural obstacles and resistance to change amongst workers).

Insufficient management expertise is illustrated in the case of a small services company in Greece.

**Exhibit 42****Case Study: GD (Greece)**

GD is a private, family owned company in the retail sector. With a staff of 70, mostly sales assistants, it has a turnover of nearly Euro 4 million. The company owns a chain of stores across Greece selling mid-range decorative items for the home (vases, glass objects, kitchenware, and furniture).

The market has become increasingly competitive because of pressure from domestic and large, multinational retail chains. To survive in this environment, GD needed to increase its revenues to pay for higher advertising costs, and to strengthen its only source of competitive advantage, a high quality sales environment and service. However, providing high quality service in the Retail sector requires highly motivated and skilled salespeople. Such people are hard to find in the Greek labour market because of the low social status of sales assistants and the absence of a vocational training system for sales people.

Organisational reform seemed the best way to achieve a higher quality input from the company's employees, and hence raise standards of service. The company introduced a wide range of organisational changes, including team working, training, communication, and performance-related pay.

During the process of implementation a number of problems emerged as a result of a series of underlying obstacles to organisational change. One of the important obstacles was a lack of managerial expertise. The new manager brought in to implement the programme, for example, displayed a weakness in implementing employee performance assessment because her past experience in a state-owned, unionised setting inhibited her from giving unfavourable marks to employees for lacklustre performance. The good marks she gave to every employee were not credible or helpful to the company.

The change in attitudes and culture that the new system sought has not yet been achieved. Attitudes are hard to change, and monetary incentives need time to affect behaviour. However the diagnosis for the future is "guardedly optimistic." There are signs that the company's target for an increase in revenues will eventually be reached by most of its stores.

Lack of workforce skills are also identified as an obstacle by some organisations (42%). This is particularly the case in small organisations (where it is ranked as the third most important obstacle) and in "System" Users (57%).

Our case studies show that the gaps tend to be in the following areas:

- **General skills:** Some workers lack skills in areas such as team working, quality, continuous improvement, and IT.
- **Functional specialisation:** Some workers are qualified in narrow specialist areas and find it difficult to gain the general skills needed to be able to rotate jobs and fulfil different functions in a team.

Lack of workforce skill is illustrated in the case study of a large manufacturing company in Denmark.

**Exhibit 43****Case Study: DE (Denmark)**

This company is a major Danish manufacturer in the textiles sector, employing more than 700 people in Denmark. Production is labour intensive, and most has been outsourced to sites in lower wage economies. In total, the company has 9,000 employees, and has been expanding consistently for a number of years. Turnover is now over Euro 500 million.

The company has implemented three waves of organisational reform in order to improve its competitiveness.

All three initiatives have created teams (autonomous groups) as the principal organisational change, supported by comprehensive training with extensive use of the special Danish AMU-system (Adult Vocational Training) for the development of semi-skilled employee competencies. As well as this, the company has itself taken the initiative to develop a course with alternating theory and practical exercises with the aim of providing a better understanding of the way products are made and, in particular, the relationship between different operational areas.

The general result of the team-based organisation is that absenteeism has decreased, quality levels have increased and everyday problems are solved more quickly. Numerical and functional flexibility has also increased.

The company has, however, experienced a number of problems over the ten-year implementation period. These problems were 'symptoms' of a series of underlying obstacles to change in the company.

One of the most important obstacles was lack of workforce skills. Most of the work force is semi-skilled and lacks technical skills and experience in team working. Extensive training is, therefore, an essential pre-condition for success. One of the weak points of the programmes has been that the level of preparatory training provided to workers has varied in quality and quantity. Subsequently, teams or new members of the groups received much less training, and this created an informal hierarchy within the groups and obstructed co-operation.

Over the last decade, the company has made improvements that, in spite of periodic pauses, have been beneficial to both the company and the employees.

Sectoral Collective Agreements can, however, facilitate improvements in the skills needed by employees when changing work organisation.

In overall terms, the problems created by lack of competence and skills are more pronounced in smaller organisations and in "System" Users. This may be because some small organisations lack management depth (compared to large organisations) and lack the resources for large-scale training and recruitment. System Users may have faced particular difficulties because of the complexity and the scale of the changes they sought to introduce. Evidence from the case studies also shows that organisations with little experience of organisational change face greater problems. Here managers do not gain experience, traditional cultures become entrenched and employees have few expectations of change.

The case of a private school in Spain illustrates the problems that arise when there are competence and skills gaps at senior manager, middle manager and worker level.

**Exhibit 44**

**Case Study: SU (Spain)**

Located in Vitoria, Spain, the SU School was founded in 1882, to provide co-educational, subsidised education for 3-16 year-olds, and partially state assisted education for older pupils – i.e. affordable education for all. The school has 1200 pupils, and 85 teachers.

In 1991, the school decided that a new management team should assume responsibility for the school, comprising teachers from the centre. The new team set out to improve the performance of the organisation through the introduction of a series of initiatives, including the creation of formal long and medium-term objectives, the introduction of formal strategic and operating plans, and the adoption of a Total Quality Management Plan based on the European Evaluation Model (EFQM).

To meet these challenges, the organisation undertook a series of reforms, including organisational change.

Specifically the changes involved the introduction of a flatter organisational structure; continuous improvement; new performance measures; changes in management recruitment policies; increased participation amongst the teachers in the management of the school; training; and the introduction of multifunctional project teams to achieve performance improvement and to manage key processes.

In overall terms, the organisation has achieved the goals the established when they started the change process. But they also encountered problems during the implementation process. One of the most important reasons for this was the level of competencies and skills amongst employees and managers. Specifically, SU faced:

- **Lack of managerial implementation experience:** the organisation was unable to establish a formal training programme for all the staff, in the early stages of implementation because of the lack of managers with implementation experience.
- **A failure of senior managers to fully recognise the scale and nature of problems:** Senior managers initially under-estimated the lack of workforce skills and the impact of this on the capacity of the organisation to cope with the EFQM approach;
- **Lack of key managerial implementation skills internally:** complex organisational change was a new topic for the middle managers of the school.
- **Lack of workforce skills:** the existing teachers had no experience of using total quality tools and continuous improvement techniques.

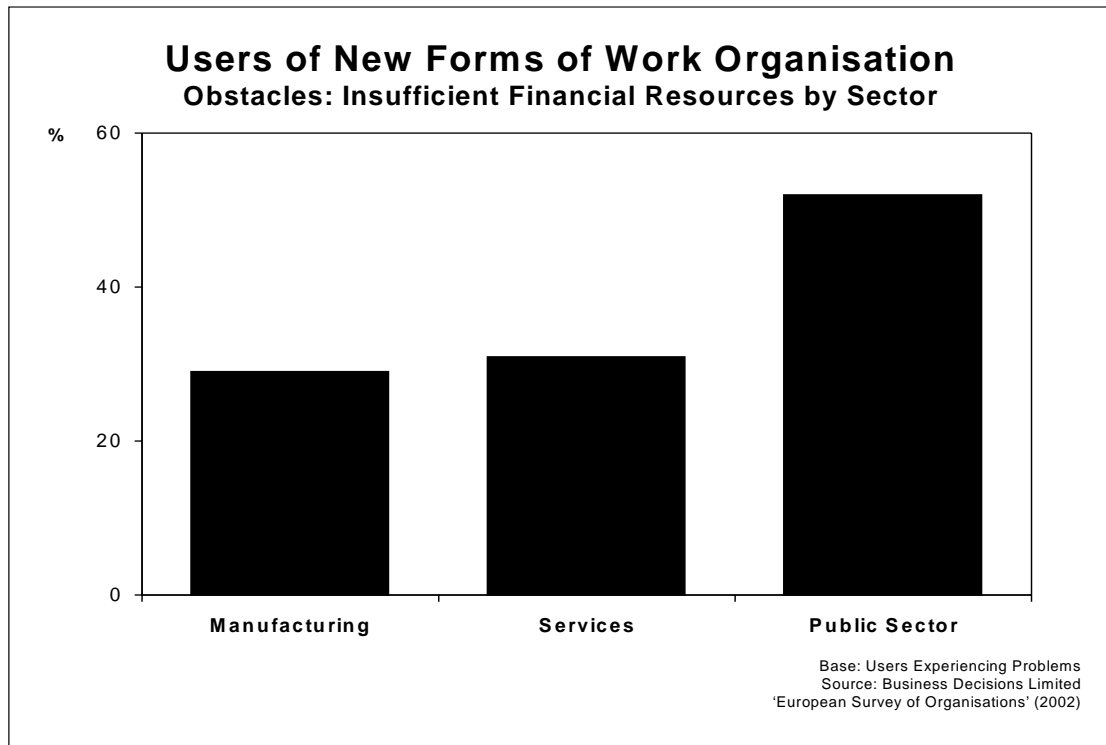
As a result, the budget has increased significantly, and time delays have occurred.

**5.3.6. Resource Obstacles**

Traditionally, some studies have identified lack of access to resources as a major obstacle to the introduction of New Forms of Work Organisation. By this we mean access to financial resources, high quality external expertise and related investment (e.g. in ICT). Our survey, however, suggests that access to resources is not a big problem.

This view is held across companies of all sizes, including small ones. But there are some exceptions to this. Our survey shows, for example, that insufficient financial resources are a much more significant obstacle in the Public Sector (52%) than in the Private Sector (30%).

Exhibit 45



Our case studies shed further light on the issue of financial resources. In particular, they highlight two particular problems:

- **Lack of cash:** Some organisations have faced obstacles because they lack cash to finance important changes, particularly the introduction of new training schemes and the development of new remuneration and incentive packages. This is particularly the case in the Public Sector.
- **Lack of overall financial capacity:** Some organisations lack the overall financial capacity (in terms of cash generation and balance sheet strength) to withstand major changes in the external environment and therefore to sustain programmes of organisational reform. This is particularly a problem for small organisations or for larger organisations with weaker balance sheets, high operational gearing and poor market positioning in highly competitive markets.

#### 5.4. THE CONSEQUENCES

Our survey also explored the consequences of the implementation problems that organisations experienced. Organisations were asked to indicate whether they had experienced any of a list of five consequences as a result of implementation problems. They were also given the opportunity to identify any other consequences that they had experienced.

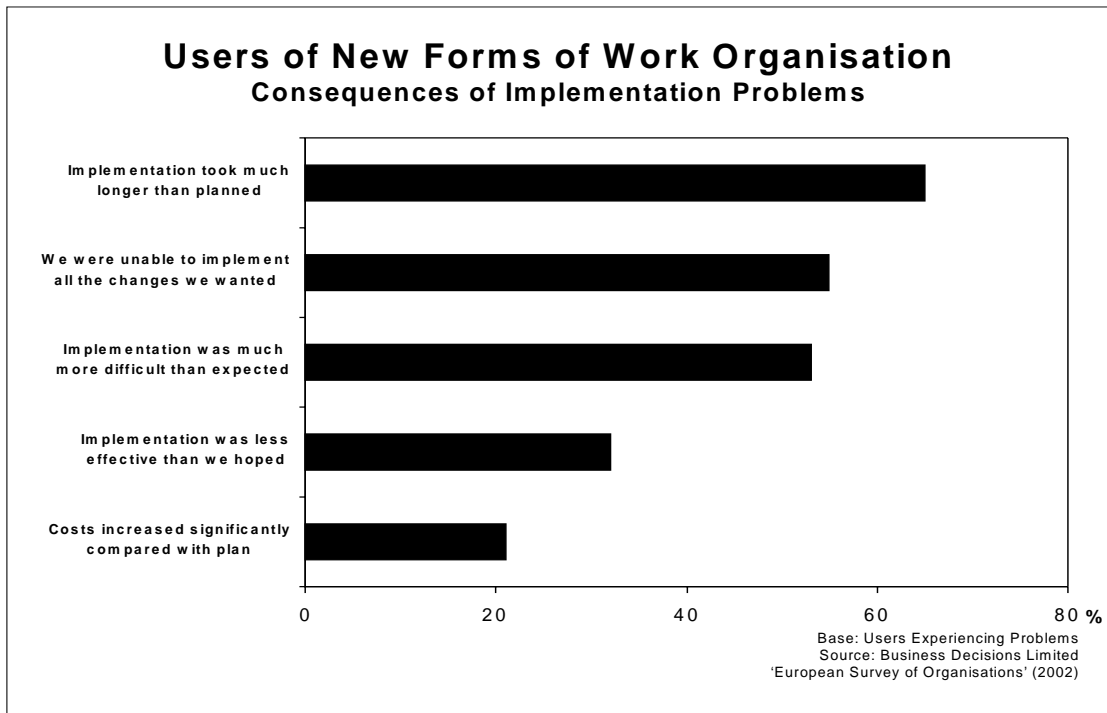
The most common consequences are:

- Implementation took much longer than planned (65%);



- Organisation unable to implement all the changes they wanted (55%); and,
- Implementation was much more difficult than expected (53%).

**Exhibit 46**



Interestingly, less than one-third of the users that experienced problems considered that “implementation was less effective than they had hoped”. Taking account of the number of users that claim that they did not experience any problems, the share of total users of NFWO that considered that “implementation was less effective than they had hoped” was only around a quarter. This means that the vast majority consider that implementation was at least as effective as they had hoped.

There are some differences between different types of organisations. More Public Sector organisations believe that implementation has been less effective than hoped (46% versus 28% in the Private Sector).

There are also some differences between countries. More organisations in Germany and Italy believe that they have been unable to implement all the changes they wanted.

These consequences are important for organisations in Europe.

Time delays matter because the introduction of New Forms of Work Organisation is an important means of improving competitiveness for many organisations. Shorter life cycles, liberalisation, increased competitive intensity, and globalisation are just some of the forces that make it important that organisations act quickly to maintain and improve their competitiveness. Significant delays in changing work organisation can significantly erode an organisations position.

A failure to implement all of the desired changes is a matter for concern, particularly if it means that an organisation is unable to implement a full work organisation “System”. A system is critical to maximising the benefits and sustaining the changes; if an organisation is unable to implement a system, it is likely to experience problems in the longer-term.

## **6. CONCLUSIONS**

### **6.1. OVERALL CONCLUSIONS**

Significant changes are taking place in the way in which work is organised in Europe. Nearly two-third of organisations with more than 50 employees are users of New Forms of Work Organisation. But only 10% are “System Users”, whilst 51% are “Transition Users. This means that only a small proportion of organisations in Europe are gaining the full benefits from a systems approach. Moreover, even fewer SMEs and organisations in the Public Sector are benefiting fully from an integrated systems approach to New Forms of Work Organisation.

Our study explores the reasons why some organisations do not use New Forms of Work Organisation. Our research shows that the problem is not a lack of awareness of these new organisational techniques. Indeed, most non-users believe that they have rejected this organisational approach for rational, strategic reasons, predominantly related to customer needs or organisational strategy or culture.

Our study also examines the problems that organisations face when introducing New Forms of Work Organisation, and the underlying reasons why these problems occur.

Our research shows that implementation is rarely a trouble-free experience. Most organisations experience problems. But there is no single dominant problem – the types of problems encountered are quite disparate.

The most important underlying causes of these problems are “culture” and “resistance to change”. This is not surprising given the extensive nature of the changes involved in introducing New Forms of Work Organisation. But in some countries, it is perceived that inflexible Labour Laws and Collective Agreements can also create significant obstacles to the introduction of organisational changes.

As a result, implementation takes longer than planned, organisations are unable to implement all of the changes that they want, and implementation is more difficult than expected.

### **6.2. REVISED HYPOTHESIS**

Based on the findings from our research, we have revised our initial hypothesis. This is summarised below:

**Exhibit 47**

**Final Hypothesis**

**Awareness**

1. Most organisations (including “Non-users”) are aware of the existence of New Forms of Work Organisation.

**Rejecters**

2. Organisations who reject New Forms of Work Organisation fall into two main categories: “Top of Mind” Rejecters, and “Analytical” Rejecters
3. “Top of Mind” Rejecters do so principally for “external” reasons.
4. “Analytical” Rejecters do so principally for “internal” reasons.

**Users**

5. Most Users suffer problems.
6. Users experience difficulties in both the design and the implementation stages.
7. Public Sector Users suffer more problems than Private Sector users.
8. “System” Users suffer more problems than “Transition” users.
9. The single most important obstacle to change is “Culture”.
10. “Resistance to change” (from employees and middle managers) and “lack of management competencies” are also important obstacles.
11. In some countries, organisations believe that inflexible Labour Laws or Collective Agreements create significant obstacles for them.
12. Users do not suffer from resource constraints.
13. Most Users take longer to introduce New Forms of Work Organisation than they expect.
14. Most Users achieve the benefits they expect from New Forms of Work Organisation.

## 7. PUBLIC POLICY IMPLICATIONS

### 7.1. BACKGROUND

Since the nineteenth century, governments have facilitated economic growth through investments in education and infrastructure. They have also taken a leading role in disseminating new technologies, in shaping attitudes, and in protecting workers.

Hence, the diffusion of New Forms of Work Organisation is an area where governments have an important role to play.

The OECD has identified three principal areas for policy intervention<sup>36</sup>. Specifically:

- Fostering the adoption of “innovative workplaces” by individual companies;
- Enhancing the development of human capital; and,
- Reforming framework conditions to maximise the incentives to introduce New Forms of Work Organisation and to minimise the obstacles.

Our research complements this. It is clear that there is a need for policy-makers to examine “framework conditions” in general, and capital and product market legislation in particular, to ensure that organisations face strong incentives to invest in organisational innovation. Moreover, in the case of Public Sector organisations, governments need to review governance frameworks to ensure that they support organisational change.

But our study also identifies two specific challenges for policy makers: firstly how to increase the penetration of New Forms of Work Organisation in overall terms; and secondly, how to help more “Transition” users to become “System” users (and to do so more quickly).

### 7.2. INCREASING PENETRATION AMONGST NON-USERS

Around 40% all organisations in our survey make no use of high performance work organisation methods.

In the past, many policy-makers have seen a lack a lack of awareness of New Forms of Work Organisation and its benefits as being the biggest single obstacle to increased penetration of organisational reform. To overcome this, public resources have been used to support programmes to raise awareness. Our study shows that these investments have had considerable success. There is now a relatively high penetration of usage of at least some new work organisation practices in the majority of organisations. Moreover, lack of awareness amongst non-users is remarkably low (5% of organisations with more than 50 employees)<sup>37</sup>.

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<sup>36</sup> OECD ‘*Technology, Productivity, and Job Creation – Best Policy Practices*’ (1998)

<sup>37</sup> Our survey did not cover smaller enterprises (with less than 50 employees), and there may be a continuing “awareness gap” amongst such organisations.

Our research also suggests that the majority of non-users claim to do so for rational business reasons, predominantly relating to customer requirements, strategic fit and the relationship between costs and benefits. Yet, more than half of the companies who have decided to reject the introduction of New Forms of Work Organisation have done so without a formal assessment of costs and benefits.

In this situation, policy-makers face a difficult problem. On the one hand, levels of non-use are still significant, and widespread diffusion of high performance work techniques is important for increasing productivity, living standards, and employment. But, on the other hand, the vast majority of non-users believe that they have made their choice for sound business reasons. The problem is further complicated because there is no single “right” solution to the way in which organisations in Europe should organise.

Although high performance work methods may not be appropriate for some organisations, the wider economic and social benefits of new organisational methods are sufficiently large to justify the use of public policy in an attempt to persuade some of the organisations that have previously rejected the introduction of New Forms of Work Organisation to re-consider their decisions.

There are potentially two ways forward: first, to persuade “top-of-mind rejecters” to review the business case in a more systematic and formal way; and second, to help those who are undertaking an analysis of costs and benefits to better understand the latest ideas about the business case for investment in New Forms of Work Organisation.

Potential areas for action<sup>38</sup> therefore include:

- Undertaking studies to identify and quantify the “business case” for change, including methods of measurement and evaluation.
- Supporting “demonstration projects”(particularly at local level) that highlight how organisations have identified and evaluated the case for change.
- Developing diagnostic tools to help organisations to assess whether the introduction of New Forms of Work Organisation could be beneficial to their organisation.
- Supporting programmes by Social Partners to highlight the case for change and its formal assessment.
- Providing recognition (using existing instruments wherever possible) to organisations that successfully introduce New Forms of Work Organisation and employ good practices.

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<sup>38</sup> The precise way in which these actions should be implemented will differ from country to country, depending on the respective role of Governments, Social Partners, and Business Networks in each country.

- Implementing targeted programmes designed to raise awareness about New Forms of Work Organisation among organisations with less than 50 employees.

### 7.3. EXPANDING THE NUMBER OF “SYSTEM” USERS

The second issue for policy makers is how to help more “Transition Users” to become “System Users” (and to do so more quickly). This can be achieved by encouraging organisations to implement a *wider set* of inter-related working practices and Human Resource policies, and by encouraging larger companies to implement such practices and policies across all units, departments and divisions.

There is clear evidence that new work organisation practices are most effective when linked together as part of a “System” i.e. groups of inter-related and internally consistent work practices and human resource management policies<sup>39</sup>.

But only 10% of organisations in Europe (with more than 50 employees) are System” Users. The majority (50%) are partial or “Transition” Users. Indeed in the Public Sector and amongst SMEs there are even fewer “System” Users.

The differences between “System” and “Transition” Users lie primarily in the way in which work is co-ordinated across the organisation, and in the use of specific Human Resource Management policies. In general terms, System Users introduce a more pervasive set of changes into their organisation, that move well beyond team working within a specific operational group.

This probably explains why our research shows that more System Users encounter specific problems than Transition Users and why more System Users face obstacles concerning management competence and expertise.

But in overall terms, Transition Users and System Users encounter the same set of problems and a similar set of underlying obstacles. But there is also evidence that System Users tend to face very powerful external pressures to change – from customers, competitors and investors.

#### 7.3.1. Reducing Obstacles

Our suggestions for actions by policy-makers focus on two areas: lowering obstacles to organisational reform; and raising awareness of the benefits of using a “high performance work system” (the “System” approach).

To lower the obstacles identified in our surveys, possible areas for action include:

- Supporting improvements in the nature of education provided by business schools to senior and middle managers, particularly with regard to the design and implementation of New Forms of Work Organisation. The EU, for

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<sup>39</sup> See MacDuffie ‘*Human Resource Bundles and Manufacturing Performance*’ Industrial and Labour Relations Review (1995), Lay, Shapira and Wengel ‘*Innovation in Production*’ Technology and Innovation Policy (1999), Arthur ‘*Effects of Human Resource Systems on Manufacturing Performance and Turnover*’ Academy of Management Journal (1994) and Womack, Jones and Roos ‘*The Machine that Changed the World*’ (1990).

example, could fund research to examine existing business school curricula and its relevance to the design and implementation of new, high performance work systems.

- Using EU funds to support the education and training of managers, workers, and employee representatives such that they are better able to implement New Forms of Work Organisation. This could include assessing existing ESF-funded programmes and identifying examples and case studies.
- Promoting the development of inter-firm networks to educate companies and inter-union networks to educate trade unions, to pass on best practice, and to assist with training and benchmarking.
- Encouraging the Social Partners to engage in active dialogue about the benefits of New Forms of Work Organisation with companies, employees and society at large.
- Developing the capacity of Universities and Research Institutes to provide support to organisations that are introducing New Forms of Work Organisation.
- Ensuring that the content of basic education helps young people to be flexible and prepares them for a future working life in more challenging environments in which they will need to up-grade their skills regularly and to adapt to change.
- Helping policy makers to understand the potential impact of legislation (particularly Labour Laws and Collective Agreements) on the ability of organisations to introduce New Forms of Work Organisation successfully.
- Funding further in-depth research to understand the specific problems created by existing Labour Laws and Collective Agreements and to develop recommendations to improve the design of Labour Laws and Collective Agreements.

In addition, it would be valuable to examine the specific problems experienced by the Public sector in more detail, particularly the differences between national and local government, public administration and publicly owned enterprises, and between public sector organisations and private sector organisations that have taken over public services.

### **7.3.2 Raising Awareness of the benefits of a “System”**

In addition, action should be taken to raise awareness amongst Users of New Forms of Work Organisation of the benefits of introducing a “System”. This could include:

- Supporting new “demonstration projects”, and raising the visibility of existing projects, to help companies and trade unions gain access to the experience of ‘practitioners’, particularly “System” Users.



- Providing information to managers, workers, and Social Partners about the key, generic elements of “high performance work systems” and how to implement them.
- Financing education and training projects to provide information to companies and trade unions about the benefits of introducing new work organisation practices as a “System”.

**Business Decisions Limited**  
**October 2002**

## APPENDICES

**APPENDIX A**

**TELEPHONE INTERVIEW QUESTIONNAIRE**

**OBSTACLES TO NEW FORMS OF WORK ORGANISATION**

**Section A: INTRODUCTION**

Good morning/afternoon. My name is ABC, from Abacus Research. I am carrying out a survey on the organisation of work in companies and in the Public Sector, on behalf of The European Commission. My questions will only take about 15 minutes and I wondered if you could help me.

**A1. Can I check that you are the person responsible for Human Resource or Personnel Policy in this organisation?** (Tick one box only)

- Yes CONTINUE       No ASK WHO TO SPEAK TO AND CLOSE

Please be assured that anything you say will be treated in confidence and will not be identified with you personally or your organisation.

**Section B: BACKGROUND INFORMATION**

Firstly, I'd like to ask you a few background questions about your organisation. Most questions are to be answered for the workplace at which you are located.

**B 1. How many employees are there at your workplace?** (Tick 1 box only.)

- 1-49     50-99     100-249     250-499     500 or more

**B 2. And how many employees are there in the organisation as a whole (including other workplaces at different locations)?** (Tick 1 box only.)

- 1-49    CLOSE     50-99     100-249     250-499     500 or more

**B 3. What is the main sector that you operate in?** (Please tick 1 box only.)

- Manufacturing     Services     Public Sector     Other

**Section C: CLASSIFICATION OF USERS**

This questionnaire focuses on the largest group of non-managerial workers at this workplace who are directly involved in making the product or providing the service. For ease of reference, we shall call this the "largest operational group".

For example, these might be assembly line workers at a factory, computer programmers in a software company, customer service representatives in an insurance company, or administrative staff in a Government Department.

**C 1. How would you describe your "largest operational group"?** (Tick one box only)

- Production or Operations  
 Sales or Marketing  
 Customer Support  
 Transport, Warehousing or Distribution  
 Technical or Product Development  
 Administrative or Clerical  
 Other (Please Specify \_\_\_\_\_)

I am now going to ask you some questions about how work is organised in your “Largest Operational Group”.

**C 2a. Are a significant proportion of the workers in this group organised on the basis of “formally designated teams”?** By this we mean a group of workers who make certain decisions themselves on how their work is performed, without reference to management. This could include teams that have flexible or changing membership. (Tick one box only) IF RESPONDENT ASKS WHAT IS MEANT BY A “SIGNIFICANT PROPORTION” SAY “MORE THAN ONE THIRD OF WORKERS IN YOUR LARGEST OPERATIONAL GROUP”.

- Yes GO TO C2b
- No GO TO SECTION D (“NON-USERS”)

**C 2b. IF YES, When did you introduce these “formally designated teams”?** GO TO C3

- Within the last year
- 2-5 years ago
- 5-10 years ago
- 10 or more years ago

**C3. Thinking about these “formally designated teams”. Which, if any, of the following statements apply to the way that team working operates in this group?** (Tick one box per row). [IF LARGE NUMBER OF D/K, THEN LIKELY THAT YOU ARE SPEAKING TO WRONG PERSON. ASK TO SPEAK TO PERSON WHO WOULD KNOW AND RESTART].

	<u>Yes</u>	<u>No</u>	<u>D/K</u>
Team members jointly decide how work is done	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Teams are responsible for solving operational problems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Teams are responsible for quality assurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Teams are accountable for achieving agreed targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Team members choose their own team leaders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Team members are trained to carry out more than one task within the team	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Team members regularly alternate between different tasks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>TOTAL SCORE (COLUMN TOTAL)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IF RESPONDENT SCORES 2 OR LESS IN THE YES COLUMN, THEN HE IS A “NON-USER” AND SHOULD GO TO SECTION D. IF RESPONDENT SCORES 3 OR MORE IN THE YES COLUMN, THEN GO TO Q C4

**C4. I’d now like to ask you some further questions about how work is co-ordinated. Which, if any, of the following statements apply to the way in which work is co-ordinated across your organisation?** (Tick only one box in each row)

	<u>No</u>	<u>D/K</u>
Decision-making is decentralised and pushed down to the lowest possible level	<input type="checkbox"/>	<input type="checkbox"/>
A range of financial and <i>non-financial</i> measures are used to measure performance	<input type="checkbox"/>	<input type="checkbox"/>
Teams are regularly provided with performance information	<input type="checkbox"/>	<input type="checkbox"/>
Team members meet managers regularly to discuss team performance	<input type="checkbox"/>	<input type="checkbox"/>
<b>TOTAL SCORE (COLUMN TOTAL)</b>	<input type="checkbox"/>	<input type="checkbox"/>

**C5. Next, I’d like to ask you some questions about your overall Human Resource Management policies. Which, if any, of the following statements apply to your Human Resource Management policies?** (Tick only one box in each row)

	<u>D/K</u>
Most members of work teams receive regular, formal training paid for by the organisation	<input type="checkbox"/>
Formal training includes job-specific and general skills (like problem-solving and team-working)	<input type="checkbox"/>
An important element of the pay of team members depends on individual or team performance	<input type="checkbox"/>
<b>TOTAL SCORE (COLUMN TOTAL)</b>	<input type="checkbox"/>

**Section D: NON-USERS**

I am now going to ask you some questions about why it is that you do not organise your “Largest Operational Group” using formally designated teams with responsibility for deciding how work is done, solving problems, quality assurance, and achieving agreed targets.

**D 1. Which of the following statements best describes why you do not use formally designated teams as I have just described them? (Tick 1 box only)**

- We’ve never heard of this approach before CLOSE
- We’ve never considered introducing such changes GO TO D2
- We’ve considered it, but we rejected it after an informal review GO TO D3
- We’ve considered it, but rejected it after an extensive assessment GO TO D3
- We are planning to introduce it in the near future GO TO D5

**D 2. I am going to read out a list of possible reasons why you might not have considered introducing formally designated teams. After I have read out each reason, please tell me whether it is important or not important in your situation.**

IF RESPONDENT IDENTIFIES FACTOR AS IMPORTANT, PLEASE ASK WHETHER IT WAS IMPORTANT OR VERY IMPORTANT

<u>Reason</u>	<i>Not Important</i>	<i>Important</i>	<i>Very Important</i>
Not aware of how these new organisational techniques work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not aware of the benefits of these new organisational techniques	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not used by competitors in your market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not needed to meet your customer needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Unions wouldn’t support changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Workers wouldn’t support changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other managers wouldn’t support changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AFTER ANSWERING D2, THANK RESPONDENT AND CLOSE

**D 3. I’d like to ask you some questions about the reasons why you decided not to introduce formally designated teams as I have just described them?**

**Thinking firstly about some of the factors outside your organisation that may have influenced your decision. I am going to read out a list of possible reasons. After I have read out each reason, please tell me whether it was important or not important in your situation.**

IF RESPONDENT IDENTIFIES FACTOR AS IMPORTANT, PLEASE ASK WHETHER IT WAS IMPORTANT OR VERY IMPORTANT

<u>Reason</u>	<i>Not Important</i>	<i>Important</i>	<i>Very Important</i>
Not used by competitors in your market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not needed to meet your customers needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of support from your parent organisation to make changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Unions wouldn’t support changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not under pressure to change the way we do things	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**D4. Now I'd like you to think about some of the factors inside your organisation that may have influenced your decision. Again, I am going to read out a list of possible reasons. After I have read out each reason, please tell me whether it was important or not important in your situation.**

IF RESPONDENT IDENTIFIES FACTOR AS IMPORTANT, PLEASE ASK WHETHER IT WAS IMPORTANT OR VERY IMPORTANT

<u>Reason</u>	<i>Not Important</i>	<i>Important</i>	<i>Very Important</i>
Workers or their representatives wouldn't support changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other managers wouldn't support changes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes did not fit with our strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Changes did not fit with our way of doing things	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benefits are uncertain or difficult to measure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of financial resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of management expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of workforce skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of access to external expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost of changes would exceed the benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

GO TO D7

**D5. Some organisations have said that it is difficult to introduce new work organisation practices. Thinking about future implementation in your organisation, do you anticipate problems emerging in any of the following areas?**

	<u>Yes</u>	<u>No</u>
Leadership from senior managers	<input type="checkbox"/>	<input type="checkbox"/>
Consultation with other managers and workers	<input type="checkbox"/>	<input type="checkbox"/>
Communication throughout the organisation	<input type="checkbox"/>	<input type="checkbox"/>
Commitment to the new approach	<input type="checkbox"/>	<input type="checkbox"/>
Flexibility in the implementation process	<input type="checkbox"/>	<input type="checkbox"/>
Measurement of the change process	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify)_____	<input type="checkbox"/>	<input type="checkbox"/>

**D6. I would like you to think about some reasons why you anticipate that these problems may emerge during implementation. After I have read out a reason, please tell me whether it is likely to be important or not important in your situation.**

IF RESPONDENT IDENTIFIES REASON AS IMPORTANT, PLEASE ASK WHETHER IT IS IMPORTANT OR VERY IMPORTANT

<u>Reason</u>	<i>Not Important</i>	<i>Important</i>	<i>Very Important</i>
Lack of workforce skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate access to high quality external expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inflexible Labour Laws or Mandatory Collective Agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficulty in overcoming existing culture of the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient management expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Failure to appreciate the scale & nature of the problem	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Negative attitudes amongst other managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resistance from employees & their representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient financial resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient related investment (e.g. IT)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify)_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**D7. Would you be interested in participating in the preparation of a case study about work organisation practices? It would be anonymous and would involve only one further telephone discussion.**

- Yes IF YES, ASK D6
- No THANK RESPONDENT AND CLOSE

**D8 Could I please check your name and contact details to be used in a follow-up telephone discussion**

Name \_\_\_\_\_  
Telephone Number \_\_\_\_\_  
Organisation \_\_\_\_\_

**D9 Any other comments**

YOU MAY OFFER RESPONDENT A SUMMARY OF THE FINAL REPORT IF YOU JUDGE THAT IT WILL PERSUADE HIM/HER TO PARTICIPATE. IF RESPONDENT IS INTERESTED IN RECEIVING THIS, PLEASE RECORD DETAILS HERE

Name \_\_\_\_\_  
Organisation \_\_\_\_\_  
Email \_\_\_\_\_  
Postal Address \_\_\_\_\_  
\_\_\_\_\_

THANK RESPONDENT AGAIN FOR THEIR HELP AND CLOSE

**Section E: OBSTACLES TO INTRODUCTION OF NEW FORMS OF WORK ORGANISATION**

I would now like to ask you some questions about the new work organisation practices that you have introduced. I would like you to think about the overall implementation process in your organisation, no matter how long it has taken.

**E1. Some organisations have said that it is difficult to introduce new work organisation practices and that organisations can encounter problems in the implementation process.**

**Looking back over the implementation process in your organisation, did problems emerge in any of the following areas?**

	<u>Yes</u>	<u>No</u>
Leadership from senior managers	<input type="checkbox"/>	<input type="checkbox"/>
Consultation with other managers and workers	<input type="checkbox"/>	<input type="checkbox"/>
Communication throughout the organisation	<input type="checkbox"/>	<input type="checkbox"/>
Commitment to the new approach	<input type="checkbox"/>	<input type="checkbox"/>
Flexibility in the implementation process	<input type="checkbox"/>	<input type="checkbox"/>
Measurement of the change process	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify) _____	<input type="checkbox"/>	<input type="checkbox"/>

**E2. I would like you to think about some reasons why these (or other) problems emerged during the implementation process. After I have read out a reason, please tell me whether it was important or not important in your situation.**

IF RESPONDENT IDENTIFIES REASON AS IMPORTANT, PLEASE ASK WHETHER IT WAS IMPORTANT OR VERY IMPORTANT

<u>Reason</u>	<i>Not Important</i>	<i>Important</i>	<i>Very Important</i>
Lack of workforce skills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate access to high quality external expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inflexible Labour Laws or Mandatory Collective Agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Difficulty in overcoming existing culture of the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient management expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Failure to appreciate the scale & nature of the problem	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Negative attitudes amongst other managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resistance from employees & their representatives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient financial resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient related investment (e.g. IT)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**E3. What were the consequences, if any, for your organisation of these implementation problems? Please tell me which of the following, if any, applied in your situation? (Tick one box in each row)**

	<u>Agree Strongly</u>	<u>Agree</u>	<u>Disagree</u>	<u>Too soon to say</u>
Implementation was more difficult than expected	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implementation took longer than planned	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implementation was less effective than hoped	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Costs increased significantly compared with plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We were unable to implement all the changes we wanted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Thank you for sparing the time to complete this questionnaire. Before we finish, I'd like to ask you one final question.

**E4. Would you be interested in participating in the preparation of a case study about your experience of implementing new work organisation practices? It would be anonymous and would involve only one further telephone discussion.**

- Yes IF YES, ASK E5
- No THANK RESPONDENT AND CLOSE

**E5 Could I please check your name and contact details to be used in a follow-up telephone discussion**

Name \_\_\_\_\_  
Telephone Number \_\_\_\_\_  
Organisation \_\_\_\_\_

**E6 Any other comments**

YOU MAY OFFER RESPONDENT A SUMMARY OF THE FINAL REPORT IF YOU JUDGE THAT IT WILL PERSUADE HIM/HER TO PARTICIPATE. IF RESPONDENT IS INTERESTED IN RECEIVING THIS, PLEASE RECORD DETAILS HERE

Name \_\_\_\_\_  
Organisation \_\_\_\_\_  
Email \_\_\_\_\_  
Postal Address \_\_\_\_\_  
\_\_\_\_\_

THANK RESPONDENT AGAIN FOR THEIR HELP AND CLOSE

## APPENDIX B

### The Case Studies: Briefing Notes for Country Experts

#### 1. Background

A total of 50 case studies will be written in total across the EU. We need to ensure that we achieve a good spread of examples across:

- EU countries;
- The private and public sector;
- Large organisations (250+ employees) and SMEs (25-249 employees);
- A range of manufacturing and service sectors;
- National companies and multi-nationals; and
- Organisations with different experiences of New Forms of Work Organisation (“Transition Users” and “System Users”).

In order to achieve this spread of examples, each Country Expert will nominate potential case studies in their country. These will be discussed with the Project Manager, and a final list agreed. The Country Expert will then write up the agreed list of case studies.

Our research so far has shown that organisations are often reluctant to participate in such case studies on a named basis. We therefore anticipate that many (all) of the case studies will be published on an anonymous basis.

We would like you to help us by writing two types of case studies:

- **“Transition Users”**: An organisation that is using some new work practices, but has not introduced a complete system;
- **“System Users”**: An organisation that has introduced a comprehensive package of inter-related and internally consistent work practices and Human Resource policies.

The criteria for judging whether an organisation is a “transition user” or a “system user” are set out in section 2 below.

#### 2. Defining “Transition” and “System” Users

Use the box (see Appendix E) to determine whether, for the purposes of this project, an organisation is a “Transition” or a “System” User.

#### 3. The Process

Once the final list of cases for each country has been agreed, the Country Expert will develop the draft case study. All case studies must be submitted in English. We anticipate that the following approach will be followed:

- Review of literature and other work or material already available;
- Identification of the “gaps” in the material already available;
- Supplementary interviews with organisations to complement material available from other sources. We anticipate that many of these will be telephone discussions, but some may be face-to-face;
- Case studies will be written up using the standard case study format (see section 4 below). Each case study should be around 3 pages in length. Reference should also be made to the detailed Guidance Notes (see Attachment One) and to the “Exemplar” case study (see Attachment Two);
- The first draft case study will then be submitted to the project manager;

- The project manager will comment on the first draft;
- The final draft will be submitted to the project manager. This will be edited and returned to the Country Experts for final approval; and
- Country Experts will then obtain any necessary approvals (if relevant) from the organisations concerned.

#### **4. The Standard Format**

The standard format for the case studies is shown in the table below. The precise coverage of each section will differ depending on whether the organisation is a Transition user or a system user. Guidance notes in Attachment One explain what should be included in each section.

<b>Case Study Format</b>
<b>The Organisation</b> <i>A brief description of the organisation, its size, sector etc.</i>
<b>The Rationale</b> <i>A brief description of why the organisation decided to introduce New Forms of Work Organisation.</i>
<b>The Changes Introduced</b> <i>A description of the main changes introduced.</i>
<b>The Obstacles</b> <i>* A summary of the problems that emerged during implementation; and * Identification of the underlying obstacles to organisational reform (i.e. the reasons why problems emerged)</i>
<b>The Consequences</b> <i>Brief description of the consequences of the problems (e.g. implementation was slower, more costly, more difficult etc)</i>
<b>The Conclusions</b>

## ATTACHMENT TO CASE STUDY BRIEFING NOTE

### CASE STUDY GUIDANCE NOTES

#### GENERAL

Case studies should be based on a single public sector or private sector organisation<sup>40</sup>.

#### TRANSITION USER

For the purposes of this project, a “transition user” is an organisation that has introduced a number of high performance work practices, but they have not (yet) introduced a full high performance work *system*.

#### SYSTEM USER

A “system user” case study should only be prepared if an organisation has introduced a “high performance work system (i.e. a comprehensive package of inter-related and internally consistent work practices and Human Resource policies) and they experienced some difficulties during the implementation process.

#### COVERAGE

The following table sets out the key issues that should be covered in each section of the Case.

Section	Coverage
<b>Summary</b>	In no more than two or three sentences, the principal underlying obstacles to organisational reform and their impact (in terms of delay, higher costs, etc.) should be described.
<b>The Organisation</b>	The following should be briefly covered: <ul style="list-style-type: none"> <li>• Main activity;</li> <li>• Geographic location of workplace – country; and,</li> <li>• Scale – employees, turnover/budget</li> </ul>
<b>The Rationale</b>	This section should explain why the organisation introduced New Forms of Work Organisation.  It <u>could</u> include: <ul style="list-style-type: none"> <li>• <i>Market-place changes, such as shifts in demand, customer needs, technology, regulation, or competitor activity;</i></li> <li>• <i>Financial reasons, such as decline in sales, market share, profitability, or return on capital;</i></li> <li>• <i>Other specific reasons for organisational reform</i></li> </ul>

<sup>40</sup> If the organisation has developed new relationships with suppliers, customers or other organisations, these should be described (briefly) in the sections entitled “The Changes Introduced”.

<p><b>The Changes Introduced</b></p>	<p>This section should briefly describe:</p> <ul style="list-style-type: none"> <li>• The principal organisational reforms introduced (changes in organisational structures, working methods, business practices, culture, education and training, performance measurement, and reward systems);</li> <li>• The results of the reform programme, especially operational improvements in areas such as labour productivity, customer satisfaction, cycle times, etc.</li> </ul> <p>If the organisation is a “Transition User”, please also identify:</p> <ul style="list-style-type: none"> <li>• ‘Gaps’ in the organisational reform programme: the reform programme undertaken should be compared to the requirements for a high performance work system (see section 2 above) and the principal ‘gaps’ should be highlighted;</li> <li>• Reasons why the organisation has not (yet) implemented a high performance work <u>system</u>;</li> </ul>
<p><b>The Obstacles</b></p>	<p>This section should describe:</p> <ul style="list-style-type: none"> <li>• The major problems that emerged during the implementation process. These might also be described as the things that went wrong or were not done properly during the process of design and implementation. They could include failings such as: <ul style="list-style-type: none"> <li>○ <i>Lack of leadership from senior managers;</i></li> <li>○ <i>Inadequate consultation with other managers and workers;</i></li> <li>○ <i>Ineffective communication throughout the organisation;</i></li> <li>○ <i>Failure to build commitment to the new approach;</i></li> <li>○ <i>Lack of an integrated approach to implementation;</i></li> <li>○ <i>Inflexible implementation process;</i></li> <li>○ <i>Design failings that made implementation difficult</i></li> </ul> </li> <li>• The <u>underlying obstacles</u> to organisational reform. These could include obstacles such as: <ul style="list-style-type: none"> <li>○ <i>Failure of senior managers to appreciate the scale and nature of the problem;</i></li> <li>○ <i>Failure to recognise the need for specialist advice;</i></li> <li>○ <i>Lack of key managerial implementation skills internally;</i></li> <li>○ <i>Inadequate access to specialist external expertise;</i></li> <li>○ <i>Inflexible labour laws or mandatory Collective Agreements;</i></li> <li>○ <i>Difficulty in overcoming existing culture and values;</i></li> <li>○ <i>Lack of a long-term commitment to the change process;</i></li> <li>○ <i>Lack of workforce skills in-house;</i></li> <li>○ <i>Negative attitudes amongst other managers;</i></li> <li>○ <i>Resistance from employees or their representatives;</i></li> <li>○ <i>Insufficient financial resources; and,</i></li> <li>○ <i>Insufficient investment in complementary technology (e.g. IT)</i></li> </ul> </li> </ul> <p>For each of the main underlying obstacles identified, please elaborate on the reasons – and comment, where appropriate, on the ways in which the organisation managed to overcome the obstacles.</p> <p>For example, in the case of “inadequate access to specialist expertise”, what was the precise nature of the obstacle. Was it inadequate support from academics, business organisations, consultancy firms, or inadequate access to other organisations that have implemented NFWO. And, if the organisation overcame the obstacle, did it involve additional resources or a change in the consultants, for example.</p>
<p><b>The Consequences</b></p>	<p>This should describe the consequences for the change programme of the problems encountered and the underlying obstacles to reform. Consequences include implementation taking longer, implementation being more difficult, less effective implementation, less satisfactory results, and higher costs.</p>
<p><b>The Conclusions</b></p>	<p>This should summarise the main issues raised by the case in terms of the underlying obstacles to reform and their impact.</p>

## APPENDIX C

### Obstacles to New Forms of Work Organisation: List of Case Studies

<i>Country</i>	<i>Name of Organisation</i>	<i>Public or Private</i>	<i>Size</i>	<i>If Private, Manuf or Services</i>	<i>“Transition” or “System” User</i>
Austria	AMA	Public	SME		Transition
Austria	ADA	Public	SME		System
Austria	AT	Private	SME	Services	Transition
Belgium	BF	Private	Large	Manufacturing	System
Belgium	BCC	Public	Large		Transition
Belgium	BCON	Private	Large	Manufacturing	System
Netherlands	BTM	Private	Large	Services	Transition
Netherlands	BPC	Public	Large		Transition
Denmark	DE	Private	Large	Manufacturing	Transition
Denmark	DM	Private	Large	Manufacturing	Transition
Finland	FHK	Private	SME	Manufacturing	Transition
Finland	FTT	Private	SME	Manufacturing	Transition

OBSTACLES TO NEW FORMS OF WORK ORGANISATION:.

<i>Country</i>	<i>Name of Organisation</i>	<i>Public or Private</i>	<i>Size</i>	<i>If Private, Manuf or Services</i>	<i>“Transition” or “System” User</i>
Finland	FHH	Public	Large		System
France	FP	Private	SME	Manufacturing	Transition
France	FTP	Private	Large	Manufacturing	Transition
France	FS	Private	Large	Manufacturing	Transition
France	FR	Private	SME	Services	System User
France	FC	Private	SME	Services	Transition User
Germany	GT	Private	Large	Manufacturing	System
Germany	GR	Private	SME	Manufacturing	Transition
Germany	GK	Private	Large	Manufacturing	Transition
Germany	GP	Private	SME	Services	System
Germany	GIT	Private	Large	Services	System
Germany	GA	Public	SME		Transition
Germany	GE	Public	SME		System

OBSTACLES TO NEW FORMS OF WORK ORGANISATION:.

<i>Country</i>	<i>Name of Organisation</i>	<i>Public or Private</i>	<i>Size</i>	<i>If Private, Manuf or Services</i>	<i>“Transition” or “System” User</i>
Greece	GO	Private	Large	Manufacturing	System
Greece	GD	Private	SME	Services	Transition
Greece	GSG	Private	SME	Services	Transition
Ireland	IE	Private	Large	Services	System
Ireland	IDL	Public	Large		Transition
Italy	IB	Private	Large	Manufacturing	System
Italy	IED	Private	Large	Service	Transition
Italy	II	Public	Large		Transition
Portugal	PN	Private	SME	Services	System
Spain	SU	Private (Not-for-profit)	SME	Services	System
Spain	SM	Private (Co-op)	Large	Manufacturing	System
Spain	SZ	Public	Large		Transition
Sweden	SC	Public	SME		System
Sweden	SF	Private	SME	Manufacturing	System



OBSTACLES TO NEW FORMS OF WORK ORGANISATION:.

<i>Country</i>	<i>Name of Organisation</i>	<i>Public or Private</i>	<i>Size</i>	<i>If Private, Manuf or Services</i>	<i>“Transition” or “System” User</i>
Sweden	SI	Private	SME	Services	System
Sweden	SV	Private	SME	Services	System
UK	UKB	Private	Large	Manufacturing	Transition
UK	UKF	Private	SME	Services	Transition
UK	UKK	Public	Large		Transition
UK	UKR	Public	Large		Transition
UK	UKN	Private	Large	Manufacturing	System
UK	UKG	Public	Large		Transition
Multi	MS	Private	Large	Manufacturing	Transition
Multi	MI	Private	Large	Manufacturing	Transition
Multi	MP	Private	Large	Manufacturing	Transition

APPENDIX D

OBSTACLES TO NEW FORMS OF WORK ORGANISATION:  
MONTHLY TIMETABLE

		MONTHS																
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<b>Set up phase</b>	Appoint experts																	
	Appoint advisory group																	
	Undertake desk research																	
	Develop hypotheses																	
	Produce discussion guides																	
	Produce case study formats																	
	Produce exemplar cases																	
	Develop draft questionnaire																	
	Develop sampling frame																	
	<b>Case studies</b>	Identify candidates																
Select case studies																		
Carry out interviews																		
Write up cases																		
Edit and obtain approval for cases																		
<b>Survey</b>	Finalise questionnaire																	
	Agree samples																	
	Carry out interviews																	
<b>Analysis</b>	Develop case study framework																	
	Analyse cases																	
	Develop survey framework																	
	Analyse survey																	
<b>Conclusions</b>	Revise hypotheses																	
	Prepare typology																	
	Identify obstacles																	
	Identify favourable conditions																	
<b>Reports</b>	Produce interim																	
	Produce final draft																	
<b>Meetings</b>	Informal EC	X		X		X		X		X			X		X			
	Formal EC						X					X						X
	Advisory group				X								X					

**APPENDIX E**  
**METHODOLOGY FOR DEFINING TYPE OF USER**

**Defining the “Non-User”, “Transition User” and “System User”**

The following questions focus on the largest group of non-managerial workers who are directly involved in making the product or providing the service. For ease of reference, we shall call this the “largest operational group”. For example, these might be assembly line workers at a factory, computer programmers in a software company, customer service reps in an insurance company, or administrative staff in a Government Agency.

**1. How would you describe the “largest operational group”?** (Tick one box only)

- Production or Operations     Sales or Marketing     Customer Support  
 Transport, Warehousing or Distribution     Technical or Product Development  
 Administrative or Clerical     Other \_\_\_\_\_

The next questions focus on how work is organised in the “Largest Operational Group”.

**2. Are a significant proportion of the workers in this group organised on the basis of “formally designated teams”?** By this we mean a group of workers who make certain decisions themselves on how their work is performed, without reference to management. This could include teams with flexible or changing membership. (Tick one box only)

- Yes GO TO C3  
 No (THIS ORGANISATION IS THEREFORE A “NON-USER”)

**3. Thinking about these “formally designated teams”. Which, if any, of the following statements apply to the way that team working operates in this group?** (Tick one box per row)

	<u>Yes</u>	<u>No</u>
Team members jointly decide how work is done	<input type="checkbox"/>	<input type="checkbox"/>
Teams are responsible for solving operational problems	<input type="checkbox"/>	<input type="checkbox"/>
Teams are responsible for quality assurance	<input type="checkbox"/>	<input type="checkbox"/>
Teams are accountable for achieving agreed targets	<input type="checkbox"/>	<input type="checkbox"/>
Team members choose their own team leaders	<input type="checkbox"/>	<input type="checkbox"/>
Team members are trained to carry out more than one task within the team	<input type="checkbox"/>	<input type="checkbox"/>
Team members regularly alternate between different tasks	<input type="checkbox"/>	<input type="checkbox"/>
<b>TOTAL SCORE (COLUMN TOTAL)</b>	<input type="checkbox"/>	<input type="checkbox"/>

IF THE ORGANISATION SCORES 2 OR LESS IN THE YES COLUMN, THEN IT IS A “NON-USER”. IF THE ORGANISATION SCORES 3 OR MORE IN THE YES COLUMN, THEN GO TO Q4

**4. Which, if any, of the following statements apply to the way in which work is co-ordinated across the organisation?** (Tick only one box in each row)

	<u>Yes</u>	<u>No</u>
Decision-making is decentralised and pushed down to the lowest possible level	<input type="checkbox"/>	<input type="checkbox"/>
Range of financial and <i>non-financial</i> measures are used to measure performance	<input type="checkbox"/>	<input type="checkbox"/>
Teams are regularly provided with performance information	<input type="checkbox"/>	<input type="checkbox"/>
Team members meet managers regularly to discuss team performance	<input type="checkbox"/>	<input type="checkbox"/>
<b>TOTAL SCORE (COLUMN TOTAL)</b>	<input type="checkbox"/>	<input type="checkbox"/>

**5. Which, if any, of the following statements apply to the overall Human Resource Management policies?** (Tick only one box in each row)

	<u>Yes</u>	<u>No</u>
Most members of work teams receive regular, formal training paid for by the organisation	<input type="checkbox"/>	<input type="checkbox"/>
Formal training includes job-specific and general skills (like problem-solving and team-working)	<input type="checkbox"/>	<input type="checkbox"/>
An important element of the pay of team members depends on individual or team performance	<input type="checkbox"/>	<input type="checkbox"/>
<b>TOTAL SCORE (COLUMN TOTAL)</b>	<input type="checkbox"/>	<input type="checkbox"/>

IF THE ORGANISATION SCORES 3 OR MORE IN QUESTION 3, 3 OR MORE IN QUESTION 4 AND 3 OR MORE IN QUESTION 5 THEN THEY ARE “SYSTEM USERS”. ALL OTHERS ARE “TRANSITION USERS”.

## **ANNEX TO THE MAIN REPORT**

### **“New Forms of Work Organisation The Obstacles to Wider Diffusion”**

#### **The Case Studies**

**European Commission**

DG Employment and Social Affairs

**Business Decisions Limited**

**October 2002**

NFWO Obstacles FINAL ANNEX (1.0).doc

## **INTRODUCTION**

This Annex contains fifty case studies, prepared as part of the project “New Forms of Work Organisation: The Obstacles to Wider Diffusion” undertaken by Business Decisions Limited on behalf of DG Employment and Social Affairs, The European Commission.

Business Decisions Limited was supported in the preparation of the case studies by a team of country experts. These are shown in the table below.

<i>Country</i>	<i>Expert</i>
Austria	Walter Scherrer, University of Salzburg, Salzburg
Benelux	Paul Berckmans and Hendrik Delagrange STV-Innovation and Work, Brussels
Denmark/Sweden	Kaj Olesen and Palle Banke, Danish Technological Institute, Copenhagen
Finland	Matti Vartiainen, Helsinki University of Technology, Helsinki
France	Laurence D’Ouille, ANACT, Lyon
Germany	Jurgen Wengel, Alexandra Rese and Dirk Langer, Fraunhofer, Karlsruhe
Greece	Stavros Gavroglu, National Labour Institute, Athens
Italy	Ester Dini, CENSIS, Rome
Portugal	Carlos Guerreiro, INOFOR, Lisbon
Spain	Jokin Goyarrola and Olaia Larruskain, Tekniker,
United Kingdom	Richard Ennals, Kingston University, London

## CONTENTS

<i>Country</i>	<i>Name of Organisation</i>	<i>Public or Private</i>	<i>Size</i>	<i>If Private, Manuf or Services</i>	<i>“Transition” or “System” User</i>
Austria	AMA	Public	SME		Transition
Austria	ADA	Public	SME		System
Austria	AT	Private	SME	Services	Transition
Belgium	BF	Private	Large	Manufacturing	System
Belgium	BCC	Public	Large		Transition
Belgium	BCON	Private	Large	Manufacturing	System
Netherlands	BTM	Private	Large	Services	Transition
Netherlands	BPC	Public	Large		Transition
Denmark	DE	Private	Large	Manufacturing	Transition
Denmark	DM	Private	Large	Manufacturing	Transition
Finland	FHK	Private	SME	Manufacturing	Transition
Finland	FTT	Private	SME	Manufacturing	Transition
Finland	FHH	Public	Large		System
France	FP	Private	SME	Manufacturing	Transition
France	FTP	Private	Large	Manufacturing	Transition
France	FS	Private	Large	Manufacturing	Transition
France	FR	Private	SME	Services	System
France	FC	Private	SME	Services	Transition

<i>Country</i>	<i>Name of Organisation</i>	<i>Public or Private</i>	<i>Size</i>	<i>If Private, Manuf or Services</i>	<i>“Transition” or “System” User</i>
Germany	GT	Private	Large	Manufacturing	System
Germany	GR	Private	SME	Manufacturing	Transition
Germany	GK	Private	Large	Manufacturing	Transition
Germany	GP	Private	SME	Services	System
Germany	GIT	Private	Large	Services	System
Germany	GA	Public	SME		Transition
Germany	GE	Public	SME		System
Greece	GO	Private	Large	Manufacturing	System
Greece	GD	Private	SME	Services	Transition
Greece	GSG	Private	SME	Services	Transition
Ireland	IE	Private	Large	Services	System
Ireland	IDL	Public	Large		Transition
Italy	IB	Private	Large	Manufacturing	System
Italy	IED	Private	Large	Service	Transition
Italy	II	Public	Large		Transition
Portugal	PN	Private	SME	Services	System
Spain	SU	Private (Not-for-profit)	SME	Services	System
Spain	SM	Private (Co-op)	Large	Manufacturing	System
Spain	SZ	Public	Large		Transition

<i>Country</i>	<i>Name of Organisation</i>	<i>Public or Private</i>	<i>Size</i>	<i>If Private, Manuf or Services</i>	<i>“Transition” or “System” User</i>
Sweden	SC	Public	SME		System
Sweden	SF	Private	SME	Manufacturing	System
Sweden	SI	Private	SME	Services	System
Sweden	SV	Private	SME	Services	System
UK	UKB	Private	Large	Manufacturing	Transition
UK	UKF	Private	SME	Services	Transition
UK	UKK	Public	Large		Transition
UK	UKR	Public	Large		Transition
UK	UKN	Private	Large	Manufacturing	System
UK	UKG	Public	Large		Transition
Multi	MS	Private	Large	Manufacturing	Transition
Multi	MI	Private	Large	Manufacturing	Transition
Multi	MP	Private	Large	Manufacturing	Transition



## AUSTRIA: “AMA”

This case study illustrates the obstacles encountered by a Municipal Administration in Austria when introducing New Forms of Work Organisation in its central administration unit. This meant that reform took longer than expected and additional work and cost was necessary because transition periods were extended. Moreover, the organisation has not become a fully-fledged “system” user of New Forms of Work Organisation.

### THE ORGANISATION

The organisation delivers administrative services that are delegated to local government in Austria. In general, Local governments are granted a high degree of autonomy through Austrian law. Activities include the operation of a kindergarten, five elementary and secondary schools, an old age care facility, a waste- water disposal system and sewerage plant, a public swimming pool, a municipal road network, and the administration of real estate and buildings owned by the municipality. Some of the activities are carried out for a whole group of communities.

The community has 5,200 inhabitants and is located in a district adjacent to the provincial capital. The municipal administration comprises 68 employees (about 20 % of them part time workers). Due to large investment projects underway, its annual budget has increased from Euro 8.8 million to Euro 14.3 million over the last two years.

This case study focuses on the central municipal administration office.

### THE RATIONALE

In recent years, the responsibilities of the central administration unit have steadily increased. As a result, the work force has expanded. At the same time, a major shift in the use of electronic data processing in local administration has occurred, including new software solutions; electronic data interchange with other public authorities, and the use of the Internet to contact citizens and firms.

The administration unit recognised that they needed to develop and establish an organisational structure that better meets their changing requirements. The major focus was to optimise internal administrative structures and procedures, and set proper incentives to achieve the full commitment of employees, particularly middle managers. Customer orientation was not a primary guiding principle of the change process.

### THE CHANGES INTRODUCED

Three principal organisational reforms were introduced:

- **Changes in the organisational structure:** The administration’s structure was regrouped into four sub-units, each of them headed by a responsible manager (team leader). The structure of the administration basically is a functional one but it is characterized by a high degree of flexibility (e.g. group members can switch easily between groups on demand).
- **Introduction of team working:** Team working had not been entirely new to employees but now the autonomy and responsibility of teams has increased. Teams solve operational problems by themselves, and they are responsible for quality assurance. Approximately two thirds of the team members are multi-skilled workers and can fill at least two posts within the team; in two teams employees regularly shift between different tasks. Information within groups is exchanged on an informal basis, and information between groups is exchanged in weekly meetings.
- **Increased education and training:** During and after the implementation of the new work organisation employees have become active in seeking formal training. Employees actively

make suggestions for training programs that they want to attend; such suggestions occurred only rarely before the organisational change. Nearly all of the training is job-specific or focused on the use of information and communication technologies. General skills training is rare.

As a result of the organisational changes, the level of staff needed to cope with the additional responsibilities of the municipal authority was below average when compared with other municipal authorities of comparable size and with a similar structure of duties. This, therefore, represented an increase in labour productivity.

The municipal administration is, however, a “transition user”: it has not introduced a comprehensive high-performance work system. Major ‘gaps’ include:

- **No formal system of performance measurement:** The administration has not taken any steps to introduce a system of performance indicators and has no plans to do so;
- **No formal quality management:** Complaints from citizens about service quality are handled case by case, and there is no analysis of remedies against decisions of the administration. As long as “there are not too many complaints” and as long as the administrative groups are able to handle customer contacts “properly” both management and the political decision makers will not consider the introduction of a formal quality management system;
- **Remuneration does not depend on performance:** As a consequence of the lack of performance measurement, there has been no attempt to introduce pay relating to individual or team performance. The actual remuneration system is designed to give proper incentives to team leaders; as the seniority element in pay of civil servants is quite strong and team leaders are relatively young both the top manager and the key political decision maker consider these incentives necessary and adequate to motivate team leaders;
- **Little formal general skills training:** Lack of funds and lack of time is cited as the reasons for the lack of general skills training, but it is likely that the top manager (probably) and the top decision makers at the political level (certainly) do not fully appreciate the nature of the problem.

## THE OBSTACLES

A series of problems emerged during the process of making the decision to set up a new work system and during implementation of the new approach. Specifically:

- **Political support limited to restricted changes** – because this is a public sector organisation with strong democratic involvement in its governance, commitment of the responsible political decision makers (most importantly the mayor) to organisational change was critical. Politicians were willing to support only limited reforms. This placed a constraint on the scope of change. The top manager assumed it would not have been possible to achieve political support for a more fundamental change. Thus the top manager’s limited ambition to introduce new forms of work organisation has matched with the aspirations of the principal political decision maker.
- **Inability of managers and politicians to make critical decisions rapidly or effectively** – key investment decisions in complementary ICT have been delayed because of weaknesses in decision-making processes;
- **Design failings in the work organisation scheme and its implementation** – there was a failure to invest in general skills training. Moreover, new performance measures and new types of remuneration will not be included in the revised organisational system. These design failings have limited the effectiveness of the new forms of team working; and,
- **Lack of integrated approach to implementation** – investments in complementary technologies were not integrated with changes in work organisation.

These problems are the result of a series of underlying obstacles to organisational change. Specifically:

- **Failure of senior managers and political decision-makers to realise the scale and nature of the problem** – there was, for example, little awareness of the problems created by inadequate existing IT systems and a lack of workforce skills. Decisions about organisational change, therefore, failed to take account of how to overcome these problems. Moreover, if there had been a strong political will, the constraint of yearly budgeting could be easily overcome (as has been achieved in cases which are considered to be of critical importance);
- **Failure to recognise the need for specialist advice** – there were, for example, serial “misunderstandings” with external ICT and software experts and consultants because of a failure to utilise expert purchasing managers. This caused insecurity about the proper extent of purchases and tensions both within the political decision making bodies and between the management and employees of the administration on the one side and the political decision making bodies on the other;
- **Financial constraints** - major investments in computer hardware and software and training in ICT and general skills were difficult to finance in a single budget year but had to be stretched over longer periods because of the rigidity of budgeting regulations (yearly budgeting);
- **Lack of workforce skills and employees’ reservations about the use of new information and communication technologies** - there was no opposition to the changes in the organisational structure but there were reservations about the use of ICT. Some employees (mostly older ones) with key expert knowledge but being only hesitant users of information and communication technologies, were reluctant to change. To overcome these reservations a significant part of formal education has been provided in the form of in-house schooling. Thus formal training has become common for all employees of the organisation. Employees have been involved in the process from the very beginning and in each step of the process;
- **Inadequate decision structure within the organisation:** Political decision-making bodies of the municipal government comprise four political parties with different opinions felt insecure about the extent of software and training to be purchased. The problem was solved after the decision process had been delegated to the administrative office;
- **Lack of managerial capacity to implement changes** – training in general skills did not take place, for example, because managers lacked time during the implementation process to design an appropriate training programme; and,
- **Insufficient investment in complementary technologies** – resources were not made available to fund new IT systems needed to complement organisational reform.

### THE CONSEQUENCES

As a result of the problems encountered and the underlying obstacles to change, organisational reform took longer to achieve. Investments in information and communication technologies and the complementary organisational change had to be stretched over a longer period than necessary. Moreover, additional work and cost was incurred because transition periods were longer than necessary.

### THE CONCLUSIONS

This case study illustrates how in a small public sector organisation a limited set of new forms of work organisation has been implemented. There were no plans to implement a full-fledged system of new forms of work organisation. Political decision-making bodies not fully realizing the importance of change, inadequate decision structures, and employees' reservations about computer use posed major problems during the implementation process.

### Austria: “ADA”

**This case study illustrates how difficulties in overcoming existing culture, resistance from employees and their representatives, negative attitudes, lack of workforce skills, and inflexible labour regulations combined to slow down organisational change. The case also shows how these obstacles can be overcome and the traditional bureaucratic style of a public sector organisation can be changed.**

#### THE ORGANISATION

ADA delivers services concerning the implementation and enforcement of public administrative law (e.g. environmental law, trade law, traffic law, public health regulation, etc.) that are delegated by law to the district level. It issues permits and licenses, and it oversees citizens' and firms' compliance with regulations. As a district administration, it forms part of the provincial administration and it can – largely depending on the personality of its director – enjoy a considerable degree of freedom in the design of the services that it is obliged to provide.

The organisation is located in the major town in the centre of its district in which approximately 84,000 citizens live. It employs 127 people and its annual “Services” budget (i.e. net of transfer payments to customers) is around Euro 9 million.

#### THE RATIONALE

In 1994 there was a change in the top management of the organisation. The new director's personal motivation was to re-design the organisation, and this became the driving force behind the introduction of new forms of work organisation. While the vision had been developed at the top of the organisation, a strategy was pursued which emphasized employee involvement from the very beginning of the process.

The goal was to establish the district administration as a customer oriented service unit and to improve service quality according to citizens' need. The aim was also to achieve cost transparency, to raise efficiency, and to use new information and communication technologies more intensively and more effectively.

#### THE CHANGES INTRODUCED

Fundamental change was brought about by applying a holistic approach of organisational reform, specifically:

- **Employees' participation to change work culture:** Strictly hierarchical thinking of employees has been replaced by process orientation, communication between top-manager, department managers, and employees has been introduced on a regular basis (jour fix etc.), and as the guiding principle of administrative behaviour, “responsibility” has been substituted for “precaution”.
- **Introduction of team working:** Team working was new to employees, but now teams are responsible for solving operational problems and accountable for achieving agreed targets. In about half of the departments, team members are multi-skilled workers with end-to-end responsibility for all of their activities.
- **Changes in organisational structure:** Products to be delivered by the district administration have been defined, process orientation in the organisation has considerably accelerated administrative procedures, and cost transparency for producing goods has been achieved. The number of departments was reduced from 16 to 9.

- **Quality control and performance measurement:** New performance indicators have been developed during the process. These include measures of process outcomes, and customer satisfaction; and,
- **Formal training** has become common for all employees in the organisation. Employee resistance to participation in training that was present at the start of the process has been overcome. Employees now actively make suggestions for training programs that they want to attend themselves.

The only gap in the system is that remuneration does not depend on performance: This gap is due to the inflexibility of the remuneration system of the public sector.

As a result of the changes there has been a significant and measurable improvement in many activities of the organisation. For example, the district now issues a passport within 20 minutes of receiving the citizen's application compared to several days before organisational changes were introduced. Similar results have been achieved with a wide range of licenses and permits issued by the district authority. Customer complaints about "unfriendly staff" have been drastically reduced and the number of successful appeals against decisions of the district administration has been lowered. Administrative procedures have also become more transparent for customers

## THE OBSTACLES

Overall the process of re-organisation is largely considered a success story both within the organisation (by management and employees), by other administrative units of the provincial administration (even by fellow district administrations), and in the academic sphere. The district administration was awarded several prestigious prizes and it eloquently informed the public about its successes.

However, some problems emerged during the strategic decision-making and implementation phases:

- **Lack of political support for change** – the head of the unit took advantage of a "window of opportunity" to move the process of reform forward. In a public sector organisation of this type it was important to have the commitment of the responsible decision makers in the political arena when the process started. Meanwhile the situation has changed. Now it would be extremely difficult to introduce fundamental changes in work organisation.
- **Lack of an integrated approach to organisational change** – further complications were created by other administrative units within the provincial administration, which were not so ambitious in implementing new forms of work organisation, and which tended to be reluctant to change posed another strategic complication.
- **Design failings that made implementation difficult** - Managers and employees were overwhelmed by scale of the extensive reform programme. At first, it looked like an insurmountable challenge. During the process a step-by-step approach has been adopted which facilitated employee commitment.
- **Massive opposition to the new working methods by middle managers and employees:** During the first months of the process, there was stiff opposition from middle managers and some employees.

The underlying reasons for these key problems were:

- **Resistance to change from middle managers, employees and their representatives** – Both middle managers and employees did not recognize the need for change as "everything was working well anyway". Any proposal to change made them feel uncomfortable. After a few months, stiff opposition turned into delaying action. Employees were supported by the employees' representation (a body similar to a work council).
- **Difficulty in overcoming existing culture and values** - Managers and employees were not at all used to a participative style of management, teamwork, overcoming the departmental segmentation of work, or experiencing a high degree of freedom and responsibility. The

change programme created insecurity with the established structures and values. Moreover, managers and employees were confronted with someone from outside the administration being appointed to be director of the unit.

- **Lack of workforce skills in-house:** Employees' specific work skills (like legal and technical expertise) met the standards of public service. But due to the lack of teamwork, to the segmentation of work between departments, and to non-communication among departments, general work skills were underdeveloped. General skills have been improved through formal training: individual employees
- **Inflexible labour regulations:** Labour law for public employees is in many cases too restrictive for implementing a change in work organisation. Major problems involve the lack of the possibility to compensate extra hours adequately with leisure time and to make work time more flexible in general. Regulations do not provide significant possibilities for rewarding employees according to their performance or their team's performance.

## THE CONSEQUENCES

As a result of the problems that emerged, the implementation of new forms of work organisation proved to be more difficult and more time consuming than expected, particularly in the first year of the process. Moreover, the top manager in particular had to input significantly more effort than planned throughout the whole process.

It has taken much longer to build trust and to overcome the existing culture and values than was originally expected. To achieve change, employees have been encouraged to feel involved in the process from the very beginning and at each step of the process. External expertise was used for moderating the conflicts between director, management, and employees during the process; external consultants still act as a coach for the director. Key to success was that managers and employees were responsible themselves to find the ways how agreed targets ought to be achieved. Ultimately this entailed a significant change in work attitude of employees. Most of them consider benchmarking and participation no longer as a threat but as an incentive.

## THE CONCLUSION

This case study shows how the scale of cultural shocks to be absorbed by managers and employees, the extensive scope of the change programme, the complex and time consuming process of building trust, lack of in-house skills of workers, and inflexible regulations can contribute to building massive opposition to change in a public sector organisation. The case also shows how these problems can be overcome. Key to handling the problems were a strong and dedicated leader and intensive employee participation throughout the whole process.

## AUSTRIA: “AT”

**This case study illustrates how organisational change in a small company was slowed down because of the difficulties in overcoming existing culture and values and employee resistance to change, particularly the initial reluctance of workers to accept the importance of customer satisfaction and team working for the company’s success.**

### THE ORGANISATION

AT offers services for tourists during the winter-season including ski-guiding, ski and snowboard instruction, ski and snowboard outfit rental, and the organisation of leisure time activities. The organisation is located in the centre of a group of large, internationally known holiday resorts in Austria. The area specialises in winter-holidays.

The company faces competition from approximately 45 competitors in the whole area. During the winter season it employs an average of 32 people and has annual turnover of Euro 2 million. The owner is the general-manager of the company and responsible for strategic decisions and economic results. A department-manager (chief-ski-guide) helps to implement operational goals and assists in daily management of the business.

### THE RATIONALE

The company’s owner spent a number of years in different tourism industry jobs in various countries, including the United States. During this period, he became acquainted with team working and realised that, compared with the hierarchical top-to-down organisation, efficiency and employee job satisfaction was much higher when using a more participative team working approach.

When he re-settled in Austria and re-opened his shop, he introduced team working as the core principle of organisation from the very beginning. As the regional environment in this business is characterised by fierce competition it was the owner’s goal to achieve a competitive advantage by establishing a self-regulating organisation that is strictly customer oriented and which constantly improves service quality according to customers’ needs.

### THE CHANGES INTRODUCED

A number of important organisational changes have been introduced:

- **Customer orientation and customer satisfaction as guiding principles of work organisation** – the owner considers these principles to be the keys to success in service business. Their implementation required a major change in work culture and employees’ work attitudes. Customers should not be confronted with administrative procedures or problems, and employees (including clerical workers) ought to be able to provide all information required by customers properly. Every guest getting in contact with the company ought to be considered a multiplier of the firm’s reputation, and thus every employee who gets in contact with a customer should feel responsible for the company’s goals;
- **Team working:** Teams are responsible for solving operational problems and they are accountable for achieving agreed targets. Within the teams most employees can take each position; they alternate regularly between positions.
- **Consultation and communication** - the general rule – every customer has to have a perfect holiday – is the basis of the daily meetings before getting into contact with customers. Thus the daily meetings from 08:30 to 09:00 have become one of the most important factors for the company’s success. Every team gets information from the other teams, and so it becomes clear that everyone depends on everyone else. Team-members know why and what they are working for, they are informed about the targets of the firm, and they learn to achieve quality improvements;



- **Developing performance indicators and weekly discussion of team and individual performance** – new performance indicators have been introduced and data is shared with teams on a regular basis. For example, customer complaints are now handled at team level, but they are registered centrally and systematically; and,

Complementary investments have also been made. In order to facilitate communication and to improve the effectiveness of communication all ski-guides, service workers, and clerical workers are equipped with radio sets. If there is any change in the schedule (which occurs frequently and is inherent to the nature of the service) information can be given to the employee who can get in contact with the customer immediately.

As a result of these changes the proportion of customer complaints is 0.01% of all customers (compared to the industry average of 2%). All performance indicators testify a high and increasing degree of customer satisfaction. Moreover, teams work well, and the efficiency of the employees is about 40 % higher than in a comparable company with a hierarchical organisation.

The company is a “Transition User”. Some elements of a full-fledged system of new forms of work organisation are missing:

- **No formal general skills training:** Employees receive formal training from the company only for developing job-specific skills. Because of a lack of funds and lack of time, general skills are developed on-the-job. Moreover, it remains doubtful if employees would accept formal training of general skills; and,
- **No performance-related pay:** The owner of the company has suggested a performance-based scheme of remuneration. Employees refused to agree to such a system because they prefer to receive fixed wages. Wages are transparent for everybody with any differences in pay explained to employees individually by the owner.

## THE OBSTACLES

A number of problems have emerged during the implementation process.

- **Ineffective communication and differences in perception of the meaning of key concepts** – a major problem was that some employees had an incorrect perception of what “team work” means. As the “boss” is not omnipresent in a system of teamwork, some employees have not completely realized that their full work effort is required to make such a system function successfully. Some employees have had difficulties in developing and maintaining adequate respect for fellow workers on the one hand and the company owner on the other hand. From the owner’s point of view it has been difficult to achieve a proper degree of respect. It was also difficult to communicate to employees the concept of quality control and performance measurement. It was difficult for employees to recognise that every customer complaint is a chance for progress and improving the company’s service quality.
- **Difficulties in building commitment to the new approach** – there were problems in establishing customer satisfaction as the core element of the service business and in establishing self-regulation as the principal mode of problem solving. It has been difficult, for example, to convince employees that the “customer is king” and “the customer is right”, and that it is necessary to find a solution when a problem arises. Moreover, some employees have found it difficult to solve problems on their own. At the beginning of the implementation of team working employees tended to turn automatically to the “boss” if a problem arose or to neglect the problem completely.
- **Design failings** – training in general skills was not included in the new work system. This slowed down the process of exploitation of the new approach.

The underlying reasons of the problems were:

- **Difficulty in overcoming existing culture and values** - employees were used to working in strictly hierarchically structured companies. They felt insecure about how to behave in a non-

hierarchical environment and initially they felt uncomfortable about the company owner's plans. To overcome this, employees have been involved in the process of developing the organisational structures from the very beginning and in each step. The owner now acts more as a coach than as a controller;

- **Insufficient financial resources** – the company lacked the funds to provide off-the-job training in general skills;
- **Lack of managerial implementation capacity** – as a small, owner-managed business, the organisation lacked managers with experience of implementing new forms of work organisation. This reduced the amount of managerial time available to prepare and organise off-the-job training in general skills;
- **Employee resistance to change** – at the beginning, employees were uncomfortable with taking responsibility for quality and customer satisfaction. Moreover, they resisted additional training and the introduction of performance-related pay;
- **Lack of workforce skills in-house** – employees lacked skills in team working, customer service, and quality management. The need to develop these incrementally, through on-the-job training, reduced the effectiveness of the reform programme in the early years;
- **Low motivation of seasonal employees** – on the one hand the company provides jobs only for a few months per year. On the other hand many employees are regionally mobile and consider their job as transitory. Some do not intend to establish a “regular” job but they want to earn a certain pre-defined amount of money; thus pecuniary incentives to motivate workers have not succeeded. For some employees the promise of a job offer the following season if individual performance was good provided some incentive. The most important impact on employees' motivation, however, came from the owner setting a precedent and setting an example.

## THE CONSEQUENCES

It has taken more time and more personal effort than the owner had originally assumed to create an appropriate attitude for team working and for a customer-oriented approach to business. During the first two years following the introduction of new forms of work organisation employee turnover was high. Now the company's work force has stabilised, the approach and structures are accepted by employees, and the teams can be considered to be “self-learning-systems”.

Nevertheless the owner still remains the key to the company's success as he not only develops ideas but the teams still rely on him in everyday business.

## THE CONCLUSION

This case study illustrates how in a small company that provides tourism-related services the principle of customer orientation and customer satisfaction has been implemented, team working has been introduced, and performance indicators have been developed. It shows how at first, it was difficult for employees to recognise the key role of customer satisfaction and the advantages of team working for the company's success. The principal underlying obstacles to change were the difficulty in overcoming established values and culture, employee resistance to change, and low motivation of seasonal workers.

## **BENELUX: “BF”**

**This case illustrates how despite a carefully deployed implementation plan, the legacy of previous experiments, cultural barriers and negative attitudes amongst some middle managers and employees has made organisational change slower, more expensive, and less effective in this large high-tech manufacturing company.**

### **THE ORGANISATION**

One of the most important employers in its part of the Benelux region, BF produces technologically advanced lighting equipment. Its product line consists of well-established products produced in large quantities and newer hi-tech products manufactured in smaller batches. The plant is a part of a larger group of companies that are well known for their pioneering human resource policies, although the HR department of this plant works independently. The plant employs around 2500 people and has a turnover in excess of € 300 million.

### **THE RATIONALE**

As part of a larger group of companies, the performance of BF is subject to regular internal review and must meet company-wide performance targets. Detailed analysis of product line profitability revealed that some of the products manufactured by BF were not profitable, even though large quantities were sold. Production of some of these ‘unprofitable’ products was transferred to other plants within the group to improve profitability. Others, however, can only be made by BF. BF, therefore, needed to find new ways of improving efficiency, if these products were to continue to be produced by the group. It also wanted to improve quality, optimise maintenance activities and expand the range of products.

To achieve these goals, BF focused on work organisation changes that would allow employees to switch between different units within the plant more easily and that would enable work to be carried out with more autonomy to solve everyday production issues. This, the management believed, would be achieved through the introduction of team working.

BF had, however, introduced limited teamwork 20 years ago. This was limited to some dispersed experimental teams. In the 1990s, these had been expanded but the number of employees involved remained small. It was also found that because the teams did not all function in the same way and remained ‘islands’ within the factory, it was in overall terms rather counterproductive. BF wanted all the groups in the factory to work in the same way, so that they could move around quickly between different units. Therefore, in this new plan, an integrated approach was established.

## THE CHANGES INTRODUCED

Inspired by a new plant manager, a complete overhaul of the organisation was planned. It involved:

- **Team-Working** – the creation of teams to cover all activities within the factory. These teams have responsibility for working methods, planning of training requirements, logistics, quality control, and cost reduction. They also have a small budget that they can use to improve their working conditions and tools;
- **Performance Measurement** – all teams have targets to achieve, which are monitored by a balanced scorecard system. The teams are provided with the necessary IT infrastructure to monitor their own performance;
- **De-layering** – the numbers of management layers has been reduced considerably and significant numbers of managers have left the company; and,
- **Pay** - a system of variable pay related to team performance is at this point being developed. BF hopes to finish this when the first teams reach the final stage of development.

A phased process of implementation has been used. In the first phase, the whole process was initiated with a “kick off” session, in which the idea was communicated. Team working was introduced in the next phase with groups moving through a series of development stages. During this phase, a system of employee meetings was activated. In these meetings, employees meet with managerial staff, unions, consultants and the internal staff that guides the process. These meetings ensure that all the teams function in the same way.

The introduction of team working has taken place following a four-step system:

- **Step 1:** The current situation is analysed with and by personnel; systems of job rotation and employee-meetings are in place. Teams-to-be are designated and are given the opportunity to analyse their own working methods and competences.
- **Step 2:** The teams select some tasks from a “menu” containing a range of supportive, preparative, personnel planning and maintenance tasks. The chosen tasks are delegated immediately to the team. If necessary, they can ask for training. Step 2 ends when all of the tasks on the menu are delegated to the team.
- **Step 3:** The team starts to act autonomously. They function completely on their own, without interference of the management. A reward-system is about to be put in place.
- **Step 4:** Teams start to identify and implement improvements.

Each of these steps takes between 6 and 9 months, or a total of 3-4 years for the complete programme. The teams can evaluate themselves by means of questionnaires to see if they can move to the next step. If so, the plant manager himself visits the team to congratulate them and offer coffee and cake – simple, but apparently highly appreciated. About 55% of the employees are now working in teams, of which the fastest have reached Step 3.

Even though the reform programme is not yet finished, the effects are positive. Operators can switch more easily between different workspaces, quality has improved and the process for resolving operational issues is now faster. BF claims that even in this stage, the positive results are reflected in the financial results of the factory.

BF is now becoming a “System User” of new forms of work organisation, particularly once the new variable pay system is fully functioning.

## THE OBSTACLES

Previous experience with team working enabled BF to anticipate some of the problems that would emerge from implementation. Nevertheless, a number of unanticipated problems also emerged. Specifically:

- **Failure to build commitment to the new approach** – many middle managers, functional specialists, and older production workers opposed the process of change. Communication and consultation programmes failed to build commitment to change amongst these groups;
- **Design failings that made implementation difficult** – there are gaps in the new system of work organisation that limit its effectiveness. The most important of these are the scope of responsibilities delegated to teams. Some responsibilities have not been delegated to the teams, because they did not want them or because it would render planning too difficult. Examples include: handling of temporary overcapacity, applying the function classification, sanctioning of personnel, time registration, negotiations with unions, decisions about product specifications, safety and environmental issues.

The underlying reasons for these problems were:

- **Difficulties in overcoming existing culture and values** - although some of the newer and younger employees were immediately comfortable with the new participative culture, many older employees were not. Some of the older employees have built their “cultural framework” on the basis of a traditional organisation of work and find it difficult to adapt;
- **Negative attitudes amongst other managers** - some middle managers were uncomfortable with the changes introduced because they were no longer able to define their role on the basis of hierarchy. They feared loss of status, loss of promotion opportunities, and potential job losses. Moreover, some of them hesitate to share their knowledge;
- **Employee resistance to change** - some employees were highly resistant to these changes. Workers in specialist functions, such as maintenance, whose activities will be taken over by the new teams refused to share their knowledge during the implementation process because of fears of loss of status;
- **Lack of investment in complementary technology** – there are technological limitations on the organisation of work at certain posts in some production lines because the work is not yet fully mechanised and it involves specialised knowledge. At these places, full mechanisation has yet to take place.

## THE CONSEQUENCES

As a result of these problems, implementation was more expensive (because of more intensive communication and training for older employees), slower, and less extensive. In some units, implementation has been delayed and for those in partially mechanised production environments, teams are not yet fully operational.

It needs to be said that the people responsible for the implementation process sometimes wonder for how long this process can continue. It demands a lot of energy from them and from employees and it costs a lot of money. Organisational change fatigue is a risk here. Nevertheless, teamwork has already brought significant benefits:

- Increased flexibility in moving operators around different work posts;
- Increased commitment amongst employees to quality, logistics issues and cost. This is the result of a better understanding of the effects of their actions on the work of others. Therefore they can respond quicker and more accurately to operational issues;
- The Business Balanced Scorecard, which is being used by the teams themselves, has triggered a gentle kind of competition. Also there is a better understanding of each teams contribution to

the business results of the product group, and ultimately to the company as a whole. Moreover, teams set the targets themselves, which increases their motivation to reach them;

- Teams take initiative to introduce improvements;
- Significant improvement of communication and co-operation within the teams.

BF considers these positive effects to be the basis for fulfilling the company-wide targets.

## The Conclusion

This case study illustrates how even in a company that has 20 years of tradition and experience in organisational change, cultural obstacles still remain, even where everything else is done “as closely to the book” as could be expected.

## Benelux: BCC

**This case study illustrates the problems experienced by a large public sector in Belgium when it attempted to introduce team working. In particular, it illustrates the difficulties arising from a lack of complementary investment in IT systems, lack of workforce skills (despite training efforts), and a bureaucratic environment in the regional offices. Moreover, it shows how associated changes in remuneration systems have not been possible, as it would involve changes in legislation that are out of the reach of this organisation.**

### The Organisation

BCC, a Public Sector organisation in the Flemish region of Belgium with 900 staff and an annual budget of Euro 222 million, has two major tasks to perform. First it regulates all Child Care initiatives, both private and public. It is responsible for certifying them and distributing budgetary support. For this task a hundred people are employed. The budget is about Euro 173 million. Secondly the agency provides family support: nurses, doctors, vaccination programmes and special support for abused children, adoption cases and families with difficulties. 600 nurses and 200 administrative personnel are employed for these tasks. Their overall budget is approximately Euro 49 million.

This case study focuses on the recent introduction of teamwork amongst the administrative personnel involved in the Family Support programme. The 600 nurses have worked in teams since 1995.

### The Rationale

In the first stage of reform of the Family Support activities, BCC decentralised much of the responsibility for provision of “front-line services” to five regional offices, in the capitals of the provinces of Flanders. At the same time, nurses and other care providers were organised into teams. In contrast, administrative services remained centralised and organised on a functional basis.

This organisational strategy generated a number of inefficiencies that reduced the speed and quality of service, and increased costs. Specifically:

- There was double handling of case files – local administrative staff kept records that were then duplicated by central employees;
- Responsibility for case files was assigned to individual employees hence standards of service for front-line staff were disrupted by illness, holidays and training; and,
- Communication with central staff was slow and cumbersome because different, specialist staff dealt with different parts of individual case files.

There was widespread recognition of the problem and, everyone, including the people in the administrative departments, agreed that something had to be done.

### The Changes Introduced

The major change was the removal of the traditional functional structure for administrative activities and the introduction of a team-based organisation.

Instead of specialists, the administrative function was to be organised on the basis of generalists. The aim was to ensure that every person in the administrative department could process any aspect of a case file. This would improve efficiency and communication. Once this was established, administrative services would leave the headquarters and decentralise to the five regional offices.

The teams in the local offices are responsible for organising themselves, communicating with the other personnel and handling every aspect of the case files. Files are now the responsibility of a team rather than an individual employee. Thus individual members of a team can be absent from work (in the short term) without any reduction in service standards because everybody in a team has access to all the files.



One phone call to one team member suffices for getting all the answers. There is no formal hierarchy in the teams.

A lot of attention has been paid to training. In the former organisational structure, a lot of low qualified personnel performed specialised and supportive tasks. Now they must perform more advanced work. Given the nature of the work, which is highly specific to this agency because of its legal obligations, it was on-the-job training. Nevertheless, a training plan has been established to plan for each person. As a result, most employees now perform almost all of tasks carried out by the team. Nevertheless, some of them did not reach the new standards of competence. They do work in the teams, but have a somewhat different set of tasks. The willingness of these employees to adapt these new tasks is remarkable because they have not received the increase in pay that would come along with the responsibilities they now have. There is simply no budget for this.

A lot of possible implementation problems were anticipated through the use of a three-step introduction:

- Step one: the goal and the implementation process were presented to the employees;
- Step two: teams were introduced at the headquarters. The three specialised cells were transformed into three generalist teams;
- Step three: the members of those three teams were sent out to the regional offices, where they became the core of the five new teams.

Employees gave feedback throughout steps one and two of the implementation process. There was sufficient flexibility in the implementation process to allow this to take place. Formal feedback sessions were also an important communication mechanism and every employee affected by the programme knew all there was to know.

There was little resistance from middle managers to the new form of organisation, even though they lost the leadership aspect of their job. Since this position of leadership was a result of automatic promotion based on years in the service, most of them did not really enjoy this aspect of their job. To compensate them for the loss of these responsibilities, middle managers were allowed to keep some of their ‘privileges’, such as a private office, during step one. However, this was removed in step three, when ‘open plan’ offices were installed. Because they continue to handle the most difficult case files, middle managers retain some differences between themselves and other employees.

The system of work organisation is, however, incomplete. Pay has not been changed and new performance and quality measures have not been introduced. As a result, BCC is a “transition user” of new forms of work organisation.

## The Obstacles

During the implementation process a number of problems emerged. The most important were:

- **“Organisational change fatigue”** – Over the previous few years, a lot of changes had been made, including the introduction of SAP software;
- **Lack of an integrated approach to implementation** – there is a lack of IT support. The new teams can only work as expected when the IT infrastructure provides them with access to all the information needed. This is not yet the case. There was also a failure to make changes in the managerial culture in the regional offices, prior to the decentralisation of the new administrative teams; and,

- **Design failings that made implementation less effective** – Managers established teams without determining measures of performance. This made it difficult to assess performance and to motivate team members. This was a deliberate decision. Senior managers decided to install teams without performance measures because they feared a loss of support for change if a poorly designed performance measurement was introduced before the teams became strong groups of people. A further problem was the impossibility of reforming pay and linking rewards more closely to team performance, due to the collective agreements that are applicable to the whole of the public service. A re-negotiation would have become a major political issue.

These problems are the result of a number of underlying obstacles to organisational reform within BCC. Specifically:

- **Insufficient investment in complementary technologies, specifically IT** - SAP software is being introduced, but is not yet fully functional;
- **Insufficient financial resources** – budgetary limitations have constrained investment in IT and new systems of remuneration;
- **Resistance from employees** – managers were reluctant to introduce a comprehensive work organisation system because they feared that “too much change at once” would generate resistance to new ways of doing things;
- **Lack of staff capacity to absorb change** – there were deficiencies in workforce skills that slowed down the introduction of teams based on multi-skilling. Moreover, there was a lack of key managerial skills, hence new performance and quality measurement tools had to be designed from scratch and changes in structure were divorced from changes in complementary measurement systems;
- **Difficulty in overcoming existing culture and values** – there was a culture clash in the regional offices between the new values of the administrative teams and the hierarchical approach of the existing managers; this has only an influence on the interaction between the management of regional offices and the teams. The teams work as independent units within these offices.
- **Inflexible collective agreements** – a large number of details of working conditions covered by existing collective agreements with public sector unions would have had to be re-negotiated before new pay arrangements could be put in place. The responsibility to re-negotiate does not lie within the scope of this agency. Due to possible political problems nation-wide, waiting until such a re-negotiation had taken place would have rendered the introduction of other new working practices impossible. The introduction of performance-linked remuneration systems is not, therefore, an option yet.

## The Consequences

Although the teams are successful as a form of work organisation, the obstacles that remain made it impossible to introduce a comprehensive new work system including a performance measurement system linked to variable pay. This, combined with the lack of IT support, has limited the efficiency of the new organisational structure.

Also, the difficulties in overcoming the differences in competence of the staff, made the teams less homogenous than was planned. Training has not fully resolved this problem. Also the resistance of senior staff has not been fully overcome. Even though they have given up their hierarchical position, they maintain some “distance”. This is not, however, a major problem though.

## The Conclusion

This case illustrates some of the main obstacles experienced by a large Public Sector organisation. Specifically, it shows that some of the main obstacles are budget limitations and lack of IT investment, the limitations of training in raising the competence of some staff, and a hostile environment once the teams are sent to regional offices. This makes the teams less efficient than was hoped. Nevertheless, given the situation in which the project started, remarkable progress has been achieved.

## BENELUX: BCON

**This case illustrates the ‘residual’ obstacles to organisational change that face companies with extensive experience of organisational renewal and the financial and managerial resources to design, implement, and sustain programmes of organisational reform. It illustrates how employee resistance to change and the negative attitudes of some managers can slow down even the best-designed and implemented organisational change programmes.**

### THE ORGANISATION

BCON manufactures large rolling utility equipment for outdoor use. Most of their extensive portfolio of products conforms to standard specifications; a few are fully customisable. The largest employer in its region, BCON employs more than 4,000 people and has an annual turnover of more than Euro 1 billion Euro. They are one of the main plants of a US-based worldwide group. BCON’s most important competitors are the other plants owned by its parent company.

Established in the mid-1960s, BCON has extensive experience of adapting to major changes in its principal markets. In response to the economic recession of the 1980s, for example, the company undertook a major restructuring of the plant and introduced a model of participative management. Further restructuring during the 1990s included the creation of product-based business units and the introduction of lean management.

### THE RATIONALE

The latest phase of reorganisation is a continuation of these trends and is a response to three specific factors:

- **Improving the overall competitiveness of the plant** – senior managers aim to increase and control quality, decrease costs and raise productivity to protect the competitive position of the plant within the group. This will be based on using well-established Japanese “5S” and EFQM models;
- **Removing inefficiencies in working practices** - as a consequence of the introduction of lean management, the number of levels of management has been reduced significantly. This has increased responsibilities and expanded reporting requirements at operational-level. Operational managers have found it difficult to respond effectively because workload has not been adapted, other parts of the organisation have not been reformed, and key skills were insufficiently available. A teamwork-based organisation should be help overcome these problems; and,
- **Exploiting a “window of opportunity”** – some senior managers believed that a reduction in the numbers of expatriate managers would make it easier for employees to accept organisational reform.

## THE CHANGES INTRODUCED

As the latest of a series of new management principles to be introduced in BCON, the whole project was communicated extensively and linked to the company's values and mission statement. The communication programme set out the boundaries and framework within which the new, more autonomous working processes would operate.

The major changes focused on the introduction of teamwork and new working methods:

- **Teamworking** – Teams with maximum of 20 members, an 'animator', and a 'godfather' have been set up throughout all parts of the company. The 'animator' works within the team but is not the leader; the 'godfather' acts like a mentor. Teams have a considerable freedom to organise themselves. Teams also document everything they do and the way that they organise it. This material is then used for quality certification and safety procedures;
- **Communication** - a pilot committee has been installed to guide the process and get feedback from the teams. This will cover operational problems of implementation and performance information;
- **Structure** – although the employees and operators in teams had previously worked together and the management structure was already flat, the changes will reduce the number of middle managers. This will accentuate further the lean management structure of the company;
- **Training** - considerable investment was made in training. Training consisted of 'soft skills' and included a simulation game intended to deliver some insight in what the effects of work organisation within the teams would be and the likely wider effect on the changes on the organisation;
- **Pay** – a limited form of variable pay has been introduced, based on fixed bonuses rewarded when one of the steps in the 5S programme is reached. To date, about 12% of the individual employees and 21% of the teams have received a bonus. There are also bonuses for improvement suggestions at team level;
- **Performance measurement** – a range of financial and non-financial indicators are used to measure performance and teams have been trained to interpret in performance information provided to them by the company's IT system;
- **Working methods** - teamwork was linked to the '5S' model. Its philosophy can best be described in the slogan, "own your own workspace". The model focuses on regaining control over the immediate working environment through cleaning up, removing redundant materials and tools, by starting from scratch in its lay-out and then rebuilding it according to the needs of the operators working in it.

Even though only about 37% of employees work in teams so far, BCON is enthusiastic about the results. Quality, efficiency and employee satisfaction seem to have risen significantly. Employees have a more positive attitude towards the company, and the trade unions have not objected. Given the tradition of adversarial union-management relations in the region, BCON considers this to be an important side effect.

## THE OBSTACLES

Only two problems have emerged during the process of implementation:

- **Failure to build commitment to the new approach** – not everyone is, it seems, convinced about the benefits of the way of working. Although the communication programme was highly impressive, only 37% of employees, for example, have volunteered to participate in the programme;

- **Inadequate consultation with other managers and workers** – not enough effort was put into getting feedback and participation from those involved in the change programme. In view of the experience of the company in implementing change programmes, it is surprising that more effort was not put into involving middle managers and workers in the design and implementation of the new system of work organisation;

The underlying reasons for these problems were:

- **Employee resistance to change** - some employees are not willing to proceed and some of have even opposed the change process. It is axiomatic that “change programmes” generate uncertainty, create fear, and lead to winners and losers amongst all participants. Even if middle managers or employees do not lose out financially, change programmes often lead to ‘psychological’ losses;
- **Negative attitudes amongst some managers** – many middle managers are wary of giving up their positions and maybe their jobs;
- **‘Gaps’ in the expertise of senior managers responsible for implementation** – despite the extensive experience of the company’s managers in implementing programmes of organisational change, there are still some gaps in their ability to overcome cultural and attitudinal obstacles to change. There was a need, for example, to take more account of these issues in the design of the implementation process. More emphasis should have been placed in explaining to individual senior and middle managers their future role within the organisation.

## THE CONSEQUENCES

Although the overall effect is positive, progress has not taken place at a uniform pace throughout the company. Obstacles to organisational reform have slowed down the introduction of teams in certain parts of the company.

## THE CONCLUSION

BCON has a long tradition of organisational renewal and has the financial and managerial resources to design, implement, and sustain long-term programmes of organisational reform. In this instance, considerable care was taken with the design and implementation of the new form of team working. Despite this, the company still encountered attitudinal and cultural barriers to change that slowed down the introduction of the new organisational system.

## BENELUX: “BTM”

**This case illustrates how an advanced team-design was successfully implemented despite a range of problems, particularly the lack of a step-by-step approach, resistance to change from employee representatives, the difficulty of overcoming existing culture and values, and gaps in management expertise.**

### The Organisation

Located in the Benelux region and with turnover in excess of Euro 500 million, BTM provides airplane maintenance services to the mother company and to other airlines. The mother company is a well-known airline with a long-standing tradition as an employer offering long-term employment security.

BTM has its own management and direct commercial and financial accountability. It must also meet certain levels of quality in order to satisfy airline transport safety regulators and to maintain a licence. BTM performs maintenance mainly within their own buildings where planes are brought in. A small part performs maintenance and control on the tarmac.

This case study focuses on the introduction of teamwork among 4000 technicians in BTM. It was introduced when BTM became an independent company within the company.

### The Rationale

At the end of the eighties the airline industry was facing a difficult time. Also, the parent company (of which BTM at the time was just a department) was experiencing poor economic figures. While reviewing their options, they found out that the maintenance department was costing them money. The maintenance department was at a crossroads: They could either become a company within the company (with financial and commercial responsibility) or they would be sold to the manufacturer of the planes they maintained. The second option was taken and led to what BTM is today. But it meant that they needed to work more efficiently to become profitable on their own.

### The Changes Introduced

Three major changes have been introduced to improve efficiency. Total employment in the vehicle maintenance department has been cut from 6,650 to 4,300. This was achieved without compulsory redundancies. Next, the number of layers of management has been cut from eight to three. And, the department has introduced team working.

The reduction in hierarchy and the introduction of teamwork were introduced to shorten the time that the vehicles stay in maintenance and to make communication amongst individuals and different subdivisions more effective. By giving more autonomy to the technicians, the department also wanted to improve motivation and reduce bureaucracy.

A multi-stage plan has been used to introduce the changes. In the initial stages the scale of the workforce and number of layers of management were reduced. This was then followed by the introduction of “pilot teams” covering about 2% of technicians. Completion of the pilot period was then followed by the introduction of team working for all technicians.

The pilot teams were set up on the following basis:

- Selective membership - members were chosen because of their acceptance of these new ideas and their opinion-leadership;
- Extensive autonomy of operation - initially, the pilot teams had full autonomy. They could choose their own leader and members. They also had their own budgets, working methods and targets.



- Restructured support functions - the former decentralised quality control (individual controllers on the work floor) was centralised. The quality control was to a large extent dedicated to the teams; and,
- Limited training - training was on-the-job, mainly because of the specialised knowledge.

BTM is a transition user because there is no variable pay, and training programmes are not as extensive as they might be.

## The Obstacles

The pilot phase of introduction helped the maintenance department to identify problems and underlying obstacles that might reduce the effectiveness of a wider reform programme.

A number of major problems emerged during the pilot phase:

- **Failure to build commitment throughout the organisation to the new approach** – managers failed to convince many of the non-participants in the pilot phase of the benefits of team working and of its nature. This led to internal conflict;
- **Design failings that made implementation difficult** – there were problems in the design of performance measures, in the lack of leadership within teams, and in the lack of pay reforms. For example, a significant part of the technicians did not appreciate the autonomy within teams, mainly because there was no dedicated leadership. Moreover, although team-members were prepared to help members of their own team, they would deny such help to other teams. There was no solidarity between the teams. The performance measurement system, in which teams get scores partly in comparison to other teams induced teams to be happy with poor performance of other teams. Needless to say this did not improve overall performance.

The most important underlying obstacles to change were:

- **The lack of step-by-step approach** – BTM tried to introduce an advanced form of teamwork in one step. This opened the doors to behaviour that was difficult to control and foresee. A more prudent approach might have created more points where the design could be altered given the circumstances and might have led to a better acceptance in the rest of the company. It needs to be stressed though that BTM was one of the first companies to introduce teamwork in the Benelux. In fact it might well be that their experience has influenced the more prudent approach most companies apply today.
- **Resistance to change by employee representatives** – the trade unions reacted with a strict interpretation of rules and regulations
- **Legislative restrictions (pay and conditions)** - pay could not be related to individual or team performance because of company-wide limitations. Such a change would require a change for the whole company, not just BTM. This is impossible to achieve;
- **Legislative restrictions (airplane safety)** - people in other parts of the company and the government – which approves the licence to carry out this form of maintenance – had safety concerns, mainly because quality control was decentralised to the team level. Some feared that this might lead to the loss of BTM's licence;
- **Difficulty in overcoming existing culture and values** – the biggest obstacle to change was the dominant culture within the organisation. Many team members “just want to do their job” without all the extra tasks that were involved in a team setting, and some wanted a strong leadership. The project leaders described this as ‘binary thinking’: “I have a boss or I don't have a boss”. It was understood as a part of the ‘technicians culture and way of thinking. There were also culture clashes with other, unreformed parts of the organisation. Team members reported a refusal from personnel outside the teams to accept their autonomy, for instance by refusing certain parts to be collected by team members that have been given the authority to within the team, but who didn't have that authority before;

- **Lack of management expertise in the organisational reform and the introduction of new forms of work organisation** – many of the problems were not foreseen. Senior managers were experts in vehicle maintenance or functional activities, such as quality control or accounting. They did not have in-depth expertise in how to manage an extended programme of organisational reform. They lacked training and experience in this area. They also faced severe time pressures because of the threat of closure.

## The Consequences

Despite the obstacles, teamwork has been introduced for all the personnel in BTM, but the team-design that was set up in the pilot teams was changed significantly:

- The level of autonomy was reduced; quality control was restored to the system used before. Each team now has a leader who is appointed by the management instead of a team board.
- The target system was reviewed to eliminate excess competition.
- The team budget has been eliminated.
- Team performance measurement is still possible but it remains just information.

Nevertheless BTM is now the best performing business inside the company and is seen to be an example of excellence. Their licence is not at stake anymore.

## The Conclusion

BTM has tried to move quickly to the most advanced form of teamwork. This has confronted them with resistance inside and outside TM. The teams are now implemented, but in a more modest design. These alterations did not keep them from reaching their initial goals, but a step-by-step approach may have eliminated a lot of the learning curve costs.

## BENELUX: “BPC”

**This case illustrates how attempting to change the culture and organisational structure too rapidly in a long-established organisation with little capacity to absorb radical change can create major difficulties. It highlights the problems created when managers fail to appreciate the scale and nature of the change 'challenge'.**

### The Organisation

A Public Sector organisation in the Netherlands, BPC is a provider of personal care in the largest cities in the Netherlands. They have two tasks to perform: household assistance and nursing at home. They employ about 4000 people and manage another 2500 nurses that work as self-employed. The care is paid for by social assurance.

### The Rationale

In the past BPC was one of four monopoly suppliers of personal care. As a consequence of the reform of the social security system, the monopoly has been dismantled because private companies have been allowed to provide social assurance. Those companies grant licences to organisations like BPC. There are now a number of organisations that are licensed, so the customer (or patient) has a choice. The overall budget for personal care has increased, but since there are more players in the market, BPC was obliged to cut costs dramatically.

BPC had to respond to this different situation. Its aim was to change its culture from producer- to demand-driven, in fact to respond better to the needs of users. Also BPC needed to work more efficiently because they had to survive in a competitive environment.

Another important change was in the funding mechanism. BPC was paid for the time they spend with the clients, whereas they used to be paid per client. This required the introduction of a time measurement and management system for nurses, something they were not used to. This change in funding also meant that overhead and transportation were considered as costs, and had to be reduced to a minimum. Therefore time-based management was introduced, supported by IT.

On top of this, BPC had to tackle high levels of absenteeism and staff turnover. Moreover, the majority of employees work part time, mostly a limited number of hours per week. This made HR management very difficult and increased the need to continuously train new personnel.

BPC hoped to tackle many of these challenges with teamwork.

## The Changes Introduced

BPC made a series of organisational changes:

- **Organisational structure** - BPC changed the structure of its organisation drastically. Before, activities were organised in four business units each based on the delivery of a different form of care and controlled by regional managers. These managers organised all the delivery of care and were supported by administrative staff. As a result there were four regional business unit managers in each region. This structure was changed and care was regrouped into two types. The practical organisation of all forms of care (scheduling, dispatching) was centralised and responsibility given to a new independent staff unit - the "dispatch staff".
- **Role of regional managers** - the tasks of managers were redefined as general management and policy. They were also given more financial responsibilities and autonomy. The number of regional managers was also reduced from 12 to 7.
- **Teams** - Nurses were organised in teams and report to the regional manager. Each team has as many as 30 nurses. As a result, co-ordination of activity under the control of the regional manager was combined with the traditional autonomy enjoyed by nurses because of the nature of their work (by themselves, at the home of a client).

BPC has not introduced a comprehensive "high performance work system": it is a 'transition' user. They have not, for example, introduced any form of variable pay or new measures of performance. In the future, however, a personal development plan will be installed, in order to ensure that each team has a complete range of competencies.

Moreover, the process of implementation is incomplete geographically. At this point only two of the seven regional offices have made the changes and the third one is in the middle of the process.

## The Obstacles

A lot of problems emerged during the process of implementation. Specifically:

- **Lack of leadership by senior managers** - there has been a failure to identify and maintain a consistent vision of the change process and its benefits. Moreover, implementation of change has been poor. There have been basic mistakes in planning and implementation. Priorities have not been set and, as a result, too many changes were introduced at the same time;
- **A failure to build commitment to the new approach** - the new approach has failed to convince staff that it represents a coherent way of achieving the stated goals of the organisation. The lack of an internally consistent set of goals and implementation plans has made it difficult for senior managers to build commitment to change;
- **Design failings that made implementation less effective** - organisational reform is partial and excludes important complementary changes in HR practices, such as training and remuneration. For example, the lack of any training on any level illustrates the failure to understand the true nature of the work that is being done;
- **A poorly designed implementation plan** - the organisation clearly has failed to understand the impact of the new form of work organisation and develop a more carefully implemented plan. It has tried to do too many things too quickly, and failed to tailor implementation to the capacity of the organisation to absorb change;
- **Inadequate consultation with employees** - the implementation process did not include adequate feedback opportunities. Senior managers lacked information about the impact of the changes in work organisation, and employees were unable to communicate their concerns effectively.

The underlying reasons for these problems were:

- **Failure of senior managers to appreciate the scale and nature of the problem** - managers failed to understand the limitations of the capacity of BPC to make radical changes rapidly. Moreover, they failed to recognise the need for investment in new HR practices (such as training) to complement changes in structure and process. For example, the simultaneous implementation of a new IT system and the new cost-reducing way of working are too much to handle for most of managers and parts of the personnel. They clearly have a need for training whereas training is not yet on the agenda. It also appears to be hard to combine time-based management on the one hand and increase autonomy in order to better respond to the needs of the clients;
- **Lack of organisational capacity to manage rapid change** - the changes in the provision of care services and their impact on the budget, placed the organisation in a situation of needing to make major changes rapidly. There was little or no space or time to create a smooth changeover, let alone creating some concept of time- or budget buffers. BPC was a settled organisation with long-standing processes and practices. Moreover, it had little heritage of implementing radical change. Managers lacked training in how to implement change and employees did not expect to have to make major changes in their work organisation on a regular basis. There was a culture of "static expectations";
- **Negative attitudes of some managers** - there was a lot of tension between the region managers and the dispatch staff. Although their objectives are different the work has of each group has an important impact on that of the other;
- **Employee resistance to change** - the need to reduce cost as much as possible and the lowering of the overall budget put a lot of strain on the staff and created fear and uncertainty. In some cases their working conditions are at stake, e.g. concerning the transport costs, which they now will have to pay for themselves. One of the main effects of this is that team working has been a synonym for cost-reduction and productivity improvements;
- **Lack of managerial skills internally** - the change in management profile for the regional managers was a problem because they lacked the necessary skills; these had not been needed in old organisation;
- **Lack of long-term commitment to the change process** - the objectives of the process have been changed by senior managers. The original targets that were set out, improving customer satisfaction by responding more directly to their needs and reducing costs, have proved difficult to achieve simultaneously. Managers have, therefore, dropped altogether the objective of improving service. This leaves the process of organisational change as a cost reduction exercise.

## The Consequences

The consequences of all these obstacles are:

- An increased workload for everyone involved in the organisation. The extent to which the new strains on the organisation as a whole or the new forms of work organisation are the cause is difficult to determine;
- The teamwork is not efficient;
- The top-down structure is still dominant over the bottom-up stream;
- The targets have not been reached;
- Because of the perception of new forms of work organisation as the increase of workload, the organisation might have a difficult time to communicate something else.

## The Conclusion

BPC saw itself confronted with a very important change: they had to move from a monopoly to a free market and in the same time tackle important organisational and HR matters. Although they had no alternative to some form of radical change, the lack of a clearly structured plan and feedback opportunities created a lot of risks and made the targets almost impossible to reach.

### DENMARK: "DE"

*Over the last decade, this large textile manufacturer has implemented a range of initiatives to introduce a team based work organisation. They have experienced a number of problems that stem from employee resistance to change, lack of managerial expertise in the design and implementation of organisational reform programmes, negative attitudes amongst some managers, lack of workforce skills, lack of a long-term commitment to change, and difficulty in overcoming the existing culture and values.*

### THE ORGANISATION

This company is a major Danish manufacturer in the textiles sector employing more than 700 people in Denmark. Production is labour intensive, and most has been outsourced to sites in lower wage economies. In total, the company has 9,000 employees, and has been expanding consistently for a number of years. Turnover is now over Euro 500 million.

### THE RATIONALE

The company has implemented a series of organisational reforms in order to improve its competitiveness.

The first changes took place in the beginning of the 1990s in order to improve workforce motivation, and at the same time introduce increased numerical flexibility in order to make it easier to adjust production volumes to fluctuations in sales.

The second wave of reform started in the mid 1990s. This was aimed at increasing production flexibility with the intention of being able to meet new market demands. It was no longer profitable to concentrate on large batch production. Instead to be competitive it was necessary to be able to handle many different orders, in small quantities, and with fast response to customer demands.

The third initiative was taken as a consequence of increased globalisation. Already in the early 1980s the most time consuming manual work had been outsourced to low-paid countries. Design, construction and technical support are still today being handled from the Danish headquarters. Due to a growing emphasis on being 'fast to market', with a continuously growing variety of products, it was decided that there was a need to "in-source" some of the production functions to a domestic "test factory". The main purpose is to provide design and construction with a qualified "sparring partner" and thus be able to give better and more precise instructions for running new products in subsidiaries abroad. To fulfil this role of a "sparring partner" requires that the "test factory" be organised in a way that differs from traditional line production.

## THE CHANGES INTRODUCED

All three initiatives have created teams (autonomous groups) as the principal organisational change. Although the three waves took place in different departments, the purpose of them all was to provide more tasks (job enlargement) to the individual operators, and to ensure that the employees within a group organisation should take on the responsibility for previous supervisory functions, such as scheduling and quality control (job enrichment).

The change activities have been supported by comprehensive training with extensive use of the special Danish AMU-system (Adult Vocational Training system) for the development of semi-skilled employee competencies. As well as this, the company has itself taken the initiative to develop a course with alternating theory and practical exercises with the aim of providing a concrete understanding of the way the product is being made and the relation between different operational areas. The course aims to draw its members from different departments and levels of management. Experience shows that this creates a positive understanding as well as contact between individuals that makes problem solving easier in daily work.

The general result of the team-based organisation is that absenteeism has decreased, quality levels have increased and everyday problems are solved more quickly. Numerical and functional flexibility has also increased.

The company must be considered a 'Transition User', because in some departments the initiatives have been implemented in a limited way. In some situations there are semiformal hierarchies within the teams, as managers decided not to move fully away from the previous "tayloristic" principles. Moreover, changes have not been introduced to link salaries to the performance of the team.

## THE OBSTACLES

Over a ten-year period, the company has undertaken a series of organisational reforms with varying degrees of success. The extensive process of change has, however, drawn out a number of problems that have effected implementation. Specifically:

- **Lack of leadership and support from senior managers** – a long-term momentum for change has not been created by senior managers, and sufficient steps have not been taken to change the values of senior managers who are sceptical about the replacement of the traditional tayloristic approach with new work methods;
- **Design failings in the new work organisation system that made implementation less effective** – lack of progress in reforming pay and inconsistencies in training provision have eroded the effectiveness of the change process;
- **Design failings in the implementation process that made it more difficult to achieve change** – insufficient time has been allocated to shifting negative attitudes and to challenging the existing culture and values. Moreover, there is no widely accepted 'master plan' for the implementation of change. This limits the scope of organisational change;
- **Failure to build commitment to change throughout the organisation** – many middle managers and employees remain unconvinced about the benefits of the new organisational reforms. This makes it more difficult to embed new ways of working in the company.

These problems were 'symptoms' of a series of underlying obstacles to change in the company. Specifically:

- **Employee resistance to change** – pay reform, for example was difficult to negotiate because employees were accustomed to a high piece rate earning as the reward for work and were unable to see the potential in any alternative approaches.

- **Lack of managerial expertise in the design and implementation of organisational reform programmes** – there were problems from the beginning. The first activity in the first wave, for example, was unsuccessful because too little time was allocated for the process. Senior managers did not realise that the ‘running-in’ of new working principles takes a long time.
- **Lack of a long-term commitment to change** – there was a lack of top management dedication to an overall change in the production paradigm. Thus the initiatives on NFWO were dependent on the energy and power of a few middle managers. There have been examples where such “change drivers” have left the company or been moved to new positions. This has meant standstills or setbacks in the change process. In part, this is a reflection of how the company has responded to market conditions. The company is in a very competitive market, and has a tradition of following demand changes closely in order to meet production targets. This counteracts, for instance, a production manager’s inclination to experiment.
- **Difficulty in overcoming existing culture and values** - the company has gained its profitable position on the market by creating an extremely dynamic company culture. Almost any kind of changes - adjustment to new market demands, new initiatives or visions - can happen overnight. Seen in relation to introducing NFWO, such frequent changes can mean discontinuity that easily ruins already achieved results. A further problem is the role that technology has in the culture of the company. The dynamic company culture, however, creates so much uncertainty that there is low trust among the employees that for instance the initiation of teams will be a lasting phenomenon. The company is a leader in technology development. But it is possible that the principles and culture behind efficient technology development are less appropriate in the development of new work organisation.
- **Negative attitudes amongst other managers** - because the company belongs to a very labour intensive sector where price is important for competitiveness, a number of senior managers only have experience based on the work principles for ‘tayloristic’ large-scale batch production. This group are sceptical about the benefits of NFWO for the company. They question whether it is an appropriate organisational response to the competitive conditions of the market and the company’s strategy. These differences of opinion have had a hidden, negative influence on the effectiveness of organisational change;
- **Lack of workforce skills** – most of the work force is semi-skilled and lacks technical skills and experience in team working. Extensive training is, therefore, an essential pre-condition for success. One of the weak points of the programmes has been that the level of preparatory training provided to workers has varied in quality and quantity. Typically, the first class was thoroughly introduced to both professional and co-operational issues for the future work. Subsequently, teams or new members of the groups received much less training, and this can create an informal hierarchy within the groups and obstructs co-operation.

## THE CONSEQUENCES

Over the last decade, the company has achieved improvements that, in spite of periodic standstills, have been beneficial to both the company and the employees. The main consequence of the obstacles encountered has been the erosion of mutual trust and the belief that the company will one day become a fully developed system user.

In overall terms, the company is performing well. Financial results are good. It is difficult to forecast the potential impact of a more extensive change programme, but it is likely that the potential for meeting future needs for flexibility, and the ability to recruit skilled labour could have been better.



## THE CONCLUSIONS

The company has over a decade made attempts to introduce autonomous team working with the aim of a better utilisation of employee resources. Experiences show that such changes take much longer than expected to become lasting improvements. Some of the problems that have caused standstills and setbacks stem from tayloristic trades embedded in the company culture, and the attitudes and experiences of some managers and employees.

## DENMARK: “DM”

**This case study illustrates the experiences of a large engineering company in Denmark. The company established a successful pilot project with ambitions to extend autonomous group working across the organisation. But the plans to extend the new approach to the rest of the organisation failed as a result of cultural, attitudinal, and managerial obstacles.**

### THE ORGANISATION

Based in Denmark, the company employs 650 persons in the engineering sector. Its main products are machines for power generation, known as “GenSets”. It has a turnover in excess of Euro 100 million. It is a subsidiary of a large global engineering group.

### The Rationale

New forms of work organisation were introduced in two waves. In the first wave, changes complemented the introduction of new manufacturing technologies. The second wave of change took place a number of years later.

***Changes in work organisation have been introduced for a number of reasons. Specifically:***

- **Introduction of new manufacturing technologies** - the initial organisational reforms were implemented in connection with the acquisition of a flexible manufacturing system (FMS). The equipment was acquired in order to obtain a substantial productivity gain in the production of sub-components for the end product. In order to obtain the calculated gains the system must operate for as long as possible. With the new integrated equipment, shutdowns would be many times more expensive than with the previous machinery. Against this background, it was decided to delegate the responsibility for the daily operation of the new equipment to an autonomous group. This was based on experiences of other enterprises' that had suffered great losses due to their lack of recognition of the required changes in employee involvement when investing in new technology.
- **Impact of global competition** - the enterprise controls a large share of the world market for its core products, but it is constantly put under price pressure by foreign enterprises, especially from Korea. Thus, the second wave of innovation was primarily based on the need to improve cost competitiveness.
- **Need for better quality human resources** - changes were also based on the need to attract qualified, skilled labour and thus obtain production flexibility that permits quick rearrangements in order to provide speedy service to customers with spare parts.

## THE CHANGES INTRODUCED

In the first 'wave' of organisational reform, the objective was to establish an autonomous group responsible for the day-to-day operation of the newly acquired FMS system. Part of the inspiration for this model came from the employees. Through the union's work with a technology assessment project, they had illustrated the possibilities for changing work content in a desired direction in connection with the introduction of a new advanced production system. The management welcomed this invitation from the employees to discuss the best way to achieve a win-win perspective in the FMS department. They were granted development support from a programme under the Danish Department for Trade and Industry against an agreement to act as a demonstration workplace for others.

The new approach included:

- **Autonomous Groups (Teams)** - a development group with representatives from operations, management and support functions (such as maintenance and programming) was established. Extensive consultancy assistance was employed for the group's work. Under the new approach, autonomous groups took over a number of tasks that were previously handled by the 'master' production unit or by special functions, such as detailed planning, the adjustment of edp-programmes, reporting, control and maintenance;
- **Training** - extensive training activities have been implemented for the operators, and new tasks have been defined for the "master" production unit;
- **Pay** - the pay system has been changed from a traditional one based on individual piecework to a bonus scheme that rewards high utilisation of the equipment.

The results have been very positive. Lead-time has been reduced from 8 weeks to 1 week; batch sizes have more than halved; and productivity has been increased considerably. The system now runs with an active operating time of more than 90%. In contrast, surveys show that many similar systems have an operating time of around 60%.

Despite the positive results from the first wave of changes, the new forms of work were not spread to the rest of the enterprise. The second wave did not begin until a number of years later and has encountered problems. In one case, new group working processes have been abandoned because of employee resistance. The company has had greater success with the introduction of new work techniques for the processing of crankshafts and camshafts. These two new initiatives have increased productivity and competitiveness.

*The company has not yet reached its initial goal of becoming a system user. Major areas of "tayloristic" approaches still prevail in the company. In some departments, for instance, piece-rate-pay still applies and one still finds a traditional conflict-oriented culture governing the relationship between employer and employees. Also, the traditional division of work between production and other departments (such as construction) still prevails to a considerable extent.*

## THE OBSTACLES

The initial project in the FMS group was started with the intention of providing the enterprise with a learning experience that could form the basis for a change of work organisation in all parts of the production function. Although those involved in the programme are very satisfied with the results, there was a lengthy gap before further organisational changes were introduced. This has produced a fragmented approach to implementation and exacerbated the impact of the underlying obstacles to organisational change.

Taking the process of change as a whole, the following major problems emerged during implementation:

- **Lack of leadership from senior managers** – senior managers failed to lead change from the top of the organisation. Instead, they relied on a small number of enthusiasts in middle-ranking positions. At the same time, senior managers established a clear hierarchy of expectations amongst managers in which ‘fire fighting’ and response to short-term operational pressures was rewarded more generously than implementation of long-term organisational change;
- **Failure to build commitment to change throughout the organisation** – commitment to change was confined, in the initial phase, to the participants and a small number of middle managers. When the pilot group was established there was a pressure for development, because the status as a co-financed, official development project implied a commitment to try out new forms of work and produce results within a fixed time scale. Simultaneously, the pressure from the external consultants ensured that the work on organisation and development of the human resources was not given a lower priority compared to acute day-to-day problems. When the project activities ended, no internal focus had been obtained to replace this external stimulus for change;
- **Poorly designed implementation process** - to ensure the best possible result in the pilot group, a strong focus was put on the members of the group over a 2-year period. They received much education, travelled a lot and went to a lot of meetings. This created a ‘distance’ between them and other employees and an image of ‘the pampered ones and the rest of us’. The fact that there was too little attention to the an early involvement of all employees in connection with idea development, later fed-back as a lack of interest in learning from the pilot group;
- **Design failings in the system of work organisation that made implementation more difficult** – there are gaps in the work system that erode its effectiveness. For example, principles of measuring productivity that are designed according to Taylorist principles have prevailed.

Underlying these problems is a group of obstacles to organisational reform in the enterprise. Specifically:

- **Lack of long-term commitment to the change process** – the initial development task was driven by a couple of very dedicated middle managers. When they left the enterprise a couple of years later, much of the momentum for change was lost. Moreover, a change took place in the upper management and hence the understanding of the advantages of new organisational principles disappeared;
- **Difficulty in overcoming existing culture and values** – the tayloristic principles for rational production are so woven into the enterprise’s day-to-day operation that it is easily to overlook the fact that they work as hidden “stabilisers” for the old approach to work organisation;
- **Resistance from employee representatives** – the company has an adversarial, zero-sum industrial relations culture. The enterprise was set up over 100 years ago as a metalworking company and that is quite obviously reflected in the culture of employee-management

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relations. Traditionally, the situation is considered a Zero-sum game in which the gains of one party in the negotiations become a shortfall for the other. Mutual confidence between the parties as a precondition for an experimental win-win development is lacking in this environment;

- **Lack of key skills, experience, and expertise amongst internal managers** – there was a failure to design an integrated work system linked to complementary technologies. Moreover, managers lacked knowledge of how to implement change effectively. This led to a failure to ensure that the benefits of the initial phase of reform were exploited quickly;
- *Technological limitations – the new production technology reflects a traditional grading of functions in tayloristic-type production. Often, the machines are very effective for large-scale batch production, but they are inflexible and time consuming to realign for new products. This is a partially hidden barrier to establishing groups for finishing whole components to the greatest possible extent instead of just performing a single operation on a component;*
- **Employee resistance to change** - an attempt to establish a new, complementary distribution of responsibilities between support functions failed. It seems, for example, that the staff of the design department did not fully support continued development of team working.

### THE CONSEQUENCES

The consequence of employee resistance to change, lack of long-term commitment, and cultural opposition has been to delay the introduction of NFWO throughout the enterprise for a number of years. Fortunately, the original pilot group is still operating successfully and so the experiences gained from this group can still form the basis for future developments.

### THE CONCLUSIONS

Some years ago, this company established a pilot project to gain experience in the introduction of autonomous group working. The experience was extremely positive, and the group is still today operating to the great satisfaction of employees as well as management. However, the plans to spread NFWO to the rest of the enterprise failed as a result of cultural, attitudinal, and managerial obstacles.

## FINLAND: “FHK”

**This case illustrates how a small factory unit has introduced new forms of work organisation. The changes have had a positive impact on the work environment, work processes and productivity of the company. But implementation has proved to be more complicated than expected, as the company has encountered a number of obstacles.**

### The Organisation

A Private Sector firm FHK is a nationwide company producing meat products, convenience foods, and pet foods in several factories around Finland. This case examines a factory located in southwest Finland in Turku, a city of 200,000 inhabitants. Overall, the factory employs about 216 people. The company also employs a small number of technical staff, middle managers, and senior executives. The budget was Euro 14 million in 2001.

### THE RATIONALE

After Finland's entry into the European Union and the subsequent dismantling of trade barriers, retail meat prices dropped by more than 20%. This had a devastating effect on the turnover and profitability of the factory. At the same time, the entire sector was forced to respond to market liberalisation and to adopt a customer-driven approach. This further increased competitive intensity.

Decreased turnover, profitability, and productivity forced the managers of the factory to develop a new strategy in order to survive. The business, however, faced a number of internal problems:

- Lack of trust between management and employees - there were strikes, which often resulted in disturbances to the customer-delivery process;
- A traditional hierarchical organization – this was too inflexible in the new circumstances. There was little or no collaboration between production units, and sometimes there was little co-operation within units.
- Worker skills and responsibilities - job content had remained the same for ten years. The average length of employment was 15 years. The level of education among employees was low and few were multi-skilled.

The company decided that a traditional approach to increasing profitability through cutting costs would not work. Something new had to be developed. The company started a reform programme in all of its factories. The aim was to create trust and develop a new way of working through the development of a new approach to leadership, new communication practices, and new reward systems.

## THE CHANGES INTRODUCED

In 2000, the company started a reform process in the Turku factory. At first, the process was limited to a training programme, but quickly the change targets were enlarged to encompass company values, leadership, work processes and organisation. To achieve these wider goals, the company introduced the following changes:

- **Training** – a three-day “change” training programme for all managers and employees started the development process. Its goal was to raise awareness among employees of the need for change, and to help them find a role in the change process. In addition, managers and “work community coaches” (local change agents) participated in 13 days of training over a six-month period, in order to learn how to lead the change process. The role of “work community coaches” was to support local managers and supervisors in their change efforts. Former supervisors were trained to be team leaders. At the team level, the regular mapping of skill and competence requirements was introduced. This formed the basis for a skills and competencies development plan. Teams were responsible for task training and instruction;
- **Team working** - a new team-based organisation was introduced in all parts of the factory. Teams are responsible for solving operational problems and quality assurance. Team members alternate between different tasks and can decide their working sites. In each team, there is a liaison person that changes regularly. Team members have become multi-skilled. Teams meet monthly and discuss issues such as performance against agreed measures. There is also a supervisor coach for many teams;
- **Development of a new pay system** - in addition to base pay, a results-oriented (variable pay) system was implemented for employees. There is also an initiative reward system. Employees participated in the development of the new pay system by, for example, defining reward indicators;
- **Performance measurement system** – the new performance measurement system aims to improve customer delivery process, personnel development and efficiency. These are measured by customer and work climate surveys, and by measuring the internal reliability of deliveries. Performance measurement results are reviewed in various meetings at different levels of the organisation; and,
- **External support for change:** external organisational change experts were hired to facilitate and support the change process. External consultants helped to organise change training. Local university researchers helped to design the new variable pay system.



The changes introduced have had positive outcomes on the work environment, work processes and productivity of the company. There have been no strikes during the development process. A follow-up study of the working environment at the Turku factory showed positive results. A customer satisfaction survey showed that customers were more satisfied with the company's ability to deliver products on time, compared to competitors. For the first time, a bonus reward was paid in 2001 to the whole personnel. In the meantime, the stock market value of the company has almost doubled.

FHK has introduced a number of new working practices, but they have not yet introduced a full "High Performance Work System". Specifically, they have not yet introduced:

- A restructured process-based organisation – there is a need to remove functional structures and extra organisational levels and to decrease the number of supervisors and middle managers by defining new roles and tasks for them;
- Adequate training for middle managers and senior executives to change some of their traditional attitudes that are still based on the old work culture;
- Greater autonomy and self-determination of teams;
- Systematic performance reviews for managers;
- More modelling of core processes, introduction of a process organization and better management of it. So far two core processes have been defined: "From farm to shop" and "Customer management process"; and,
- Performance management to support process management, development of product quality, communication and feedback system concerning performance.

There has also been inadequate investment in production and production information systems.

## The Obstacles

The following problems have emerged during the implementation process.

- **An inflexible company-wide implementation policy and change programme** - – the changes at the Turku factory are part of a company-wide development strategy. This has sometimes slowed down local decisions and activities. At the factory level, there has been a readiness to move faster, but it has not been possible to make local decisions. For example, the new incentive pay system had to be based on common, company-wide criteria;
- **Design failings that made implementation more difficult** – inadequate investment in training has slowed down the speed of change and reduced its effectiveness;
- **Ineffective communication to middle managers** - the vision for the new role of middle managers as "experts" was not made clear enough. Things would have been easier if steps had been taken to analyse, model and design the new job requirements in a more transparent manner;
- **Failure to build understanding and commitment amongst senior managers and employee representatives** – all of the senior management team has yet to accept and understand the need for the new organisational strategy. On the level of rhetoric, the new line is accepted but in practice many important decisions are not taken. There has also been a failure to build commitment at all levels within the relevant trade union.

The underlying reasons for these problems were:

- **Negative attitudes and resistance to change amongst middle managers** - middle managers and supervisors were afraid of losing their status and their jobs. One of the aims of the change

was to reduce the number of organisational levels by two. The greatest pressure is on the middle management. It is understandable that these people are afraid of the future.

- **Initial resistance to change from employee representatives** – there was a long history of mistrust between employers and employees. As a result the local trade union and their representatives had at first very strong negative attitudes and expectations about the motives and goals of the management. Local officials and shop stewards, therefore, based their activities solely on economic interests. Today local trade union backs the change project strongly. The national trade union does not actively support the reforms, but neither does it resist or slow down it.
- **Some inflexibility in labour laws and collective agreements** – whilst existing collective agreements do not hinder changes they do not support them. With the help of local officials and shop steward, it has been possible to find local solutions to meet the specific market situation. Labour laws place some restrictions, for instance, on working time arrangements. This complicates the organisation of work. Despite this, it has been possible to devise local flexible solutions to working time problems. For example, a group of volunteers work on Saturdays and Sundays for 12-hour shifts, in return for 42 hours pay and a week's allowance.
- **Failure of senior managers to appreciate the scale and nature of the problem** – one major gap has been the lack of recognition amongst senior managers of the need to overcome resistance to change from middle managers and employee representatives. Insufficient resources were allocated in the change programme to overcoming these problems.
- **Lack of change management expertise amongst senior managers** - it was assumed, rather too optimistically, that senior management understood the needs of the new development strategy. In fact, the increased involvement of employees and increased levels of interaction and communication between parties were new to many senior managers; and,
- **Insufficient investment in complementary IT** – adequate investment has not been made in production management and information technologies. These are necessary to exploit fully the changes in work organisation that have been made so far.

## The Consequences

The obstacles encountered during implementation slowed down the change process. However, the problems also opened up new challenges and required new initiatives. In total, implementing the changes has proved to be more complicated than expected.

## The Conclusion

This case study illustrates some of the problems encountered when an individual factory introduces new forms of work organisation as a part of a larger company's change programme. At the same time, the case shows that development at a factory level may be slowed down because of local factors, especially mistrust between employee representatives and managers, resistance to change amongst middle managers, and lack of managerial expertise.

## FINLAND: “FTT”

**This case illustrates the challenges faced by a medium-sized clothing manufacturer in Finland. A fast-changing strategic environment coupled with internal obstacles have slowed down, and potentially halted, the process of organisational reform.**

### The Organisation

A private sector producer of a wide range of formal clothing for men, FTT is located in central Finland in Kuopio, a city of 90,000 inhabitants. About 1,000 varieties of suits are produced each year. Overall, the company employs 224 people most of whom are female production and administrative employees. The company also employs a small number of technical staff, middle managers, and senior executives. The company has production subsidiaries in Turku, Finland, Estonia, and Norway. In addition, there are sales agents in Finland, Sweden, Denmark, and Norway. The turnover of the company as a whole is around Euro 30 million, 60% of which is in Finland.

### THE RATIONALE

The process of change began in the mid-1990s in response to the loss of markets in the ex-Soviet Union and the subsequent economic crisis in Finland. These external pressures forced the company to adopt a new strategy that was client-driven and focused on quality. The aim was to become the largest and most profitable company in the formal men's clothing sector in Finland. The company faced important challenges. Specifically:

- Sales and production were highly seasonal (autumn and spring) and additional capital expenditure was required to support each new collection;
- Materials were imported mainly from Central Europe, increasing transportation costs and sometimes causing quality defects;
- Employees considered their jobs to be too narrow and stressful;
- The average age of employees was rising, requiring ‘rehabilitation’ (re-training) to maintain productivity.

To meet these challenges, the company introduced a wide range of changes in marketing, sales, and production.

### The Changes Introduced

Selling and marketing activity has become more focused on the needs of specialist retailers. Sales agents and company representatives, for example, visit retail shops and regularly arranging “suit days” for their customers. Feedback is collected by customer satisfaction surveys and circulated to the production function. The company also made a number of changes in work organisation to improve quality and flexibility.

To guarantee quality, training of employees was increased, and greater attention was paid to their physical well being. Flexibility was improved through changes in production management, work processes and organisational structure. Two technicians are, for example, developing new working methods to achieve continuous improvement of the production process. There have also been complementary investments in production and information technology. New flexible machines, for example, for drawing models and an Internet-based order system ('Interteva') for retail shops to transfer their orders quickly to the production line have been installed.

The company also introduced the following specific organisational changes:

- **Team working** - a new team-based organisation was introduced in all parts of the company. The senior management consists of three people. Technical employees and middle management form four multi-functional teams each led by a team leader from the production, marketing, product design, or export function. Moreover, the production department is divided into a cutting unit and a sewing unit. The cutting unit consists of four lines (four work groups), and the sewing unit consists of three lines (ten work groups). The group size varies from 4 to 12 people. Group members can alternate between different tasks, solve operational problems, decide who is doing what and when, and decide on the need for overtime.
- **Performance measurement and feedback** - production outcomes are monitored on a daily, weekly, monthly and yearly basis. Shop stewards meet every two weeks. The performance reward group also meets biweekly. The Managing Director meets middle management once a month. Sometimes there are also departmental meetings. Performance reviews cover some technical employees and middle management.
- **Development of variable pay** - employees' have had a performance-related pay system for ten years. Its indicators have been changed to match more closely the critical factors of production, such as throughput time. A new results-oriented pay system for technical employees and middle managers was introduced. Top managers have a separate reward system.
- **Training** – there is continuous training covering technologies and working methods. Each employee participates in two training days every year. There is also financial support for evening courses and for training courses for work instructors. Team leaders, middle managers and shop stewards have participated in a training programme arranged by an external institution.
- **Rehabilitation of aging work force** – specialist 'rehabilitation' courses and counselling have been arranged to maintain and increase the health and physical capacity of workers. The company supports financially sports and free-time activities and aims to create a "healthy culture".

By the end of 1990's, the company had achieved its financial goals and created high awareness of the company's brand in the Finnish market, and increasingly also in Sweden. Moreover, there was only one competitor of a similar size. The success had been achieved through the effectiveness of the company's new 'service concept' (client-driven, quality, and delivery on time). A new economic crisis, however, started to emerge two years ago after Finland's entry into the European Union. New European players entered the company's Scandinavian markets with good quality products at low prices.

Although, FTT has introduced a number of new working practices, they have not yet introduced a full "High Performance Work System". Specifically, the following gaps still exist:

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- The effectiveness of teams and work groups could be improved through more training in team working; greater autonomy of production groups; more provision of knowledge of the 'big picture' (corporate performance etc.); and more group meetings to enhance feelings of involvement and information;
  - Career development possibilities of employees could be increased;
  - Regular face-to-face meetings between staff and managers to discuss performance could be introduced;
  - More job rotation is needed to reduce "one-sided working postures" and hence improve the physical health of workers;
  - Performance reviews could cover a larger proportion of personnel;
  - Regular, off-the-job training programmes for all staff that includes both job-specific and general skills training;
  - A unified remuneration system covering all the personnel groups; and,
  - Flexible working time could be introduced.

## THE OBSTACLES

During the implementation process a number of major problems emerged. Specifically:

- **Design failings that reduced the effectiveness of the new methods of work organisation** - the organisational structure is not flexible enough. For example, serve special customers there is a need to adopt a "project-style" approach and involve the whole customer-supply chain.

Moreover, there are major gaps in the coverage and purpose of the company's training programme. The company's customer supply processes, for example are not well understood among technical employees, managers and employees. Equally, training days for employees are not always effective because their function is to create cohesion and a good atmosphere rather than to increase technical skills and team competencies.

- **Lack of leadership from senior managers** – management has been reactive and adaptive rather than proactive and anticipative. Senior managers failed, for example, to anticipate the impact on sales and margins of increased competitive intensity after Finland joined the EU.
- **Lack of an integrated approach to implementation** – although the company has invested in complementary production and information technologies, its multi-functional technical teams failed to make use of opportunities to involve the local industrial design school and university to develop products and new production methods. As a result, too few people are involved in the design of new collections, and products have not been different enough from those of competitors.
- **Failure to build commitment to the new way of doing things** – some middle managers remain resistant to new ideas and many production workers are unwilling to improve their skills and competencies; and,
- **Ineffective communication** – too much reliance has been placed on formal communication and on the performance of a small number of “smart” employees. As a result many employees are unaware of the objectives or performance of the company.

The underlying reasons for these problems are:

- **Lack of long-term commitment** – the negative impact of new European competitors on sales and margins has created an unstable situation for the company;
- **Insufficient financial resources** – the company lacked the financial resources to remain committed to organisational change because of inadequate historic profitability and the negative impact of greater competition on sales and margins;
- **Failure of managers to appreciate the scale and nature of the problem** – although many of the features of an effective work organisation were introduced, senior managers failed to appreciate that the strategic environment in which the company was operating required a work organisation system that encompassed the entire supply chain and external sources of new product ideas;
- **Resistance to change amongst managers** – negative attitudes to the change programme exist among middle managers. Many have resisted the changes because they are perceived to come from other parts of the organisation (a “not invented here” problem);

- **Resistance to change amongst employees** - there have been major failures to take responsibility among employees. Many employees have done little to increase their skills and competencies, for example; and,
- **Lack of workforce skills** – employees lacked the technical, problem-solving, and team-working skills to absorb organisational change.

## The Consequences

The reduced economical margins, and the inability to anticipate the consequences of new European competitors' entrance to the markets have restricted the level of resources available to maintain and continue organisational reforms. As a result, many of the initiatives have been stopped temporarily, employment in Finland is to be reduced and some production will be transferred to Estonia because of lower production costs. Too little interaction and communication with staff about these problems and their consequences have significantly reduced motivation amongst employees.

## The Conclusion

This case illustrates the challenges facing a middle-sized manufacturing company in a highly competitive market. Failure to anticipate changes in the strategic environment coupled with internal obstacles to change have slowed down and may even halt the introduction of new forms of work organisation. In particular, the company has faced resistance to change, insufficient financial resources, a failure to appreciate the scale and nature of the problem and a lack of long-term commitment.

## FINLAND: “FHH”

**This case illustrates how strong resistance from managers and staff, legislative restrictions, and a failure of managers to allow adequate time to change attitudes slowed down the process of organisational change in a hospital unit.**

### The Organisation

A public sector health organisation, FHH is the ‘Cardiothoracic Clinic’, a semi-autonomous part of one of Finland’s leading hospitals. The clinic employs around 250 people: 20 physicians and more than 220 nursing staff. The unit is the largest and most advanced cardiothoracic unit in the country. The clinic carried out 1562 cardiac operations in 2000. Its budget in 2001 was Euro 25 million.

### THE RATIONALE

In Finland, as in most Western countries, the costs of public health services are high and the efficiency of many activities is questionable. The pressure to improve efficiency is growing because the Finnish population is aging, new hospital technology is expensive, and public sector finances are in deficit. These, structural factors provided the underlying justification for organisational reform.

The more immediate reasons for organisational reform in the clinic, however, were more specific:

- Personality clashes between senior staff contributed to a poor working environment, inadequate communication, a bad external image, and quality problems in work;
- Constraints in the patient care process, which complicated work scheduling and the efficient use of resources. Long patient queues were managed by the first-in-first-out (FIFO) principle, which did not pay much attention to the variety of patients’ clinical state. In practice, this meant that preoperative cardiac investigations were carried out in a different unit to the surgical operations. This created boundaries and wasted time in the care process; and,
- An inflexible and bureaucratic hospital organisation.

To overcome these problems and, at the same time, increase the quality and capacity of the medical process whilst lowering the costs of medical care, a series of organisational reforms were implemented. Senior managers believed that these benefits could be realised through increased motivation and collaboration among employees.



## The Changes Introduced

The unit introduced the following changes:

- **The entire senior management team was replaced** – the previous management team had resisted actively many necessary changes and had not co-operated with the new change programme;
- **A new vision, mission, strategic direction, and organisational model were defined** – problems in the patient care process and its quality forced managers and clinical staff to create new processes and organisational models for key clinical activities;
- **Remodelling of work processes** - the work process from the patient's viewpoint, boundaries between units, waiting list systems, and the activities of the intensive care unit and operating rooms were thoroughly studied and remodelled in detail. The modelling was partly done with the software 'Process Guide'. The most important bottlenecks were in the operating room, in intensive care and in coordination;
- **Restructuring of the organisation** – the clinic was subdivided into six units based on competence areas. A senior cardiothoracic surgeon or deputy leads each of these; nursing staff are distributed between these units on the basis of a three-shift system. Teamwork is used in operating rooms where surgeons, anaesthesiologists, cardiologists, and nurses work together. Similar cross-functional teams are used in the Intensive Care unit;
- **Collaboration between internal units and external networking** - those units, which participate in the patients' treatment process (cardiology and surgical units) increased collaboration and communication. The clinic increased interaction with patient interest groups and local health authorities;
- **Implementation of a new patient queue management system (TOC-management, "Theory-Of-Constraints")** – a new system of two queues, one for short operations, and another for long operations was introduced. This resulted in the optimal use of operating rooms. The number of beds in the Intensive Care Unit, a critical support function for elective and unplanned cardiothoracic surgery, was also increased from 10 to 14;
- **Analysis of employees' competences** - all tasks were divided into core competencies, such as operating and face-to-face meetings with patients; preparation work, and support work. Responsibilities were defined based on competences;

- **Training** – the training system was renewed, in part, because many young surgeons had not been allowed to have proper training in the field of cardiothoracic surgery in the past. All senior surgeons were encouraged to participate in leadership training, and managers undertook teamwork training in order to improve collaboration;
- **Job rotation** - this was implemented among nursing staff. It helped to widen training and ensure a better general view of the care process;
- **Implementation of information technology** - to manage the patient queues, registers of different units were integrated and introduced into the information management system of the whole hospital. The information management system now covers the whole patient care process from preoperative examinations to operations and postoperative care. Software packages to model work processes and to improve cost control were also purchased.
- **Development of variable pay** - to increase the quality and efficiency of medical care and collaboration, a results-oriented pay system for groups and sub-units was introduced. Indicators for additional rewards are on two levels. For the whole organization the measures include the number of surgical operations, customer (patient) satisfaction, and the length of patient queues. In addition, each sub-unit has from one to three specific indicators.

Cardiothoracic Clinic has introduced a high performance work system (i.e. it is a “System User”). The changes introduced have had many positive consequences. There is now a good working ‘atmosphere’ in the clinic. Motivation of staff is high, as is revealed by the willingness of nurses and clinicians to be flexible in periods of high or unexpected workload. The training of young surgeons has improved, and high quality research is being carried out. Systems and processes have been established for all of the main care processes. Waiting times have been halved since 1999, and the through-put-time of patients has shortened. And patient satisfaction measures now meet top standards.

## The Obstacles

During the implementation process some problems emerged. Specifically:

- **Legacy of inadequate leadership by senior managers in the past** - resistance to organisational and managerial change by the previous management team had been fully supported by the top management of the clinic. This ‘track record’ of opposition to change entrenched negative attitudes and undermined support for new initiatives. It made it difficult for new managers to establish themselves as credible agents of change;

- **Failure to build commitment to the new approach** – insufficient time was allocated by the management team for changing attitudes and building commitment to the new approach; and,
- **Lack of an integrated approach to implementation** – the need for investment in complementary IT systems was not recognised until after the completion of the initial phase of organisational reform.

The underlying reasons for these problems were:

- **Failure of senior managers to appreciate the scale and nature of the problem** – there was over-optimism about the time needed for change. It was believed that major changes could be implemented within a year. The wider, corrosive impact of the negative attitudes of the previous management team on clinicians and support staff was not taken into account when the reform programme was drawn up;
- **Insufficient investment in complementary ICT** - the integration of various registers and their linking to the mainframe of the hospital was slow and complicated. As a result the mainframe was unable to support fully the information systems at unit level. With better design, this could have been avoided;
- **Inflexible labour laws and collective agreements** - working time legislation limits the amount of overtime work that can take place. This sometimes hinders optimal work arrangements. Working time legislation limits the amount of paid overtime, which is 330 hours/year/surgeon maximum. The normal daily operating schedule is often disturbed by emergency operations. This causes problems because the small team of senior cardiac surgeons are not allowed to work longer. Collective labour agreements influence the costs of flexible working. In general, however, local arrangements are made to overcome specific problems.
- **Resistance to change from clinical staff and managers** - physicians and nursing staff were initially suspicious of the change project. For example, a key to improved efficiency in the Operating unit was to undertake two cardiac operations in the same operating theatre during a normal working day. At first, this was resisted. Convincing clinicians of its necessity took time.
- **Difficulty in overcoming existing culture and values** – the previous management team had poor relations not only internally but also with the Personnel Department, and the senior management of the hospital. Moreover, the quarrels within the clinic had created cliques that could not initially work together; and,

- **Staff demographics and associated working arrangements** - it is sometimes hard to organise critical members of the work force for operations and care because many of them are married women with children. For example, efficient utilisation of the operating rooms means starting work early in the morning, but this is not always possible because of the childcare arrangements of operating theatre personnel.

## The Consequences

In the long-term, the problems have not had serious consequences; the new work organisation has been set up in accordance with the new vision and strategy. The obstacles did, however, slow down the speed of the change process.

## The Conclusion

This case study illustrates the importance of top management support for change. Without external intervention and the support it received from the hospital management, the changes introduced at the cardiothoracic clinic would not have been possible. The case also emphasises the need to allow enough time for change. In this situation attitudes did not change quickly because of the old work culture. This was not taken into account in the implementation plan. Also the lack of integration of the information management system and labour legislation were also a bottleneck.

## FRANCE: “FP”

**This case study illustrates some of the major problems encountered by a medium-sized packaging producer in France, and how they have led to a significant deterioration in performance and in staff morale and working conditions.**

### The Organisation

FP is a medium sized company that has been in existence since 1927. It employs 177 people. It specialises in small and medium-sized packaging. The enterprise prints or produces soft small and medium-sized packaging for use by the consumer goods distribution industries. The print media used are paper, film, and complex aluminium. Its main clients are in the food processing industry, detergents, coffee and tea sachets. Indeed, the food processing industry represents 80% of production. It is located in North France and is based on a single site.

### The Rationale

In recent years, the company has expanded rapidly. Turnover, for example, has grown by 36% in the last three years. As a result, the company has followed a development policy based, amongst other things, on:

- A high level of investment (Euro 6 million) to improve performance;
- Rationalisation of its organisation through ISO 9002 certification in 1997 and improvements to its information systems;
- The implementation of the reduction of working time agreement (RTT) and its associated adjustments;
- A strengthening of its commercial structure connected with a desire to enter the film packaging market.

### THE CHANGES INTRODUCED

At the heart of the enterprise lies the print workshop, which is itself divided into several sections: the section for the preparation of inks and dyes; the design section; and the section for print machine assembly, dismantling and washing. There are also supporting units such as the operators involved in ink preparation.

The company has introduced a number of changes in the print workshop:

- The introduction of new machinery;
- The implementation of ISO certifications;
- The reduction of working time agreement.

These changes have all had repercussions on working methods, social links, and performance assessment.

### THE OBSTACLES

A number of specific problems have emerged during the introduction of these changes:

- **Lack of consultation with staff:** Machine preparation involves in a great deal of work of handling and moving very heavy objects (assemblies, axles, cylinders) on difficult and sloping ground levels. In this company, most industrial accidents are the result of handling and moving objects. The operators consider that no notice is taken of their suggestions and they are

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increasingly suffering from health problems. There is very little constructive dialogue between those giving instructions about the work and the operators who are actually carrying out the work.

- **Failure to build commitment to the new approach amongst employees:** Very little was done to try to build commitment amongst employees to the changes that were introduced. There is no shared understanding of the enterprise's performance or the problems that it faces.
- **Increase in employee workload and stress:** Many employees feel that there has been a significant increase in their workload. The colourists, for example, are concerned that the system of small orders has led to a major increase in their workload and consequently in stress levels.
- **Design failings that make implementation difficult:** The sizeable costs caused by quality problems reflect an imperfect command of certain product processes. One of the problems, for example, lies in the area of inspection. A number of defects are not discovered until the final manufacturing processes, which is very expensive.

Some of the underlying reasons why these problems have emerged include:

- **Lack of workforce skill:** There are some key skill gaps in the organisation. For example, there is a lack of skill in using inks. Moreover, in many areas, there are high levels of individual know-how, but this is neither formalised nor shared. There is very little exchange of knowledge between sections and departments and between operators and preparation personnel. There are also information gaps. In the area of quality, for example, the idea of "tolerance" is a recent one that is not fully understood.

- **Lack of management skills:** There were major gaps in management understanding of what is required to successfully implement the changes. Lack of training is likely to be one of the key issues that underlie this.
- **Lack of support from middle managers:** There is generally a lack of support from middle managers for the changes in general and for the problems experienced by employees in particular. When problems occur, preference is given to finding a scapegoat rather than understanding and seeking mutually acceptable solutions.
- **Difficulty in overcoming the existing culture of the organisation:** The relationship between management and workers seems to be marked by a high level of suspicion. Mutual criticism between departments forms a major obstacle to problem solving. The feeling of belonging does not extend beyond the workshop and each person follows his or her own ideas.

### THE CONSEQUENCES

Since the introduction of these changes, the performance of the company has deteriorated significantly. Waste and non-compliance costs have both increased. In particular, the costs of re-manufacture and the costs involved in the destruction of unsatisfactory finished products have both risen significantly. The number of manufactures postponed, taking account of the delays caused, represents 7% of orders launched by the planning department. Machine stoppage time has increased significantly. Total machine working time is continually falling whilst fixed assets costs have increased as a result of the investments. Fixed asset costs are now reflected in higher prices. The company needs to reduce these costs in order to improve its margin as well as to reduce its sales price to its customers.

Moreover, working conditions have also deteriorated significantly and staff morale is poor.

### THE CONCLUSIONS

This illustrates the difficulty of not jointly handling technical, economic and social investment. Although the enterprise has carried out useful investments and has chosen a new commercial policy, the problems that have arisen have led to a significant deterioration in performance and poor working conditions.

## FRANCE: “FTP”

This case study, based on a plastics company in Western France, illustrates the difficulties of introducing New Forms of Work Organisation in a situation where the old culture remains deeply embedded, employees and middle managers are resistant to change, and senior managers lack the competencies and experience to manage the change process successfully.

### The Organisation

FTP is part of a larger group of companies employing a total of around 1,500 employees. The group's business is thermoplastic transformation. The group is organised around two main business sectors: the pipe work sector and the automotive sector. FTP forms part of this latter sector, manufacturing pipework parts (e.g. fuel and screen wash pipes) for cars. The company is located in Western France and has three sites.

The factory is very new and the company's clients are exclusively French car manufacturers. A few years ago the company expanded rapidly and a massive level of recruitment took place. The factory now has 300 employees, two-thirds of whom are direct labour. The average age is 35 and the operators' initial training is lower than baccalaureate level, being nearer to the vocational training certificate.

The factory is organised on the basis of three workshops: extrusion, injection and finishing. The finishing workshop is the largest and employs the most people, a large proportion of whom are female. In the workshops, the work is organised in three eight-hour shifts, with a permanent night shift for the finishing team.

### The Rationale

The company has developed a strategy in order to increase its market share. In order to do this, it has decided to introduce a Total Quality approach, being a search for continued improvement in the Quality - Cost - Timing relationship.

Through the implementation of TQM, the management is aiming to generate a coherent framework for action and reflection, for all collaborators in the supply chain. The overall aim is to strengthen the enterprise's credibility in the eyes of its main customers.



## The Changes Introduced

- **Quality:** The enterprise has obtained five accreditations over the last three years. It is at present preparing for two important certifications: the first VALÉO 1000 (mixture of ISO and Renault) and the ISO 9001 certification. Quality circles and progress groups have been in place for the administrative departments for three years. The management considers that these groups are achieving good results and that employee involvement is very high. The rate of external failure has been reduced eightfold in two years as a result of introducing a system for the systematic inspection of all parts at the end of manufacture (several 100% inspection posts have been set up in the finishing workshop). After this initial stage, the objective is to reduce the internal failure rate by half through the introduction of operator inspection.
- **Cost:** HOSCHIN workshops have been introduced. These consist of efforts to improve workstations along with the operators on the workstations themselves. The standardisation of the workstations widely encourages the distribution of the improvements obtained. The objective is to set up nine sites per year, the long-term aim being to use HOSCHIN permanently. These workshops take place over three days, two consecutive days and a day three weeks later. This break allows the maintenance department to carry out the requested changes. This method has produced significant results, being gains of between 20% and 40% in productivity, whilst markedly improving the employees' working conditions. To reduce costs, the objective is to reduce the rate of waste by 25% during the coming year.
- **Timing:** Stocks have been reduced by half in two years. The objective is to develop the use of Kanban. The time required for production changes should be halved through the development of the SMED method. Efforts are also focused upon the standardisation of equipment to obtain more flexibility (tools being mounted on any workstation). This development also makes it possible not to have to invest automatically when new products appear.
- **The establishment of Basic Working Units (BWUs):** Alongside the TQM measures, the management of the factory decided to introduce a more general reorganisation affecting the whole of production. The plant management envisaged the possibility of introducing "Basic Working Units". It was in fact as a result of the high level of involvement of employees in the above activities and the results obtained that management became aware of production personnel skills, which until then had not been well known or sufficiently used.

The concept was that the Basic Working Unit would be a relatively independent "area" where the management of flows of raw materials and products would take place, where criteria would be established to assess its effectiveness or management guidelines suggested for monitoring the work. In addition to research into increasing the level of economic efficiency basically expected at the finishing stage, the management also hoped that the introduction of Basic Working Units would also give renewed direction to the work, improving qualifications, and make employees more accountable. This

is achieved in part through the integration of handling and first level quality control tasks.

## The Obstacles

The company has experienced significant problems in the introduction of the Basic Working Units (BWUs). In particular:

- **Ineffective communication throughout the organisation:** There is an absence of clear quality instructions. This has had a negative impact on timing (refusal to produce at the last moment), on costs (very high internal costs relating to quality failures, 100% inspection cost), and on staff morale. Employees, for example, feel in a permanent state of doubt, and do not feel confident that they have the competency to carry out the work.
- **Failure to build commitment to the new approach:** Employees are not committed to the new approach. They do not understand it and they fear its consequences. Moreover, middle managers are not committed to it either.
- **Design failings that made implementation difficult:** the rules for outputs and profit sharing have not been changed. Operators are therefore incentivised to stick to old behaviours, based on both production and individual assessment.

Some of the underlying reasons why these problems have emerged include:

- **Difficulty in over-coming the existing culture of the organisation:** The strong “production” culture in the company means that output is the only clear instruction to the personnel. Most operators haven’t assimilated the importance of preventing breakdowns, and are consider that the main objective lies in not loosing time. An implicit hierarchy also remains between operators. Both of these phenomena are undermining the performance of the BWU.

- **Resistance from employees:** Employees are not committed to the new approach. They feel isolated and reluctant to put forward their own views on what is happening. They are also suffering from high levels of stress.
- **Lack of managerial implementation skills:** The performance of the BWU is further under-mined by the supervisory staff, which remains strictly hierarchical. Moreover, senior management have failed to design an appropriate “system” in which all aspects of Human resource policies and working practices are integrated and work together in a mutually reinforcing fashion. They have also failed to appreciate the steps that need to be taken to implement such changes successfully. They have for example, failed to analyse and understand the difficulties encountered by the operators.

### The Consequences

As a result of the difficulties experienced, the new approach is not functioning effectively at all. Staff are severely demoralised and the changes have failed to improve the performance of the organisation.

In overall terms, relationships between managers and workers are growing increasingly strained. Operators tend to consider that the reorganisation initiated by the management has generated the current difficulties. New changes can't be considered because of this climate. Management, on the other hand, are beginning to believe that most operators are incapable of changing and working in a different way. Because of the difficulties, management is seriously considering relocating some activities elsewhere.

### The Conclusions

This case illustrates the difficulty of setting up a new organisation in an enterprise in which the culture and middle management remain deeply anchored in an old pattern, and where senior management lack the skills and experience to know what they should do to solve the problems that have arisen. Senior management have failed to control and actively manage the change process. In many respects, this case illustrates the difficulty of moving from an organisational culture based on a “control logic” to one based on an “autonomy logic”.

## FRANCE: "FS"

**This case study illustrates the difficulties faced by a medium-sized French company in introducing new working practices in its manufacturing plant. In particular, it shows that it is not sufficient to impose changes in working practices on operators. It must be accompanied by organisational arrangements to support the process.**

### The Organisation

This company, known as FS, has 420 employees. It supplies waterproof seals for cars. For a year now, it has been part of an American group that has 10,000 employees. The company has gone through a ten-year period of spectacular growth. The workforce is young, the average age being 33. 80% of employees are under 40 and the average length of service is six years. The company has two sites, both located in Normandy.

FS is divided into four main sections:

- The mixing section: working conditions here are difficult because there is a lot of handling. The mixer has recently been automated, which has, according to some operators, reduced the intensity of work.
- The extrusion section: This is the factory's key section. Four production lines operate continuously. The extrusion process consists of forming the waterproof seals in accordance with each manufacturer's requirements. The process is complex, primarily because of the raw material used, namely rubber.
- The finishing section: This section mainly employs female labour. The work consists in the main of carrying out retouching and sealing the ends.
- Support services: This includes technical management and quality personnel.

### The Rationale

The company has established a number of new strategic objectives:

- To achieve zero defects through systematic respect for delivery periods in order to avoid being de-referenced for future models.
- To provide extra services to the manufacturers by providing design ideas and taking responsibility for full projects.
- To succeed in integrating the company within the American group. This means that FS needs to become open to the introduction of new cultural models such as kaizen.

## The Changes Introduced

In order to achieve its objectives, the enterprise has decided to lower its production costs and to increase its volumes. To achieve these goals, it has decided to:

- Introduce a more professional approach to production.
- Use a strongly delegated form of management.
- Make teamwork the norm.
- Develop an operator inspection policy.

These objectives are linked to the company's relationship with its customers, the car manufacturers. At the moment its relationship is one of a sub-contractor. However, FS wants to develop a genuine partnership.

## The Obstacles

The company has experienced a number of problems in introducing these changes:

- **Poor communication:** Communication between managers and workers has not been adequate. There are many practical issues that remain confused. For example, the operators are not clear about what constitutes a "high quality" product. They are in a permanent state of doubt regarding the decisions they must take and the results of their work. Moreover, operator inspection instructions are very difficult to consult because they are set out in a quality-orientated language, which has little meaning for the operators. The operators must therefore sort through the information. This sorting is very subjective and varies from one person to another. There have also been communication problems between different units. For example, the quality managers have not supported the self-assessment practice. A failure in communication occurred among the quality department, the middle management and the operators.
- **Contradictory targets:** New quality and operator inspection objectives are superimposed upon the traditional objectives of output. Employee assessment is more difficult in this context because working hours are becoming far more varied. The day is punctuated by operator inspection time and tool changes. The production targets remain, but the time taken in operator inspection and tool changes are major factors in terms of the enterprise's competitiveness.
- **Failure to provide relevant performance information:** There are major gaps in the information provided to operators to enable them to carry out their job in a satisfactory way. The information that is provided is unsuitable in terms of inaccessibility and legibility.

There are a number of underlying reasons why some of these problems emerged:

- **Poor management implementation skills:** Management have introduced a new approach to the business, yet they have not taken the necessary steps to ensure that it is implemented properly. For example, they have changed their expectations with regard to the role of the operators, but have not followed this through in terms of providing clear objectives. There is also a lack of transparency with regard to the variables upon which action is needed. This reflects lack of management experience and a failure to recognise the need to seek specialist advice when appropriate.
- **Lack of middle management support:** There has been a failure by middle managers and supervisors to support the operators through a close relationship that is attentive to the processes of learning and trial and error.
- **Insufficient investment in complementary IT:** Appropriate investments have not been made in IT to ensure that the right sort of information is available, at the right time and in an appropriate format for the new system to succeed.
- **Difficulty in overcoming the existing culture of the organisation:** The organisation has found it very difficult to shift from a culture strongly based on “production values” emphasising productivity and output.

#### THE CONSEQUENCES

To cope with the problems they are facing, in particular the doubt raised by the lack of reference points, the operators adopt behaviour patterns, which swing between two extremes:

- Behaviour inclined towards maximum safety, which leads operators, in the case of even minor doubt, to remove the part from the production line, cut it up and put it in the waste vat, situated at the end of the workstations. It is, for them, easier to destroy a part and manufacture another rather than take time to obtain information from the person responsible.
- Conversely, operators who have difficulty in maintaining output take maximum risks, either by letting through parts whose defects, considered minimum, can be seen with the bare eye, or by not complying with the instructions given.

This type of behaviour affects the employees’ performance, as well as their working conditions. Moreover, it has significant negative impacts on the performance of the organisation overall. “Maximum safety” behaviour leads to a level of over-quality, which has direct repercussions in terms of increased costs of waste, which in fact includes some good parts. The “risk-taking” behaviour has direct effects on the level of quality of the manufactured products, on inspection costs at the end of manufacture, and finally on timing since the inspection team at the end of production can decide to refuse to accept products.

#### THE CONCLUSIONS

This case shows that it is not sufficient to impose changes in working practices on operators. It must be accompanied by organisational arrangements to support the process. In this case, poor management implementation skills, lack of middle management support, lack of investment in supporting IT systems, and the difficulties

of overcoming the existing culture of the organisation has made the process very difficult.

## FRANCE: ‘FR’

**This case illustrates how the introduction of the 35-hour working week to an SME in rural France has prompted changes to the ways in which the already-established teams are structured. It reveals the problems that challenging a company’s existing culture can bring, in terms of staff dissatisfaction and dissent, and reducing the effectiveness of organisational reform.**

### The Organisation

FR is an independent car dealer located in rural west-central France. The garage sells new and second hand Renault cars, and also has a workshop where services and repairs are carried out. The garage employs 63 people, headed up by a Director, and is organised into four groups, dealing with: new cars, second hand cars, the workshop, and spare parts. In addition, there is also an administrative team. The garage has a turnover of € 25 million.

### The Rationale

The garage has been structured around team working for over 10 years, each specialist team dealing with a different area of the garage’s work (selling new or second-hand cars, repairs, and spare parts). However, following the introduction of the 35-hour working week in France, the garage’s management team devised a new way of organising the company, to take account of the new law.

### The Changes Introduced

Before the introduction of the 35-hour working week, FR garage employees worked 40 hours a week, over five days (8.00-12.00 and 14.00-18.00). Members from each specialist team were present during these hours. However, in order to take account of the new legal working hours, each team was divided into two and the opening hours were modified, with one half working in the mornings and one full day, and one half working in the afternoons and one full day. The new opening hours were 7.30-12.30 and 13.30-18.30, six days a week.

Following these changes in work organisation, there have been no significant improvements in results, and despite the longer opening hours, there has been no increase in turnover. In addition, due to particular personnel skills, shifts on certain days lack certain expertise, particularly on Mondays and Fridays. Delays can also be incurred on a particular job if one person is absent. This situation is exacerbated by absenteeism due to illness, holidays and in particular, staff training. This has led to customer dissatisfaction, with the garage not being able to respond immediately to client needs.



Within the specialist teams, before the introduction of the 35-hour week, the garage had already implemented what can be defined as a “high performance work system”, with decision-making decentralised as far as possible, financial and non-financial measures used to monitor performance, and teams regularly provided with performance information. In addition, most team members regularly receive formal training paid for by the garage that includes job specific, as well as general skills training.

But despite being a “system user”, the garage has recently experienced problems in its team working, following the introduction of the new team organisation, prompted by the legislation on the 35-hour working week.

## The Obstacles

During the implementation of the 35-hour working week, a number of problems have emerged:

- **Lack of foresight in planning the changes:** Senior management did not have a clear vision of how the 35-hour week would work, and what problems might be encountered. They felt under pressure to implement the changes, without thinking more long-term about the ramifications. As a result, a system was introduced that has brought satisfaction neither to clients nor to personnel.
- **Insufficient involvement of staff in the elaboration of the new system:** Although elected staff representatives were involved with management in defining the new system, they did not always consult other employees effectively, and in some cases when they did canvass opinion, did not act on the advice they received. Many members of staff therefore felt that they had not “had their say” in designing the changes, and this brought resentment.
- **Lack of commitment to the new system:** In general, the staff did not like the idea that their working hours were to be changed, and were to some extent ‘afraid’ of change. Their lack of commitment to the new system was reflected in their protests about the changes, and in particular, the shorter lunch break.
- **Lack of flexibility in the organisation:** Partly due to the nature of the work, staff are very specialised in their tasks (electricians in the workshop, marketing and sales staff, etc). With the new team arrangements, it is not always possible to hand over a task to someone on the next shift, due to the lack of expertise. This situation has proved to be very unsatisfactory, and has led to both quality and safety being compromised. With a lack of staff continuity, clients have been provided with a poorer service.

The main reasons for these problems have been:

- **Inflexible Labour Laws:** Before the introduction of the 35-hour working week, the FR garage worked very effectively in teams of specialist personnel, each with its own clearly defined tasks. The obligation to reduce the number of working hours a week to 35 has necessitated a reorganisation of working teams, and this has been the fundamental obstacle to smooth team working.
- **Challenging the existing culture of the organisation:** Staff have been used to working in large teams, with certain 'camaraderie' between colleagues. Since the introduction of the new structures, with each team divided into two, the workplace seems a less 'lively' place, with staff complaining that they never see some colleagues with whom they used to work very closely. The new team structure has challenged the established culture of the company, and has brought dissatisfaction among staff who prefer the old system.
- **Failure to appreciate the scale and nature of the problem:** Senior management did not appreciate the scale of the problem and underestimated the impact that the changes would have on staff. As a result, the company was poorly prepared to implement the new system.
- **Resistance from employees:** There was strong resistance from employees to the revised working hours. When the new system was introduced, there was an understanding between management and employees that, given they were only required to work 35 hours a week, employees would spend less time on 'unofficial breaks', in order to reduce losses in productivity (for example, stopping work for a coffee or a cigarette). However, even now, two years after the new system was first introduced, there has been no change in these patterns, and the unwillingness of employees to change these habits reveals an underlying resistance to the whole scheme.

## The Consequences

As a result of obstacles to the reforms, implementing the 35-hour working week at the FR Garage has been more difficult and has taken longer than expected. Results from the garage are not showing signs of improving under the new system, and investment and equipment are being underused.

Following employee dissatisfaction, it soon became clear that the new opening hours and team structuring would have to be revised. Employees in the garage were used to having the time off between 12.00 and 14.00, to return home and eat with their families. In addition, the garage found that in the half hour before closing at lunchtime and the half hour after re-opening in the afternoon, there were very few clients, as most people in the area also like to take two hours off at lunchtime. Therefore, at the beginning of 2002, the garage revised its opening hours, to take account of the wishes of personnel, and clients' habits. The new hours are now 8.00-12.00 and 14.00-18.00 Monday to Friday, with a skeleton staff of 3 people on Saturday, who do not work on Monday. From 17.00, workers clock off, but managers stay until 18.00. Although an improvement, there is still resentment among staff that their working hours have been modified.

## The Conclusion

This case study has revealed some of the problems of introducing new forms of work organisation prompted by the 35-hour working week, to an SME in a rural area of France. The division of already existing teams into two and the introduction of shifts, in order to reduce working time, has brought a number of problems. The challenge to the existing culture of the organisation has brought resistance from employees, while at the same time, senior managers have failed to appreciate the scale of the problem and the potential impact of the proposed changes. Plans to review the 35-hour working week law in 2003 are anticipated with some relief by both management and workers at the garage.

## FRANCE: “FC”

**This case illustrates how the integration of new Managers bringing new clients, new types of work and a new management style to a corporate consultancy in Paris brought clashes of culture and problems in assimilating new competencies and new methods of working, to a company already implementing new forms of work organisation.**

### The Organisation

The corporate consultancy FC was founded in America at the end of the 1960s. It currently has around 30 offices around the world, employing more than 1,700 people. The French branch in Paris was opened in the beginning 1990s and now employs 130 people. The company is owned by the Managers, who head up teams of four different hierarchical levels, as well as trainees. In 2001, the global professional fee volume was approximately € 510 million. The Paris office has been structured around team working since it opened, and concentrates on sectors such as utilities, consumer goods, and the automotive industry.

### The Rationale

The French office of FC has been implementing ‘new forms of work organisation’, particularly since the end of 2001. This period marked the arrival of four new Managers from a large American company. They brought on the one hand, new competencies to add to the company’s existing ‘Competence Centres’, and on the other hand, new methods of working. They introduced new ideas to FC based on their own experience, which brought some clash of cultures within the company.

### The Changes Introduced

Following the recruitment of these Managers, the following changes were introduced:

- **Reorganisation at the management level:** The new Managers were introduced into the existing team structure. As a result, each member of the new Management team could take advantage of the range of competences and qualifications available.
- **The new competences were integrated into the company:** The new Managers brought new competences to the company that had to be integrated into the existing structure of ‘Competence Centres’ and assimilated into the type of work undertaken by the company. Before their arrival, each existing Managers had their own list of clients and their own methods of working. The new Management team had to integrate into this pool of clients and competences.
- **Greater capacity for structural change:** Since the new Managers joined the company, there has been a greater willingness for decisions taken at the level of management (following the twice yearly evaluation) to be acted upon, regarding issues such as dress code, staffing methods, the evaluation process and its consequences for staff.

As a result of these changes, there has is now a greater division between the strategic and operational work of the company.

The new Managers did not aim to shake up the existing Management team, but sought to bring new ideas to the structure. These were introduced little by little and validated by the whole Management team, to allow all members to approve the changes.

While FC can be classified as a ‘transition user’, being well used to organising staff in formally designated teams, the company is not a ‘full system user’ as it has not integrated other aspects such as

reward structures, into its human resources policy. However, the company does not envisage introducing such changes in the near future, as it does not feel that these are necessary.

## The Obstacles

These changes brought a number of problems following the arrival of the new Managers:

- **Lack of consultation with other managers and workers:** The Managers brought new ideas on restructuring the French management team. There was some resistance from a number of partners to the changes, although in general they were well accepted.
- **Ineffective communication throughout the organisation:** The proposed changes were not sufficiently anticipated and communicated throughout the French office, and this brought resentment, where long-established staff felt that they were being 'bulldozed' by the new arrivals.

The underlying obstacles, which prompted these problems, were the following:

- **Lack of managerial skills:** The existing managers were experienced in selling, and did not have the right experience for management. As there was no existing experience in-house of managing major change programmes, this contributed to the problems that were experienced.
- **A clash of cultures:** The new Managers were used to working in a large American organisation, which had a very different culture to FC. Although they were in part recruited for their approach to management, their proposed working methods were not readily accepted by the existing staff, and this brought mistrust and resistance.
- **Failure to appreciate the scale and nature of the problem:** The existing senior staff did not anticipate that the arrival of the new Managers would provoke the problems that were subsequently experienced, and were slow to react when resistance to change became apparent.

## The Consequences

As a result of these problems, the arrival of the new Managers was not as smooth as anticipated. The changes that they introduced took longer to be accepted and subsequently integrated into the existing management systems of the company. However, one member of the existing Management team and some other executives were asked to leave the company, and now over six months later, it is generally agreed that the changes introduced have brought a more efficient working system, although not necessarily a more satisfactory system of management.

## The Conclusion

This case study illustrates the problems experienced in bringing in new forms of work management into a company that is already implementing new forms of work organisation. A lack of consultation and communication, coupled with a clash of cultures prompted resistance to change and a certain mistrust, which impeded the change programme that was being introduced.

## GERMANY: “GT”

**This case illustrates how scepticism amongst employees and middle managers slowed down the process of fundamental organisational change in a globally competitive manufacturing company. It shows that successful implementation depends on the active support of employees. Economic crisis was a strong driving force, but commitment at all levels of the company and a systematic strategy keeps the spirit of change alive until today.**

### The Organisation

“GT” is a major manufacturer of machine tools. It is based in Baden-Württemberg, Germany and employs a total of 5000 people. About two thirds are employed in Germany itself, and about one third is employed outside Germany, primarily in Europe and the USA. “GT” has a total annual turnover of around Euro 1000 million.

The company supplies a range of machine tools, particularly punching and laser machines, combination processing, measuring, bending, water jet cutting and tube processing. It is an international leader in its field.

### THE RATIONALE

In the early 1990s, the whole machine tool sector experienced a cyclical economic crisis. In „MTM“, turnover fell dramatically.

GT faced two significant structural problems with regard to international competitiveness. On the one hand, prices of GT products were higher than their competitors. On the other, the manufacturing operation was insufficiently flexible to respond to changing levels of demand.

GT’s products were of a high quality and high functionality. What was needed was a more innovative manufacturing process. Management hoped to reduce costs (and therefore prices) and the length of the run.

This triggered a fundamental programme of organisational reform. The strategy of technological leadership of GT and good experiences led to an extension of the activities to administrative departments and to an approach of continuous change.

### THE CHANGES INTRODUCED

The reform programme began in the early 1990s. The first initiative was the „Optimisation Programme“ (known internally as TOP). The aim of the programme was to optimise innovation and continuous improvement to meet the company’s objectives, through changes in employee attitudes and behaviour. The programme introduced a number of key working principles. These included the need for „simplicity, objectivity, common interest, and friendliness“.

In order to meet these working principles, the company introduced a number of specific organisational reforms. These included:

- **Team-working:** In GT, teams became accountable for achieving targets and responsible for making their own decisions. Each worker is able to operate all machines and they alternate between different tasks. The team members elect a team leader. Teams are responsible to the divisional manager, whose role has progressively changed from one of „manager“ to one of „coach“. The divisional manager now only gets actively involved in a problem if significant conflicts arise or if the problem escalates in scale.
- **Training:** GT has established “Lerninsel“ – a working station for trainees to learn the complete production process. It fulfils both training and a production role. New mechanics and electronics trainees are given special training to integrate them into the team and the new way of working. Those who have spent the longest time in the “Lerninsel” in a rotating system

introduce new trainees. The aims of the training programme are “learn to teach“ and “self control“. The “Lerninsel“ is completely integrated in the production process. Staff policy is characterised by well-aimed continuing education and the support of internal carriers.

- **Continuous Improvement Process:** In addition, a new continuous improvement process was introduced across all divisions. The underlying concept behind this was that „everything can be improved, everything must be improved, everyone is involved and improvement is part of everyone’s job“. All employees were encouraged to develop ideas and proposals concerning their direct environment. The improvement process does not just get rid of superfluous work and look for cost savings. It also provides all staff with the possibility of re-shaping their job and the scope of their work. This means that workers are encouraged to deal openly with non-ideal conditions, that they themselves search for solutions, inform their team leaders and if possible put their ideas into action.

Once the above reforms were underway, further changes were introduced. Known as project “PE-organisation“, the aim of the second phase of reform was to bring both production and logistics into line with assembly and final product. The company no longer wished to organise on the basis of divisions of technology. Production units (PE) were introduced, which supply the final assembly in an independent way.

The company also introduced new multifunctional innovation teams. The aim of these teams was to achieve simultaneous engineering of new products. Within the product development division, a team was built based on members from different functional areas. The teams included researchers, and people from marketing, production, quality control, planning, control, purchasing and even suppliers. Many development activities now take place on a parallel basis. Even in the early stages of development, target costs for a new machine tool are established and during the project strict controls guarantee that the costs of production and development stay within the initial target set. Simultaneously, the development period is also controlled. The new vision is cutting time to market by half.

The change process in GT is a continuous one. Behind this lies the conviction that achieving the necessary improvements in productivity, length of a run and quality requires continual on-going reform.

The latest initiatives, started in 1998, are aimed at improving co-ordination between people, machines, materials and markets in an optimal (“synchronised”) way. Moreover, many of the initiatives (and key principles) that were initially introduced in the production area have been introduced into the administrative functions.

Activities are accompanied by appropriate and working time systems.

## The Obstacles

The process of reform in GT was extensive. Very little was left unchanged. As a result a number of problems emerged during the implementation process:

- **Inadequate consultation with other managers and staff:** The crisis in the company in the early 1990s meant that most people in the organisation recognised the need to change. The overall reform programme was therefore supported in general terms. However, it quickly became apparent that the specific organisational changes were afflicted with problems, as the staff were confronted with crucial reforms and changes from one moment to the other. Therefore the staff and even managers were very sceptic and above all the workers were worried about their jobs.
- **Failure to anticipate likely staff response:** Managers in GT didn’t expect employees to have any negative reactions to organisational changes as they were implemented. They were therefore surprised when they encountered resistance. This was a major problem, as managers were relying on employees to implement the new ways of working „on the ground“. Without full employee co-operation, the changes would not work in practice.

- **Difficulties to maintain engagement:** Though the changes in the mid nineties proved successful it was recognised that the spirit present at the start slowly diminished. Further initiatives had to be taken in order to achieve continuous organisational renewal.

The underlying reasons for these problems were:

- **Reluctance from employees:** The changes introduced in GT were wide-ranging and extensive. Whilst employees recognised that something had to be done to respond to the crisis faced by the company, they were highly unnerved by the difficult economic situation. This meant that they were very worried about job security. Many people were highly sceptical or could not manage the situation that they faced. This was also true for later activities to improve efficiency and not least changed when employees recognised improvements in their individual working situation, e.g. through ergonomic tools.
- **Negative attitudes amongst middle managers:** Middle managers were also worried about the economic crisis faced by the company. This meant that they were also concerned about their long-term job prospects, particularly as the organisational reforms involved significant changes to their traditional roles within the company.

## THE CONSEQUENCES

As consequence of the problems faced by GT, the implementation of their organisational reforms took more time than they had expected. The rationalisation had to be completed by measures to improve working conditions. Ultimately, however, they were able to effectively implement a „High Performance Work System“.

## THE CONCLUSION

Organisational renewal inevitably leads to significant changes for employees and these can cause some problems. This case illustrates how these problems are compounded when an organisation faces an economic crisis and employees fear for the security of their jobs.

Yet, in a crisis situation, employees recognise that something has to be done. And management recognises that reforms are only possible with the support of all staff. For radical innovation, the acceptance of all employees in all divisions and at all levels is of crucial importance.

This case also illustrates that a willingness to undertake continuous change is also crucial. Even radical restructuring is followed by further change.



## GERMANY: “GR”

**This case illustrates some of the difficulties of introducing new working methods in a small textile manufacturing company in Germany. It shows that even where the founder and his successor were motivated to introduce new approaches in order to achieve a more positive working environment, it has proven more difficult to implement in practice than originally envisaged.**

### THE ORGANISATION

GR is an SME in the Textiles and Clothing sector. It produces and markets nightgowns, bathing and leisure fashion, as well as technical textiles for the automotive and medical sectors.

The firm has around 400 employees and a turnover of around Euro 65 million. The manager is also the proprietor of the business.

### THE RATIONALE

The founder of the company initiated the provision of a wide range of social and other benefits to employees. His son and successor in the management team has continued this tradition. From the beginning, the management of the company aimed to improve the working environment and the other social benefits provided to employees and to try to take account, wherever possible of the needs and wishes of employees. The founder and his successor both believe that this has a positive effect on both the motivation and productivity of employees.

Specifically, they believe that a positive working environment and the provision of additional social services have a positive impact on employees:

- Reduced stress and pressure at work
- Lower fluctuation rates in staff
- Lower illness rates
- Improvements in “family friendly” policies

Whilst philanthropy was the primary motivation, the introduction of new working methods has also helped the company to compete in an increasingly competitive sector. It has had positive benefits for the business as a whole:

- Strong incentives for participation, creativity and discussion
- Creation of a basis for innovative strategy in manpower policy
- Determination of “weak spots” in the production system that lead to problems which give reason to call for action
- Introduction of a continuous improvement process increasing competitiveness through performance orientation and efficiency

### THE CHANGES INTRODUCED

GR has introduced a range of new forms of work organisation:

- **Part-time employment models:** The introduction of part-time employment models has taken place in different parts of the company, but particularly in the administration function. Around an eighth of all employees have chosen an individual part-time model (2 male and 51 female employees). The working hours are co-ordinated individually according to each employee’s needs and the internal requirements of the division. Different levels of workload are possible, ranging from 12 to 35 hours per week. Normally employees choose to work between 20 and 25 hours per week. All employees that work part-time receive the same opportunities for internal training as those who work full-time. Part-time employees can be found in most levels of the company – it is only in the management level that no part-time exists.

- **Home working and Tele-working:** The company also offers the opportunity for employees to chose to undertake their jobs through home working or tele working. Three employees in the administration function have been partially working at home for about two to three years.
- **Informal Work Teams:** The introduction of extensive part-time working models has forced the company to adopt a highly flexible approach. Informal work teams now exist in which comprehensive task assignment takes place. Within any one working group, everyone can replace anyone else.
- **A Continuous Improvement Process.** A new continuous improvement process has also been introduced. Around 35 employees are trained to be moderators at periodic meetings, where new ideas and proposals concerning workplace design are put forward and developed by employees. These meetings take place every month. The aim of the continuous improvement process is to improve the efficiency of the work, and to improve still further the levels of flexibility and creativity achieved by the firm.
- **Implementation of an “occupation and family“ audit:** The “occupation and family“ audit, which goes back to an initiative of the “Hertie” charity foundation, systematises and measures the family orientation of the organisation. GR introduced it in order to reform working processes in order to improve the “work/life balance” It is particularly important in this company as the majority of its staff are female, and the management want to ensure that working conditions are attractive for women with children. The audit covers a wide range of issues, including working hours, working processes and content, information and communication, personnel development, additional family services. A comparison is made between targets and actual performance.

## THE OBSTACLES

The implementation process of the targets mentioned above involved some major problems:

- **Failure to build commitment to the new approach among all employees:** The introduction of part-time employment models was not at first attractive to the staff. Employees felt inhibited and unable to volunteer to work on this basis. Even today, demand is not overwhelmingly high, particularly for tele-working, as only a few employees have so far taken advantage of the possibility to work at home.
- **Lack of an integrated approach to implementation:** In the production function, part-time employment models have not yet been introduced. This is because there has been a long-established three- shift work system and therefore the introduction of a part-time model would prove to be more difficult than in the administration function.
- **Design failings that made implementation difficult:** The continuous improvement process was considered to be obligatory, and rather traditional criteria were used to select moderators. At first, employees were trained to be moderators even if they were not willing or even afraid of it.

The underlying reasons for these problems were:

- **Reluctance amongst employees:** Employees were at first very sceptical. They did not believe fully in the likely success of the new ways of working and they closed their mind to the changes. Even today, there are still employees who are reserved, although the programme has been largely a success.
- **Negative attitudes amongst middle managers:** The reforms were mainly based on the initiative of the proprietor himself. A number of key middle managers had negative attitudes and expressed scepticism and reservations.
- **Incompatibility between the new working processes and technology:** It is believed that highly automated textile manufacturing technology does not readily allow group work. Every single work place is extremely complex because of the presence of highly automated machines. Moreover, these machines have to run overnight in textile manufacturing and therefore it is difficult to introduce part-time and group working systems in the production function. The production function still works in a predominantly tayloristic fashion, with a strong division of labour.
- **Difficulty in overcoming the existing culture and values:** There exists a gender-specific interest in the part-time employment model. Male employees hardly participate in the part-time working model, in contrast to female employees.

## THE CONSEQUENCES

The new working methods were not introduced as fast as the company wished. The time frame was stretched, compared to the original plan. Moreover, the new approach has not been as effective as initially hoped because not all employees could be reached with the programme. The part-time model has not been introduced in the manufacturing division, which presents the biggest part of the company, with the most employees. As a result, the improved motivation of employees and the hoped for improvements in efficiency have not been realised on a large scale.

## THE CONCLUSION

In GR, the introduction of new working methods has proved to be more difficult than expected. Many employees do not participate in the new approach, either because they do not want to, or because it has not been offered to them.

Whilst the founder and his successor were motivated to introduce new working methods in order to achieve a more positive working environment and to provide additional “social” services, it has proven more difficult to implement in practice that they originally envisaged.

## GERMANY: “GK”

**This case shows how lack of commitment and the fear of change amongst middle managers hampered the implementation of organisational reform in a long-established family firm manufacturing furniture in Northwest Germany.**

### The Organisation

GK is a family firm founded in 1939 in the Northwest of Germany. It is now owned by the third generation of the family. The managers are, therefore, both proprietors and involved in the day-to-day operation of the company.

The company employs over 500 people and has a turnover of around Euro 50 million. They export around 25% of production.

GK is a furniture manufacturer. It produces mainly for the German market. They have 15 selling locations in Germany, but also sell in Denmark, Portugal, Spain, Italy, Austria, France, Belgium, the Netherlands, USA, Japan, the Middle and Far East, Australia and New Zealand.

The enterprise has a high vertical range of manufacture, including wood and metalworking. It cooperates with international partners, mainly Italian office furniture manufacturers. The enterprise produces high and premium quality furniture. It has been rewarded with several design prizes. In addition to making furniture, it also offers services such as consultation, planning and furniture assembly.

### The Rationale

Over the last two decades, the market for furniture has changed significantly. Customers have become more demanding, and competitive pressure has intensified. Furniture manufacturers have been forced to differentiate themselves on the basis of high ergonomic quality of the products, as well as on the introduction of customer specific services such as custom-solutions or „system solutions“.

GK has therefore been faced with increasing costs pressures, the need for higher quality standards, and the increasing importance of dialogue with the customer in the process of product planning. These factors have all placed higher demands on employees.

There has been a need to ensure that the working process is as efficient as possible, but that it simultaneously produces high quality products, in order to meet the needs of the market. Moreover, the fast pace of change in the market has meant that the traditional hierarchical organisation has become increasingly inappropriate, for decisions have to be made increasingly quickly and the relevant (sub) division has to be increasingly accountable for these decisions.

Senior management therefore decided that teamwork should be introduced in order to achieve the required level of flexibility within the manufacturing area.

## The Changes Introduced

Three years ago, GK decided to introduce a new organisational structure and new working processes, based on team working. Changes were made across the whole of the furniture manufacturing activity – in both steel construction and in woodworking.

Teams are responsible for deciding how work is done, quality standards, achieving target delivery times, and for choosing their own leaders.

There are approximately 40 teams in total. Their size varies from 13 to 18 persons. Each department has several teams reporting to one divisional manager („master“).

Each team elects a „spokesman“. This is done on an anonymous basis and is valid for three years. Particular tasks of the „spokesman“ are the moderation of monthly team-meetings, the weekly exchange with other „spokesmen“ and the divisional manager, the planning and scheduling of holidays, and taking responsibility for the „task-board“ of each team (definition of skills needed, planning of training, dealing with cases of illness, attendance-schedules etc). The „spokesman“ is also responsible for quality management and for meeting delivery targets. The spokesman also works together with other „spokesmen“ in his division.

In this new structure, the traditional role of the divisional manager („master“) as a controller, coordinator and superior has changed dramatically. He is now required to play the role of a coach, who steers the overall performance of the division through setting objectives. He is also required to find out what skills are required in the teams and hence what training is needed. He also ensures the flow of information between the teams and senior management, as well as the implementation of laws and agreements.

GK have also introduced a new role and position in the structure, that of the „Group Coordinator“. His role is to provide overall coordination across the teams. This includes: preparation and moderation of divisional meetings; checking of the teams „task-boards“; organisation and administration of the employee proposals and ideas; coordination of working processes and the division of labour between the teams; solving of inter team conflicts; optimisation of work between the different teams with regard to the whole working process.

Additionally, the group coordinator is „the reliable person“ for both the spokesperson of the group and single team-members. His only assignment is his coordination role; he is free of other responsibilities. In case of conflicts within a team or between a team and the divisional manager, he acts as mediator.

At the moment, GK is a „transition“ user of new forms of work organisation. The company has yet to spread the new structure and working processes into other parts of the company beyond manufacturing. Moreover, they have yet to reorganise the wage system in order to link remuneration to team performance.

The enterprise is also planning to introduce a new system of training. The new approach is based on „transverse qualification“, so that the enterprise can produce more flexibly. In a situation of high demand, there are some places in the production process where more workers are needed than are trained. Therefore workers with diverse skills will be prepared to take on those jobs that are needed the most. Depending on demand, workers will work on a rotating basis.

Nevertheless, the changes introduced so far have led to some operational improvements in the performance of the company. The ability of manufacturing to meet delivery targets improved

by 5% between 1999 and 2000. Absenteeism has fallen from 4.5% in 1999 to 3.8% in 2000. The active involvement of employees has also improved. The number of improvement proposals suggested by employees, for example has risen by 47% in 1999 to 74% in 2000.

## The Obstacles

A number of problems have emerged during the implementation process. These include:

- **Failure to build commitment to the new approach amongst middle managers:** There has been a failure to build commitment to the new approach amongst divisional managers. Many felt uncomfortable with the changes, as they lost their role, which was formerly defined on the basis of „superior technical expertise“. So the middle management hindered the process of implementation.
- **Design failings that made implementation difficult:** The reorganisation of working processes in a firm with extensive manufacturing activity and highly heterogeneous teams involved significant co-ordination difficulties. This is why the position of „Group Co-ordinator“ was subsequently introduced, in order to: improve coordination between working teams; provide a connecting link between management and teams; solve problems without resorting to hierarchy (as the group coordinator doesn't assume the role of a superior).
- **Fields of occupation** vary considerably: This is linked to the extensive manufacturing activity. It makes job rotation very difficult if the field of occupation is too complex. Furthermore job rotation between teams also is seldom possible, as the career profiles of woodworking, assembly, upholstery and galvanic differ too much from each other.
- **Lack of an integrated approach to implementation:** A new teamwork structure has been introduced, but reforms have not taken place in other key areas of human resource policy. For example, there has been no reform, to date, of the remuneration system to reflect the changes in structure and working practices.
- **Conflicts between Divisional managers and team „spokesmen“:** The increase in autonomy of the teams with regard to the division of work and work scheduling has led to a „role conflict“ between the divisional manager and the „spokesman“. The idea of teamwork is diametrically opposed to the traditional self-understanding of the divisional managers.

The underlying reasons for these problems were:

- **Negative attitudes amongst middle managers:** Middle managers have opposed the changes because they fear loss of status. The reality of a new structure based on teamwork stands in contradiction to the classical self-image of the manager. Moreover, the concept of the „manager as coach“ is hard to put into practice. Many managers lack the necessary skills to be able to make the transition.
- **Difficulties in overcoming traditional culture and values:** GK is a family firm, and many of the middle managers are also joint proprietors. This exacerbates the loss of status and undermining of self-image experienced. In addition, the employees had difficulties in understanding and following the changes.

## The Consequences

At first, the introduction of teamwork has led to improvements in operational performance. More recently, these initial improvements have stagnated. In overall terms, therefore, implementation has been less effective than originally hoped, and the process is taking longer.

## The Conclusion

The new organisational structures and working practices introduced in GK have improved efficiency and have led to a more secure position for the company in the fast changing German furniture market.

However, some of the positive features of the new organisation have been undermined by the problems experienced, particularly the lack of commitment to a new approach amongst middle managers. This is due to negative attitudes amongst this group, as it directly conflicts with their traditional view of the role of the manager. In this case, the situation is exacerbated by the traditional culture of a family firm.

## GERMANY: “GP”

**This case study illustrates the comprehensive package of organisational practices and Human Resource policies introduced by a growing software company in Germany. In particular, it illustrates some of the detailed problems that emerged and how steps were taken to address each problem as it arose, such that implementation proceeded without encountering major difficulties.**

### The Organisation

GP was founded in 1985. At first, the strategic focus of the company lay in the development and production of computer systems for parallel processing. The know-how acquired in its early years is now the central technological basis for the company's present field of activity: software-based systems for the surface inspection of coarse goods such as strip steels, aluminium, paper and plastic foils. After a rapid expansion in this area, international subsidiaries were established, firstly in Europe (Great Britain, the Netherlands) and the United States, later in Asia (Japan, Korea). An initial public offering (IPO) of stock on the "Neuer Markt" took place in 1999. In 2000, approximately 180 employees generated a turnover of around Euro 40 million.

### The Rationale

There were two main reasons why GP adopted “new forms of work organisation”. Firstly, the company wanted to attract and retain high quality staff. As a small, young firm, which could not afford to offer expensive incentives compared with larger companies, GP initially had problems appearing financially attractive as a potential employer. Furthermore, as a technology leader in the area of software-based systems for surface quality control, the know-how of the employees has a high value. It was important for the company to retain key staff.

Secondly, the measures also served to improve the performance of the enterprise by positively affecting the motivation and commitment of the staff and by additionally strengthening their autonomy and share of responsibility. In particular, the founder and current chairmen of the board of GP wanted to encourage his staff to use their initiative. He also wanted to harness the ideas and creativity of his employees. In his opinion, well-informed and motivated staff are crucial for success.

### The Changes Introduced

From the beginning, autonomy in decision-making and sharing of responsibility were considered to be important. Therefore, measures were introduced very early on, which were further developed or modified as the company grew in size. In particular, the initial public offering of stock (IPO) led to changes in performance measures and in the share-holding programme for employees.

Specifically, GP introduced the following measures:

- **Decentralized decision-making:** Employees are organised into project teams. These teams change according to the needs of different projects. Project teams are built from both experienced and new employees. Even fairly new employees obtain responsibility quite quickly. Very experienced managers act as mentors. Team members select new employees. Decisions are made within the team, and employees are encouraged to consider different opinions and new ideas. Team members also jointly decide how work is done and they are responsible for solving operational problems. Due to high qualification levels (about 90 per cent of the employees have a university degree) team members often alternate between different tasks.
- **Performance measures and Performance-related Remuneration:** For all employees, part of their pay is variable and linked to attaining both financial



and non-financial targets. For managers, the variable element of their pay amounts to 20 per cent; for other employees it is 10 per cent. Various individual, departmental and company targets are established at the start of each financial year and measured quarterly. The base salary is paid in 12 instalments – a further 4 quarterly payments are possible if targets are achieved.

- **Financial participation:** The financial participation of staff began early in 1993. To start with, shares in the company were offered. Then when the initial public offering (IPO) took place, share option plans were established. Today over 90 per cent of staff own shares in the company.
- **Open communication policy:** The existence of a comprehensive set of performance measures means that the actual economic performance of the company is openly communicated. For example all employees are informed about company targets and future planning in regular company meetings. Weekly meetings serve as discussion forum for each department.
- **Culture:** The culture of transparency and openness is also expressed in an “open door policy” and in the organisation of the office. There are no separate rooms, even for the executive committee.
- **Training:** Depending upon requirements, further training is offered either in-house or externally. Examples include project management training and language skills. New employees take part in a six- week introductory in-house training.

As a result of the introduction of these measures, the competitiveness of GP improved. The interaction between project teams and departments improved due to the introduction of financial targets that concerned not only single groups but also the whole company. The level of interest amongst employees with regards to the overall performance of the company and the products and services it offers has increased. GP now operates very successfully and has achieved rapid penetration of new markets.

## THE OBSTACLES

In overall terms, the approach adopted in GP has been successful. However, some detailed problems have emerged:

- **Design failings that initially made implementation difficult:** There were a small number of initial problems in the design of the new system. For example, to begin with performance measures were only linked to departmental targets. As a result, the company failed to operate successfully as a whole, as competition between individual departments was encouraged. Performance measures have subsequently been revised to include individual, departmental and company –wide targets.
- **Failure to build commitment to the approach:** There have been some commitment problems amongst some staff. For example, there have been some problems in the area of training. Some employees have failed to

recognize the need for training. Most are used to “learning by doing” as taught in their academic degree courses, so they consider that post-qualification training in areas such as project management is not really necessary.

- **Failure to sustain staff enthusiasm:** There have been some problems in sustaining the enthusiasm of staff. For example, the company has experienced increasing levels of **fatigue in levels of participation**. Active involvement of all employees is encouraged. For example, employees are encouraged to take part in a working group established to discuss the new option programme. However, it is clear that levels of participation amongst the staff is progressively decreasing. As the company has grown in size, some staff take the view that there is no need to take part in such initiatives, as others will participate instead.
- **Problems in the introduction of the new Share Programme:** To date, stock option schemes are not common in Germany and most employees have little experience in owning shares. This meant that a lot of uncertainty and insecurity has built up amongst employees. In order to alleviate fears, the company organised a forum for the exchange of experiences amongst employees.

The underlying reasons why these problems have emerged are:

- **Legal obstacles and complex fiscal laws:** The introduction of a share model is far from easy with regard to fiscal and legal consequences. Due to imprecise laws and lack of experience, German companies need a lot of support from lawyers and certified accountants. This makes it difficult and costly to introduce such schemes.
- **Difficulties in overcoming the existing working culture in Germany:** In Germany, employees are often rewarded financially (through for example extra bonuses at Christmas or holiday time) regardless of an individual’s performance. As a result, employees at GP had problems getting accustomed to a remuneration package that would not automatically include a Christmas or holiday bonus. The acceptance of variable pay was made easier by a step-by-step process. Moreover no reductions in salary took place, because a point in time was chosen when a salary increase would have been due.
- **Education systems:** The education system in Germany, especially in universities, places great emphasis on a profound theoretical knowledge and it takes quite a long time to reach graduation (compared to some other countries). Therefore university graduates are very eager to use these long learned skills in practice (rather than in theory) when they enter a company. Sometimes this makes them less eager to learn other more general skills at the beginning of their career. Moreover, studying in Germany is not organized strictly in courses: every student can (to a certain degree) choose courses to suit his individual interests. This means that he is used to being responsible for

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his own progress, and for managing his own knowledge, rather than relying on company training courses.

- **Changes in the external environment:** Changes in the external environment, particularly developments on the Stock market, exposed the company's lack of financial resources and hence its use of stock options as an important part of its remuneration policy. Due to the rapid decline of the "Neue Markt" and the huge loss in value of stock option packages, this form of retention and motivation threatens to lose its effect.

## THE CONSEQUENCES

In overall terms, GP has successfully implemented a "High Performance Work System. They did experience some small difficulties during implementation, but steps were taken to address each problem as it arose, such that implementation proceeded without encountering major difficulties.

In general terms, implementation has taken quite a long time, and some specific aspects of the implementation have not been quite as effective as was hoped. But, because the system has been implemented in a multi-faceted way, problems in one specific area have not undermined the whole approach. For example, the remuneration policy offers a mixture of measures to motivate employees (performance-oriented bonuses, market-based salaries, interesting work content, as well as an open culture). Therefore, the current decrease in the value of stock option plans has not had as damaging effect as it might have done if it were the only dimension of a plan for retaining employees in the company.

## **THE CONCLUSIONS**

This case study illustrates the comprehensive package of organisational practices and Human Resource policies introduced by a growing software company in Germany. In overall terms, the approach adopted in GP has been successful. However, some detailed problems have emerged, particularly in terms of the design of a performance measurement and performance-related pay system, commitment amongst some staff to general training schemes, some fatigue in levels of participation, and uncertainty amongst staff about the new share programme. The case illustrates some of the underlying reasons why these problems emerged. These include legal obstacles and complex fiscal laws, difficulties in overcoming the existing working culture in Germany, and existing education systems. However, steps were taken to address each problem as it arose, such that implementation proceeded without encountering major difficulties.

## GERMANY: GIT

**This case illustrates the difficulties of implementing radical organisational change in an organisation built up by a strong-minded, autocratic founder with clear values. It shows how the cultural legacy of the founder can inhibit and slow down the introduction of new forms of work organisation based on participation of workers in operational decisions.**

### THE ORGANISATION

Set up in the early 1980s as a software company, GIT developed into a general IT consulting company during the 1990s. After a period of rapid growth, ITS now employs 650 management consultants and generates annual turnover of more than of Euro 80 million.

Based in Germany, GIT also operates worldwide through partnerships in 13 countries.

### THE RATIONALE

GIT competes in the fast-growth market for IT consulting with subsidiaries of international management consultancy firms and specialist IT consultancies. To maintain the firm's competitive position the founder of GIT identified the need to:

- Attract qualified staff;
- Preserve the values and culture of the firm;
- Co-operate with international partners; and,
- Improve the ability of the firm to innovate

The introduction of new forms of work organisation was seen by GIT as an important mechanism for achieving these objectives.

### THE CHANGES INTRODUCED

GIT introduced the following changes in work organisation:

- **Business philosophy** - the business philosophy of the firm was defined and written down. The values of the firm are explained to all potential employees during recruitment interviews and discussed intensively during the induction course for new workers;
- **Business Structure** – within the company a virtual network of smaller consultancies was established. The network helps the company strengthen its market position and facilitates the recruitment or retention of staff;
- **Virtual teams and decentralized decision-making** – each consultant is responsible for planning his own work, solving problems, winning new work within the framework of a virtual team.
- **Communication with employees** - once a year each employee receives a personal appraisal with a senior manager. The appraisal process reviews performance against individual targets and provides feedback about the performance of the employee in terms of series of key competencies, such as social skills, management knowledge and IT skills. Targets for the following year are also agreed along with training needed to improve performance;
- **Remuneration** – a system of performance related pay was introduced. 80% of pay is made up of basic salary with performance-based bonuses providing employees with the opportunity to earn up to 150 % of basic pay. Bonuses are linked to three performance measures and responsibilities for staff or customers;
- **Other Incentives** – a series of additional incentives were also created to increase the motivation and retention of staff. They include the creation of spin-off companies to exploit

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new market ideas identified by the GIT innovation academy. In each spin off the new CEO receives about half of the shares.

- **Training** – the GIT Academy was set up to provide technology and ‘competency’ training for employees. Although participation in training is optional, managers expect employees to maintain their qualifications and competencies. To achieve this, the firm provides courses to improve competencies and an internal training programme for software engineering;
- **Innovation Academy** - this interdisciplinary forum is available to employees and customers, and is used to share current knowledge IT, economics and social change. Working with the GIT R&D team, the Innovation Academy previews, evaluates and publishes technological innovations. Know-how gained in projects is also shared with customers through forums on strategic and operational aspects of IT.

As a result of these changes, GIT has strengthened its competitive position, operated successfully and expanded geographically. Staff turnover is also 50 per cent lower than in competitor firms.

### THE OBSTACLES

During the process of implementation of new working methods, the company encountered two major problems:

- **A lack of leadership from senior managers** – GIT's development has been heavily influenced by the strong personality of the founder. Inappropriate statements by the founder at annual conventions have eroded morale amongst employees and reduced support for change;
- **A failure to build commitment to the new approach** – in general, middle managers have been unable to convince employees of the benefits of change. Employees have been frustrated because of the failure of managers to resolve the contradictions between the new approach based on direct responsibility and the emotional and negative reaction of the founder towards results he personally dislikes.

These problems are symptoms of the underlying obstacles to organisational change in GIT. Specifically:

- **Difficulty in overcoming existing culture and values** - the existing culture and values depend on the founder and not easy to change, because he wants them to be preserved according to his ideas. Some employees and managers are supportive of these values and are uncomfortable with the new forms of work organisation introduced;
- **Inflexible labour law** – in the late 1990s, the German government implemented labour laws that undermined the firm's relationships with its freelancers. This made it difficult for ITS to include freelancers within its 'virtual' structure.

## THE CONSEQUENCES

Opposition of the founder to the establishment of a "participation model" of work organisation created a clash of values within the company. As a result, new forms of work organisation were introduced more slowly than planned and some workers left the company because of the failure of managers to resolve the cultural problems.

## THE CONCLUSIONS

This case study illustrates how the cultural legacy of a strong-minded founder can undermine the ability of a fast-growth company to implement organisational changes designed to improve competitiveness.

## GERMANY: "GA"

**This case illustrates the change process in a small publicly owned company in Germany. It shows how the introduction of new ways of working encountered a number of problems, caused by the traditional culture and values of the organisation, resistance from middle managers who feared loss of status and the loss of their own power base, and a failure by senior managers to appreciate the scale and nature of the problem and commit sufficient resources to ensure continuity in the change process.**

### THE ORGANISATION

GA is one of five similar public companies in the Ruhr area in the mid-west of Germany. The primary aim of this business is to give people in this industrial area a place for „active recovery“. So GA combines a range of leisure-time activities such as sports, wellness and culture, with particular priority on sport activities and sauna/wellness. Therefore the economical heart of the company is the activarium with nearly 235,000 clients in 2000. A very important client-group for the company's success is the „active elderly“ – people in the 50+ age group. Their primary reason for visiting the activarium is preventive health-care. The activarium consists of a health-garden, different saunas, solarium, fitness-centres, massage and other wellness-services, an in-house swimming pool and a restaurant.

There are around 50 people employed. More than half of them are women in part-time semiskilled jobs.

### THE RATIONALE

There has been a significant increase in the level of competition in the provision of regional sports and wellness services in recent years. Moreover, the expectations of clients have been rising, and they now seek higher quality health and leisure facilities. This has caused GA to reconsider the way in which they organise and run the Activarium.

Moreover, GA has encountered major problems in the provision of information and in communication between departments and between shift-workers. These problems led to reduced flexibility in work processes and prevented the necessary flow of information about new offers to clients. They also meant that new ideas to improve operations or to introduce new services were not developed.

### THE CHANGES INTRODUCED

As a result, GA introduced changes in the way in which it organised itself. The most important organisational change has been the introduction of product-oriented quality work groups. These have been accompanied by new initiatives to improve customer focus such as a new complain-management system and direct marketing activities to clients. The new initiatives were accompanied by additional training in customer focus for the workers and in new management strategies for the middle management.



The overall objective of the new Quality Work Groups was to achieve greater flexibility and improved communication. It was also a way of achieving greater integration between shift-workers and between the shifts. Following discussions between the management and the works-council, it was decided that workers across different functions (e.g. those with client contact and technical workers) should be integrated into the same work group in order to improve communication. For example work groups might span pool attendants, service people and cleaners.

The work group is responsible for

- Improvements in work processes
- Selection of training
- Reorganization of work systems
- Processing of customer complaints
- Processing of clients and worker ideas
- Processing of the work time

The work groups are also responsible for independently organising work time, especially the organisation of the technical emergency-service for the weekend, information about problems at the end of shifts, the processing of new offers like „Salt-peeling“ and „Eskimo-sauna“, and the organisation of the cleaning-service. New ideas (such as playing relaxation music in the rest-rooms) develop and test the workers in cooperation with the clients.

The new forms of participation support the integration of the semiskilled part-time working women in the work groups. So these workers are not just occupied with „unloved“ cleaning-activities, but are also involved in providing services and in client contact. For these new tasks, the workers were involved in some training seminars. As a result of the training and job-rotation, the motivation of the semiskilled women has risen. Furthermore this job enlargement and enrichment has developed the cooperation between the part-time semiskilled women and the full-time skilled workers.

## THE OBSTACLES

GA has encountered a number of problems during the process of organisational change:

- **Ineffective Communication:** At first there were considerable communication problems within the work groups. In particular, a lot of the semiskilled part-time working women were reluctant to discuss problems and shortcomings in front of middle or senior management.

- **Lack of commitment to the new approach:** There was a lack of commitment to the new approach amongst some middle managers. One influential middle manager, in particular, resisted the new approach and his actions impeded the successful working of the quality groups. Moreover, some skilled workers, like technical personnel or pool-attendants, were very reluctant to carry out semi-skilled work such as cleaning.
- **Leadership:** only one manager, without any external support, managed the introduction of the organisational changes. But this manager was also responsible for other issues such as the extension of the bath and fitness room. So the change process is continually interrupted, because the „change-agent“ doesn't have enough time to focus on the new work-system and complete all of his necessary daily duties.

The underlying reasons why these problems occurred were:

- **Difficulty in overcoming the existing culture and values of the organisation:** The old culture and values of the organisation have been difficult to overcome. For example, many of the semi-skilled part-time female workers were reluctant to participate fully in the work groups and to put forward suggestions because they feared that there might be negative consequences for their own positions if they were to make critical contributions during discussions.
- **Resistance from middle management:** There was resistance from middle managers (and one in particular) because they did not want their work to be determined by semiskilled part-time working women. Middle managers feared loss of status and the loss of their own power base.
- **Failure to appreciate the scale and nature of the problem:** Senior managers failed to appreciate that the change process requires an on-going commitment of time and resources and that if the process is interrupted, problems can occur. Moreover, lack of resources within a relatively small organisation has compounded this problem, as it was not possible to bring in external resources to try to overcome lack of management time.

## THE CONSEQUENCES

This case illustrates that a new culture of work-organization takes considerable time to implement, because traditional thinking by workers and by management is often deeply embedded. A new way of thinking and a new participative culture needs requires greater self-confidence amongst employees. So a high-trust relationship between management and employees is a necessary base for greater participation at work.

Moreover, a change from traditional work-systems can encounter resistance from some managers who fear loss of status. This can seriously impede the successful introduction of new working systems.

## **THE CONCLUSIONS**

This case shows that cultural change is a difficult process in companies, because the change process must start in the heads of the employees and the management. The introduction of new ways of working therefore requires significant time, in order to overcome old traditions and values. But early successes have helped to motivate the employees to lose the old traditions.

It is therefore important that senior managers support the change process through new management strategies and enough manpower to continue to push the change and gain maximum advantage for the company.

## **GERMANY: “GE”**

**This case study illustrates that successful introduction of new forms of work organisation is a slow process. Moreover, it requires cultural change to overcome traditional patterns of communication, information and participation within the organisation.**

### **THE ORGANISATION**

GE was set up in 1983 as a retirement home in Cologne, in the district of Ehrenfeld. It is a public Sector organisation, which belongs to the AWO (Arbeiterwohlfahrt); a well-established workers welfare institution in Germany and it is managed by the local manageress. In total, the home caters for around 200 inhabitants at any one time. It is divided into 22 living-apartments and 179 medical-care places in 5 living units. These are separated into 56 double rooms and 62 one-room apartments.

The organisation offers medical care as well as other services such as household services and cultural and entertainment facilities to the elderly people and their relatives.

Overall, GE employs around 170 people in 125 different kinds of jobs. It employs a significant number of part-time employees. This provides the organisation with considerable flexibility to organise operations to meet the needs of its inhabitants. It also enables employees to organise their own working hours on a flexible basis to fit in with their own needs. Moreover, the organisation employs a relatively high level of qualified people (59 percent), particularly in the medical area (registered nurses). In 2000 the organisation has won the German prize for Innovation in Medicine and Health due to its re-organisation based on the EFQM- Model for Excellence of the European Foundation for Quality Management. Nevertheless, the implementation as well as the adherence of a quality-management-system is a long-winded process.

### **THE RATIONAL**

In 1994, the German Government established “care-insurance” as the fifth element of the social-insurance system. This has led to a significant increase in competition within regional private and public care-markets. It has also led to significantly higher expectations for service quality amongst customers. As a result, improving efficiency in terms of cost-reduction and quality improvement are the main challenges facing GE.

Furthermore, in 2001 the Government set up the “Pflegequalitätssicherungsgesetz”, a new system of quality standards. This resulted from the realisation that the care-system in many public and private organisations was not meeting expected levels of quality. Within the framework of existing legislation, the care-organisations have to implement an internal quality-system. In addition, they have to participate in external benchmarking-activities against other organisations in this line of business. So the organisation phrases a specific mission, according to its strategic targets: an extensive social and medical attendance to upgrade the well being and the life-quality of the inhabitants.

### **THE CHANGES INTRODUCED**

GE describes itself as a ‘learning organisation’. It has implemented a major programme of organisational reform in order to respond to the new challenges that it faces. The overall aim of the organisational reform was the implementation of a

quality-system, which not only pays attention to financial and material resources, but also to the day-to-day operational practices of the organisation and to increasing the level of participation amongst employees. It also, of course, seeks to meet the new legislative demands. The new quality system that has been introduced is based on the EFQM-Model for Excellence of the European Foundation for Quality Management (EFQM). Specifically, the following changes were introduced:

- **Leadership:** A number of steps were taken to ensure that managers took responsibility for the re-organisation process: After an initial meeting at which the overall corporate strategy was explained, senior managers have developed an extensive quality-concept for the organisation. In order to equip managers with the necessary skills, all of them received specific training and became qualified as TQM- assessors.
- **Project teams:** In order to improve participation of employees during the re-organisation process and to achieve continuous improvement thereafter, project teams and team- working within the care-units were established. The teams are made up of employees and their executives at all levels of hierarchy. Employees are encouraged within the project groups to suggest and develop innovative ideas. The teams then review these and promising projects are then implemented autonomously by the employees themselves within the project teams.
- **Quality handbook:** All measures of quality assurance, which have to be met by the responsible employee, have been put down in writing in the quality handbook.
- **Development of a quality assurance system for the inhabitants:** The quality assurance system for the inhabitants combines measures based on the individual biography of the inhabitants. All relatives of the elderly people get a questionnaire to give information about the individual behaviour patterns, preferences and indisposition of the inhabitants. This enables the persons employed to combine their day-to-day care work with the specific demands of the elderly people. Furthermore, one employee of each care-unit conducts a private conversation with the inhabitant after he moved in the care-centre, to get more detailed information on the individual biography.
- **Development of a quality assurance system for the relatives:** Information, consultation and an incorporation of the relatives into the planning of individual care are the main features of this approach.
- **Development of a quality assurance system for the employees:** This approach incorporates key aspects of human resource planning, such as the integration of new employees, performance appraisal and the long-term planning of employee training.
- **Development of a range of financial and non-financial measures to upgrade performance:** The new system combines quantitative and qualitative measures based on benchmarking activities. Quantitative measures include the results of opinion surveys of the inhabitants, their relatives and employees.

They also include ratio analysis of the organisation, based on a balanced scorecard. Qualitative measures include self-assessment by management and employees, again based on the findings of the opinion-survey and the ratio analysis.

- **Training:** The quality system for the employees includes measures of in-house and external training programs. The in-house further training program is valid for half a year and it combines job-specific and general training programs (like communication skills) for all departments of the organisation. The employees can also come forward with their proposals to meet their own needs. In addition, participation in vocational training is allowed during working-time.

## THE OBSTACLES

- **Failure to build commitment to the new approach:** At first middle managers were, in particular, resistant to the new changes introduced. They feared loss of status, the debasement of their work and an increase in control by operating figures. Also they were afraid of the new participation opportunities for employees in the day- to- day work. This led to reluctance to participate fully in the implementation and the continuation of the EFQM-process.
- **Ineffective communication:** The established communication structures and traditional behaviour patterns by all levels of hierarchy can prevent “solution-oriented” communication during the re-organisation process. In GE an external consultant played an important role in helping to overcome this. The consultant held a neutral position within the re-organisation process. He was able to direct the conversation and arbitrate between different positions.
- **Adherence of the re-organisation process:** Problems occurred with the new approach to working because employees felt that it was difficult to report negative performance numbers to management. An important problem of the EFQM-implementation is to establish a high-trust relationship between the employees and their executives according to the development and the work with operating numbers, which picture the daily working process. If there is a negative progression in the operation numbers, it is very difficult to adhere the re-organisation process.

The underlying reasons for these problems were:

- **Negative attitudes:** Negative attitudes amongst middle managers delayed the implementation of the new EFQM-based quality system. This is because the middle managers were afraid of losing status, and concerned about the potential devaluation of their work. Moreover, the increasing opportunities for participation of employees made them feel uncertain. They also suspected that the introduction of a new performance measurement system would lead to a growing control of their work by senior managers.

- **Lack of trust between employees and managers:** The underlying reason for some of the above problems was the lack of a high- trust relationship and the absence of openness and honesty between the management and the employees. The traditional thinking by employees and management also prevented honesty at the beginning of the re-organisation process.
- **Conflicting Objectives:** GE has two different objectives, which are not always in harmony. The first concerns the legislative duty of the retirement home, which aims at the health recovery of the elderly people. But this means that the organisation would get less money from the social insurance system. This therefore comes into conflict with the economic demands of the organisation. Therefore, the organisation has to deal with two contrary demands: to recover the health of the elderly people on one hand, and to get more money through the allocation of more insurance premiums for the elderly by the social insurance system on the other hand.

## THE CONSEQUENCES

Negative attitudes amongst middle managers and the difficulty of developing and implementing an appropriate performance measurement system made the implementation of the EFQM-based quality system more difficult than expected.

## THE CONCLUSION

This case illustrates a number of problems that emerged in the implementation of new working-systems in a medium-sized public sector organisation. It shows the importance of a comprehensive approach, which requires cultural change to overcome traditional patterns of communication, information and participation within the organisation.

## GREECE: “GO”

This case illustrates how cultural and attitudinal obstacles to organisational reform slow down the pace of change even in well-managed, major companies with access to extensive resources and with experience of managing change programmes. It shows the difficulties of bringing together two organisations with different cultures and types of work organisation.

### THE ORGANISATION

GO is a subsidiary of a multinational energy company. It distributes and sells refined oil products, including motor fuel and lubricants. It employs approximately 400 people and has a turnover of around Euro 1.5 billion.

### THE RATIONALE

The parent company has a long tradition of innovative, participatory work organisation techniques. Since the 1980s it has introduced new practices such as flattening of administrative hierarchies and teamwork.

In the 1980s and 1990s, a central challenge for the company was to grow its ‘downstream’ business in Greece in order to compete with larger competitors. In the late 1990s, as part of an international agreement, GO entered into a “joint venture” with another oil company (GM) covering motor fuel, heating oil and lubricants. Later, GO purchased the fuel and lubricants businesses of the joint venture company.

After the completion of this process of expansion, the challenge for the company was to sustain its market position and retain its flexible work organisation, an important competitive advantage. GO was aware that other acquisitions had failed to merge work practices effectively and hence took a cautious, slow, but systemic approach to bringing GM’s personnel practices and work organisation into line with its own approach.

### THE CHANGES INTRODUCED

GO was aware of the need to create a new, unified culture and set of organisational practices. In particular, GO wanted to transform the more “traditional” work organisational practices of the divisions it had acquired from GM to its own “flexible” and “participatory” philosophy and practices.

GO was determined to expand its own integrated program for human resource management to the new expanded organisation. GO was proud of its organisational culture and believed it was imperative to transform the GM-originated structures and practices to its own. There was no question of seeking only a partial adaptation of the GM people to the GO mould; change was promoted in a systematic and systemic way.

The most important changes were:

- **Structure** - the organisational hierarchy was flattened such that there were only three levels: top management, middle management, and front-line employees;
- **Team working** – semi-autonomous teams were introduced. Although, managers selected team leaders, there was high intra-team latitude in scheduling and allocating tasks;
- **Training** – All GO employees are assigned to a personalised “personal development plan” which involves training in three subjects: company structure and performance, technical skills, social skills. The frequency, extent and content of the training provided depends on the personalised career path of each employee. Training costs are fully borne by the company; training is provided by the company itself on-site, but also by subcontractors (on-site or



away). In addition to this training, members of the new group attend additional training/information sessions on several themes about the company (e.g. GO's commercial strategy, human resource policy), for a total of 40 hours.

- **Pay** - a bonus system rewards the achievement of specific targets, with 50% of the bonus depending on individual performance and 50% on team performance.
- **Performance measurement** - new ways of measuring the performance of the organisation and of each employee were established. For example, the performance of middle managers is assessed using a system where 10% of the overall evaluation is based on reaching "human" targets such as achieving higher employee effort as well as higher approval ratings by subordinate employees.

This last aspect of the changes is not very popular with the new middle managers but is most decisive for the cultural change that the company seeks to promote. It operates as a "brake" against some managers' tendency to seek increased effort by team members through intimidation rather than real leadership. It complements another aspect of the company's philosophy about two-way communication: "upward feedback" whereby team members report to top management the quality of information and help they receive from middle managers. These mechanisms ensure that the (monthly) meetings of these managers and team members ("team talk") is not about a one-way communication of the manager's directives to the team, but a two-way communication where team members' input, suggestions and feeling of being appreciated is actively cultivated.

A year after the introduction of GO's "flexible" work organisation and practices into the ex-GM operations, the company is pleased with the outcomes. While operational improvements were hard to quantify (given issues of comparability), the company felt that visible and significant operational improvements were attained with the reform program – so much that the new group's performance and adaptation to the new environment and philosophy is deemed most satisfactory. Product delivery and customer satisfaction measurements for the two groups are now almost identical. However, the ratings of GM-originated middle managers by their team members are still lower than those of the "older" group.

## THE OBSTACLES

During the process of implementation, GO faced the problem of building commitment to the new approach. Senior managers were, however, aware that this was likely to be difficult to achieve and adapted the process of implementation. The problem for GO was not how extensively to transform the GM-originated operations and practices but how quickly to do it.

The underlying reasons for the problem of building commitment amongst the ex-GM staff were:

- **Difficulty of overcoming existing culture and values** - GM staff were trained to work in a "traditional" manner, with a specific set of individual responsibilities, performance measurement systems, a hierarchical organisation and one-way communication and reporting systems. They could not be expected to abandon easily work habits they had internalised for years. In contrast, most GO employees had started their working lives at that company, at a young age, and thus its organisational structure was the only one they were familiar with. Interestingly, the "local culture" of Greece (from the perspective of a multinational company) did not present any particular challenges for the flexible work organisation it had initiated elsewhere in its global operations. Team working, in particular, was readily welcome by new young Greek employees of the company;
- **Resistance to change from employees** - many of the "new" staff were suspicious as to how GO's organisational practices might affect their status and development prospects. Team working, in particular, was a source of insecurity for the lower graded staff, who feared that the sharing of responsibilities and bonuses with a team of workers would prove dysfunctional for the company and for themselves;
- **Negative attitudes amongst other managers** - many middle managers felt threatened by GO's organisational philosophy and practices, particularly team working and the associated

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practice of “upward feedback”. They resented the loss of control over individual employees that accompanies teamwork, and the possibility that they might be “squeezed out” between top management and employee teams. However, as GO’s management has stressed, this is a difficulty they face with their “own” middle managers. They consider the “tension with middle management” as an ongoing challenge that cannot be totally overcome but only contained.

To address these problems to company made a conscious decision to postpone any organisational changes for a few months. The idea was to eliminate the climate of suspicion and insecurity that was produced by the buyout, while gradually informing and familiarising the new staff with GO’s organisational philosophy. This was achieved by organising company weekend getaways for social bonding and for company-wide discussion sessions about problems faced by the company and by employees.

### **THE CONSEQUENCES**

The majority of the new staff have adapted to the new setting and corporate culture willingly and well, having been given time to understand the philosophy behind GO’s work organisation and its beneficial consequences for them. The difficulty that remains is with the middle management of the new staff, who seem less enthusiastic and not as committed to the changes.

### **THE CONCLUSION**

This case study shows how a new form of work organisation in a large service company can be introduced successfully, given a strong and lasting commitment by top management and a systemic approach to change, despite cultural and attitudinal obstacles to reform.

## GREECE: GD

This case illustrates how a lack of workforce skills, inadequate managerial expertise, negative attitudes, and limited financial resources for training and high wages slow down the introduction of team working by an SME.

### THE ORGANISATION

GD is a private, family owned company in the retail sector. With a staff of 70, mostly sales assistants, GD has a turnover of nearly Euro 4 million. The company owns a chain of stores across Greece selling middle-range decorative items for the home (vases, glass objects, kitchenware, furniture).

### THE RATIONALE

GD's market has become increasingly competitive because of pressure from domestic and large, multinational retail chains, such as "Habitat", "Ikea", "and Carrefour". These competitors offer lower prices and stronger brand image than GD.

To survive in this environment, GD needs to increase its revenues to pay for higher advertising costs, and to strengthen its only source of competitive advantage, a high quality sales environment and service.

However, providing high quality service in the Retail sector requires highly motivated and skilled salespeople. Such people were hard to find in the Greek labour market because of the low social status of sales assistants and the absence of a vocational training system for salespeople.

A form of team working seemed the best way to achieve a higher quality input from the company's employees, and hence raise standards of service.

### THE CHANGES INTRODUCED

The company introduced a wide range of organisational changes:

- **Teamworking** - the company introduced a system of team working involving all of its salespeople. The system narrows the area of responsibility of each employee in order to make him or her more responsible for activities within particular areas of a store. Under the old system, all selling staff were responsible for every product category. The new system divides the salespeople of each store into teams of 4. Each team has a team leader selected by the store manager, and is responsible for a specific sales area (e.g. kitchenware). A member of the kitchen team is, for example, not responsible for other areas of the store, but is responsible and accountable for every detail within the kitchen area (adequate and timely supply of items, cleanliness, order, sales, after-sales service). Teams have significant degrees of autonomy in the scheduling and allocation of tasks within them;
- **Performance measurement** - team leaders regularly report on the performance of each team and each employee;
- **Pay** - a new system of performance evaluation and performance-based pay (bonuses) was introduced to complement the new work organisation of work. If the target of a 10% increase over the past years' average rate of increase in turnover is achieved (annual increases in the past were 35%, the new target was 45%), bonuses equivalent to 2 extra monthly salaries are given. More specifically, bonus pay is allocated according to store performance (70%) and team performance (30%);
- **Training** - employees participated in a series of seminars on team working and selling skills, paid for by the company. The cost was equivalent to the annual salaries of two employees;

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- **Communication** - store managers were asked to elicit employee input and suggestions for continuous improvement. During “slow” (sales-wise) hours, managers are asked to initiate “pop psychology” sessions with employees on possible reasons why a given customer left the store without buying anything; and,
  - **Recruitment** - in one of the stores a new store manager was hired, who had no prior experience in sales. The person had retired from the state-owned airline. The choice was deliberate, as GD believed that prior experience in sales was not always a blessing. The company hoped that instilling the values of the new system might be easier to do for a new person who didn’t carry the “burden of past habits”.

The company could not yet assess fully the operational results of the reforms. A first assessment was that progress (in changing attitudes and efficiency) was slower than hoped-for but definite. The company was encouraged that the increased sales target that the company had set for itself seemed within reach, and noted that changes introduced were at least positively – if not causally --correlated with improved performance.

The company has implemented a comprehensive series of organisational changes. However, it is only a ‘transition’ user because its initial changes in HR policies have not been sustained over time.

## THE OBSTACLES

During the process of implementation two problems emerged:

- **Failure to build extensive commitment to the new approach** – a large number of employees and store managers were not convinced of the benefits of adopting new organisational methods;
- **Design failings that made implementation difficult** – inadequate investment in training and wages weakened the overall high performance work system.

These problems were the result of a series of underlying obstacles to organisational change. Specifically:

- **Lack of workforce skills** – sales staff, did not take their broader responsibilities, (within a narrower area of sales, to heart. Most of the employees do not take sufficient pride in their work. It is seen as a temporary occupation until something better comes along. Low pay and the lack of a career path contribute to this problem. Moreover, there is no private or state-provided or state-assisted institution in Greece to provide skills, certification, qualification and the associated status to the profession of salespeople. This made it difficult to secure the employees' wholehearted commitment and responsiveness to the idea of continuous improvement promoted by management;
- **Negative attitudes of middle managers** - store managers resented and resisted the idea of delegating responsibility to team leaders and teams, whom they considered to be inexperienced and unreliable. Store managers showed an inclination to only pay lip service to the new team system, while, in practice, they continued to keep all initiative and the direction of every task to themselves;
- **Lack of managerial expertise** - the new manager displayed a weakness in implementing employee performance assessment because her past experience in a state-owned, unionised setting inhibited her from giving unfavourable marks to employees for lacklustre performance. The good marks she gave to every employee were not credible or helpful to the company.
- **Lack of financial resources** – the company lacked the financial surpluses needed for sustained, major investments in training. Moreover, tight margins in the Retail sector made it difficult to increase wages as an additional incentive for employees to change behaviours.

## THE CONSEQUENCES

The change in attitudes and culture that the new system sought has not been achieved yet. Attitudes are hard to change, and monetary incentives need time to affect behaviour. However the diagnosis for the future is “guardedly optimistic.” There are signs that the company’s target for an increase in revenues would be reached by most of its stores.

A real change in attitude and behaviour was observed for 1 out of every 10 employees. This is a positive sign, however, as it is believed that every “convert” to the new system will act as a role model for the rest.

## THE CONCLUSION

This case illustrates the determination of an SME to introduce flexible forms of work organisation in a context of limited financial and human resources. The changes sought by the company are slow in coming but not beyond reach. The main stumbling block, but also the key to success, is the commitment of middle managers.

## **GREECE: “GSG”**

This case provides a clear example of many of the problems facing SMEs when they seek to adopt new forms of work organisation. It shows how a lack of managerial and financial resources makes it difficult for SMEs to design an effective high performance work system. This, in turn, undermines the effectiveness of implementation. The case also highlights the negative impact of inadequate workforce skills, resistance to change from employees and middle managers, and the lack of awareness of problems amongst senior managers on the implementation process.

### **THE ORGANISATION**

GSG provides advertising and marketing services to large companies and some SMEs. Located in Athens, it employs 25 people and has an annual turnover of Euro 4.4 million.

The company has grown from a staff of 3 (who were the partner-owners) to 25 salaried employees in a ten-year period.

### **THE RATIONALE**

Throughout its period of rapid expansion, the company has made large investments in technology (high-power computers and software) and office space. These have helped it increase its client range and volume of revenues, but put pressure on its profit margins. The company also faces competitive pressures from large domestic and multinational companies, such as BBDO, Young & Rubicam. As a result, the company is under constant pressure to provide better quality and faster service.

Securing the more efficient operation of the whole company and, particularly of its Art Design department, it was felt, was key to its survival and success.

The need to replace the Creative Director (middle management) was an opportunity to restructure the organisation of its key Art Design department and to streamline communications throughout the company. The introduction of team working seemed to be, in the opinion of the owners of the company, the best way to deliver improvements in productivity, quality, and customer service.

### **THE CHANGES INTRODUCED**

Two years ago, a series of organisational changes were introduced in the Art Design department:

- **Team working** – a single team was established to replace the previous compartmentalisation of the creative and design work in the Art Design department. All members of the department work in the team, including the Creative Director and the individual designers. Every designer participates in all aspects of the work to be done, instead of executing the detailed instructions of the Creative Director. The new, expanded responsibilities of the team members include tasks that had been traditionally considered the exclusive responsibility of the Creative Director: briefing sessions with the clients, generation of ideas, communication and co-ordination with subcontractors (colour-separation and printing), quality control.
- **Responsibilities** - The Creative Director's responsibilities were also expanded. Until then the owner-managers of the company took a very active part in the creative aspect of the work, acting as Head Creative Directors to whom the Creative Director reported. In the new setting they delegated all creative responsibility to the Creative Director. Just as importantly, the latter was also assigned the role of the team leader of the design department, which meant that an integral part of his job was to elicit the positive involvement, initiative and enthusiasm of the team members.
- **Pay** - At the same time, bonus pay was formalised. Whereas in the past the company had given out bonuses only as "surprise" sharing of high profits, now bonus pay was introduced as an integral part of the reward system. All employees were to receive payments equivalent to an additional monthly salary whenever the company achieved specific sales targets. There were also individual bonuses awarded to employees who demonstrated outstanding effort and performance.

Other, complementary investments were also made. The layout of the work area was modified to make it more conducive for team working. Instead of working in isolated, individualised workspaces, the entire team worked in a large, unified work area. Access to advanced communications and technological facilities that until then were the prerogative of the Creative Director, was extended to every designer.

The company has, however, only implemented part of a high performance work system. It is a "Transition User". It has not introduced additional, complementary changes such as new forms of performance measurement or communication with managers. Moreover, the company has not invested in additional training to help team members work effectively.



## THE OBSTACLES

During the process of implementation a number of problems emerged:

- **Lack of leadership from senior managers** – directors and owners were reluctant to take rapid and decisive action to overcome the opposition to change exhibited by the Creative Director;
- **Design failings that made implementation difficult** – the company did not introduce a high performance work system. There were major omissions, especially complementary HR policies that enable changes in working practices to be effective and sustainable. There was, for example, no investment in training. Moreover, the company realised that the bonus system it had introduced did not “fit” the work organisation system it was meant to promote. Bonuses were in effect given to all the employees rather indiscriminately and without a systematic way of measuring individual performance. The employees of the design department did not receive any special bonus payment, neither as a team nor individually. Above all, the company concluded, lack of personal bonuses undermined the sought-after linkage of effort-and-reward.

These problems were the result of an extensive set of underlying obstacles to organisational change in the company. Specifically:

- **Negative attitudes amongst middle management** - while the Creative Director was undoubtedly hard working and talented, he seemed unwilling and unable to inspire the team members to be more involved in diverse parts of the production process. His obvious proficiency, coupled with his overbearing personality stunted whatever potential for creative work and initiative existed in the other team members. He seemed reluctant to delegate authority and distrustful of the team members’ abilities
- **Lack of awareness of the scale and nature of the problem** – senior managers lacked experience in implementing programmes of organisational change. They were, for example, unaware of the need to resolve rapidly objections to change from middle managers in SMEs. The lack of managerial capacity in most SMEs amplifies the impact of opposition to change from small numbers of managers. Moreover, it also underestimated the unwillingness of employees to take on multitasking;
- **Resistance to change from employees** - team members did not show a particular enthusiasm for broadening their job responsibilities. This was in part due to their suspicion that team working in effect meant the intensification of their work effort without due pay.
- **Lack of workforce skills** – designers lacked knowledge and skills in areas other than designing to specifications;
- **Lack of a long-term commitment to the change process** – the company was “blown off course” because of the hectic pace of work for everyone in the company, from top management-owners, to middle management and rank and file employees. In such a context, and given the limitations in financial and human resources, it was difficult to find the time and patience to transform the old and familiar way of working, even though the latter was increasingly unsuitable in a highly competitive environment.
- **Lack of managerial skills in the implementation of organisational change** – the company lacked the depth of management experience and ability to design and implement a modern high performance work system. It acknowledged that at the root of the problematic implementation of team working was inadequate planning if not commitment to change on its part. It became belatedly aware that without providing its employees some specialised training it was not realistic to expect that they would acquire the necessarily skills by osmosis.

- **Lack of financial resources** – the company lacked the cash surpluses to hire in expert consultants to design the new work system and to support its implementation. Lack of financial resources also inhibited the ability of the company to invest in training for designers.

### THE CONSEQUENCES

The company considers its attempt to introduce team working a failure, for which it blames primarily itself for inadequate planning and preparation. The productivity of the design department did not increase as it was expected. There was an increase in the quantity of work done but this was achieved at the expense of quality.

The company has decided to make it a priority to hire a consultant to streamline the organisation of work of the whole company along more participatory, flexible, and co-operative lines.

### THE CONCLUSIONS

This case is a good example of the difficulties faced by a small company that introduces new forms of work organisation without the necessary planning and professional help. Introducing team working for such companies is not a panacea, but a frustrating process when financial resources and expertise in work organisation is scarce. However, the case also shows that team working (and participatory work organisation in general), once introduced, even when it does readily deliver on its promises, it is in effect a self-feeding process: its failures do not lie with the idea(s) behind it but with inadequate planning, effort and commitment.

## IRELAND: “IE”

**This case highlights how the difficulty of overcoming existing cultures and resistance from employees can slow down the process of organisational change even in major companies with access to high levels of expertise.**

### THE ORGANISATION

Part of one of the world’s leading providers of financial services, IE supplies non-life insurance products to end-consumers and businesses throughout Ireland. Underwriting, claims, sales, and business administration activities support the business and take place in a head office and network of regional branches.

IE employs over 400 people.

### THE RATIONALE

The Irish insurance market is mature, open, and fiercely competitive. Traditional, national companies face tough competition from a number of the world’s leading companies. In this competitive environment, creating and sustaining a profitable strategic position is difficult.

IE competes in the Irish insurance market on the basis of customer service rather than price. But sustainable service advantages are difficult to achieve, especially in service industries. Continuous innovation and finding things that competitors find difficult to copy are the keys to creating sustainable competitive advantage. One way of doing this is through organisational innovation.

In the late 1990s, IE identified ways in which it could use organisational change to enhance service to customers. One of the most important was the integration of the Underwriting and Claims departments. IE aimed to provide a seamless, one-phone-call service to customers. This would meet the needs of customers for improved service and eliminate multiple phone calls to resolve problems on the same account, one of the major sources of customer dissatisfaction.

Making this change would, however, not be easy to achieve. There were major differences in the technical skills required in each of the functions. But staff and managers in IE had extensive experience of organisational reform and the cultural values of the parent company emphasised flexibility and acceptance of change. IE saw these factors as an important “core competency” on which to anchor its use of organisational innovation to enhance competitive advantage.

## THE CHANGES INTRODUCED

A comprehensive “high performance work system” was established to integrate the Claims and Underwriting departments. This combined radical changes in organisational structures and working practices with complementary reforms in the co-ordination of activities, performance measurement, and HR practices. Specifically:

- **Structure** – multi-functional, semi-autonomous teams replaced the functional separation of Claims and Underwriting. The new structure organises activities on the basis of customers and geography rather than functional activity. At the same time, responsibility for operational decision-making has been decentralised and pushed down to the lowest possible level;
- **Team working** – all claims, underwriting, and sales administration staff are organised in teams. Led by a team leader selected by senior managers, each team carries out all of the underwriting, claims, and sales administration activities needed for individual customers. Team members are responsible for solving operational problems, ensuring quality assurance, and achieving agreed targets. Team leaders allocate work and co-ordinate of activity;
- **Multi-skilling** – IE is in the process of ensuring that all team members are multi-skilled and hence able to rotate between tasks, cover for absence, and answer all customer queries;
- **Performance measurement** – each team has a specific set of financial and non-financial performance targets, including indicators to measure activity, cycle time, and customer satisfaction. External market research is used to measure customer satisfaction with IE’s service, for example. Performance information is provided on a monthly basis;
- **Communication** – managers hold monthly meetings with team members to discuss operational performance and to identify ways of improving service. A company-wide communication programme that provides strategic, operational, and financial information to all employees complements these meetings;
- **Pay** – an important element of the pay of team members depends on individual performance. Annual objectives are set for each employee by team leaders and are assessed through a formal performance appraisal process. Team members receive bonus payments based on the extent to which they achieve agreed performance objectives. Most team members also qualify for membership of IE’s company-wide bonus scheme. Payments take account of overall company financial performance.
- **Training** – all team members receive regular formal training. This covers job-specific and general skills. ‘Insurer’ is, for example, in the process of up-grading the team management skills of team leaders and the group working skills of team members.

## THE OBSTACLES

During the process of implementation a small number of emerged. Specifically:

- **Lack of leadership from senior managers** – in the initial phase of implementation, senior managers did not allocate sufficient time to regular, repetitive communication of the new organisational vision and rationale for change. This eroded the momentum of the change process because it slowed down the building of commitment to the new organisational model;
- **Inadequate consultation with other managers and workers** – at the beginning, the new organisational approach was imposed on the workforce through a “top-down” implementation process. There was little involvement or participation of workers and middle managers in the implementation of change. Over time this changed, and the process became more participative;

- **Lack of measurement of the process of implementation** – the implementation process did not include the use of periodic reviews of progress at team-level. This weakened feedback mechanisms and made it more difficult to adapt the implementation process to overcome difficulties and delays.

These problems were, however, symptoms of deeper, underlying obstacles to organisational change within 'Insurer'. They include:

- **Difficulty in overcoming existing culture and values** – IE was not a mono-cultural organisation. A number of different organisational cultures were to be found within the company. Whilst some were embraced change, others were closed, technocratic, inflexible and suspicious of change. Training, communication, consultation, and participation in the change process were used to shift behaviours and create new, more open and adaptive values amongst all employees;
- **Resistance from employees and their representatives** – a small number of employees resisted the process of change because of the perceived loss of status associated with the integration of functions. One of IE's trade unions, with a history of adversarial relationships with management, took up these grievances and used them to slow down the introduction of technical training, a key building block in the new high performance work system;
- **Failure to appreciate the scale and nature of the problem** – senior managers and corporate strategists designed a sophisticated high performance work system that would, if implemented effectively, achieve a major improvement in competitiveness. As a result, the process of organisational change was not undermined by failings of system design. Instead, there were problems in the initial phase of implementation because the organisational plan failed to take into account the problem of multiple cultures and potential resistance to change from trade unions. Better use of the knowledge of HR professionals during the planning phase could have reduced the impact of these problems.

## THE CONSEQUENCES

As a result of these obstacles the process of implementation took longer than planned and the new work system was less effective than hoped. These problems have now been overcome and the process of change has delivered major operational improvements and created a source of sustainable competitive advantage.

## THE CONCLUSIONS

This case study highlights the need for organisations to take account of potential obstacles to implementation when planning a process of organisational change. It reveals how a leading global company faced cultural obstacles to change that slowed down the implementation of organisational change.

## IRELAND: IDL

**This case highlights some of the difficulties in changing working methods and structures in a large, complex public sector organisation. It shows how a lack of financial resources, regulatory requirements, a lack of workforce skills, and the difficulty of overcoming a traditional public service culture slowed down the pace of change and limited its effectiveness.**

### THE ORGANISATION

Part of the Irish structure of local government, this organisation is responsible for providing a range of public services, including leisure, planning, housing, infrastructure, and utilities, to a large number of citizens.

The organisation employs more than 1,200 people and has annual operating costs of more than Euro 40 million.

### THE RATIONALE

Under pressure from national government's "Better Local Government" initiative, the organisation has been required to adopt a new mission. This emphasises value-for-money, accountability, and transparency. Better service standards and greater focus on 'customers' are additional objectives.

For these goals to be achieved, the organisation needed to change the way in which it delivered its services. These had to become more efficient and more focused on customers at the same time.

Organisation of work throughout the organisation was changed to achieve these goals. The case study examines the changes that were made in the principal administrative and clerical departments.

### THE CHANGES INTRODUCED

A series of major changes were made in the way in which work was organised:

- **Structures** – a functional structure has been replaced by a service-based structure that integrates technical, clerical, and administrative employees. A single manager controls each service area.
- **Teams** – the technical and administrative groups within each service area are each organised on the basis of 4-10 person teams. Teams are responsible for deciding how work is done; for solving operational problems; for quality assurance; and for achieving agreed targets. The manager of the service area chooses team leaders.
- **Multi-skilling** – team members are trained to carry out more than one task within a team and team members regularly alternate between different tasks;
- **Communication** – team members and managers discuss performance on a regular basis. There are, for example, formal staff forums every six weeks to discuss new requirements and team performance;
- **Training** – all employees receive specialist training. Team members are also provided with training in ICT, communication, and team working. Additional cross training enables team members to rotate tasks and to improve continuity of service for customers.

Although the organisation has made major changes in the way in which work is organised, it has yet to implement a high performance work system. Major gaps include a lack of performance measures for individual teams and a failure to link pay

and performance. These issues are under review. The organisation remains a 'Transition User'.

The changes introduced have however contributed to greater delegation of responsibility, increased efficiency and higher levels of job satisfaction.

#### THE OBSTACLES

During the process of implementation, a series of problems emerged. The most important were:

- **Lack of communication throughout the organisation** – at the beginning of the change process, staff did not believe that they knew what was happening. Moreover, there was no mechanism for 'feedback' of views from employees to managers. This is now changing and the organisation has introduced regular staff forums;
- **Lack of flexibility in the way in which change was introduced** – in some service areas the extent of tem working has been limited and the scope of the new working methods restricted. This has reduced the ability of the organisation to establish a high performance work system. Statutory requirements and centralised pay scales are the main underlying causes.
- **Failure to build commitment to the new approach** – some employees embraced delegated decision-making but many did not. Managers failed to establish a widespread awareness of the rationale for change. Initial timetables for the implementation of change were also too optimistic. Insufficient time was allowed within the change process to overcome fears, concerns, and existing cultural values.

Underlying these problems were a series of deeper, more fundamental reasons why it was difficult to introduce new working methods into this part of the Irish local government structure. The most important reasons were:

- **Lack of workforce skills** – workers and middle managers lacked the technical and general skills needed for effective team working. This problem was exacerbated by high staff turnover because of a shortage of labour and higher wages in the private sector. A further weakness was the lack of experience amongst middle managers in implementing complex programmes of organisational change;
- **Lack of access to high quality expertise** – middle managers were not provided with access to experts elsewhere in the Public Sector to help overcome internal gaps in skills. Lack of financial resources to hire high quality external experts in change management made this problem worse;
- **Regulatory restrictions** – pay rates are agreed centrally for all parts of local government, and enforced through regulation. This has made it difficult for the organisation to link pay and performance, and to establish a high performance work system;
- **Difficulties in overcoming existing cultural values and attitudes** – a number of employees were uncomfortable with the overall approach taken by the organisation to the delivery of services. It was felt that the emphasis on performance and 'customers' undermined the public service ethos of the organisation. It took time for senior managers to demonstrate that public service was not incompatible with efficient use of resources and responsiveness to the needs of users.
- **Insufficient financial resources** – restrictions on public expenditure limited the capacity of the organisation to finance external experts or to introduce additional pay schemes. This made implementation more difficult and limited the scope of organisational change.

## THE CONSEQUENCES

As a result of the underlying obstacles to reform, it has taken longer than expected to change working practices. The pace of change is now speeding up as newer, younger employees join the organisation. High levels of staff turnover have helped to change the attitudes and culture of the organisation.



## THE CONCLUSIONS

In this case, an organisation has been unable to introduce a complete high performance work system, or realise the benefits change rapidly, because of complex, underlying obstacles to change. A lack of staff skills, inadequate financial resources, and an attachment to a traditional public service culture have limited the pace and effectiveness of a major programme of workforce change.

## ITALY: “IB”

**This case illustrates how the problems of overcoming the existing culture, and especially the inflexibility of mandatory collective agreements, can badly hamper the introduction of new labour organisation methods despite innovative and highly expert management of the change process.**

### THE ORGANISATION

IB is a leading Italian company in the food industry, with a history spanning over 100 years. The company produces, distributes and sells 8 different brands of pasta and bakery products in Italy (69% of sales) and overseas (31% of sales). It is the brand leader in the Italian pasta market (35% of market). It has 25 production centres, 16 in Italy and 9 overseas (USA, Greece, Turkey, Germany, Sweden, Norway and Poland).

At the end of 2001, the company employed more than 7,000 people and had a turnover of Euro 2.2 billion.

### THE RATIONALE

In 1998 IB began work on the organisational restructuring of the group. This process was completed in 2001, with the separation of production and distribution lines: one for pasta and sauces, the other for bakery products. After this macro-reorganisation another project was begun to modernise the organisation of working activities (the “Greater Value for Operations” project), including an innovative model of teamwork. This model has been used principally in production units, but it has also been tried out, to a lesser extent, in the innovation and projects departments.

IB reformed its internal organisation and working practices to achieve three goals. Specifically:

- To improve market performance by increasing the efficiency of production units;
- To align the organisational structure and working practices with market trends, which are different for each of the main product lines. There is significant stability in the pasta sector, and the organisational model needs to be configured to achieve efficiency-based objectives. In contrast, the variability of demand for bakery products requires an organisational model chiefly based on flexibility-based objectives; and,
- To invest in training and the professional growth of human resources; one of the fundamental values of the company throughout its history.

## THE CHANGES INTRODUCED

The new organisational model was introduced in 1999, following agreement with the trade unions. To date, it has been adopted by over 30% of production workers in all of the group's units. There are plans to extend the model to all production workers over the next two years.

The changes have focused on the introduction of a modern, high performance work system. Specifically:

- **Team working** - workers on all production lines are organised on the basis of teams. Members of each team are "multi-functional", i.e. they are capable of performing any task performed on the production line. Job tasks are also rotated between team members. Teams decide internally about the way work should be organised, they are responsible for achieving aims within set time frames and are also responsible for solving practical problems that crop up during work.
- **Performance measurement** - the main innovation of the new organisational model was the introduction of a system for measuring individual and team performance, based on three parameters: skills, organisational behaviour and results, naturally according to the goals fixed for each team.
- **Communication** - production line managers are responsible for performance assessment, and the results of individual and team performance are formally communicated at year-end. In addition, team members are constantly provided with information about their performance.
- **Reward system:** two separate mechanisms have been introduced to link pay to performance. The first, the productivity bonus, is variable and consists of a pay bonus based on the group's performance (33%) and the unit's performance (67%). The second is fixed, and is based solely on individual performance. This may entail a promotion in terms of pay level (but not career level) following an evaluation of results.
- **Training:** each worker involved in the project receives personalised training based on a preliminary analysis of the individual's skill requirements. Training involves both on-the-job training and classroom training on both technical-operational and general subjects (values of company, labour organisation, etc.).

The company has introduced a high performance work system. It is a 'Systems User'. The system does, however, include some elements that are specific to the circumstances of the group. Specifically:

- Team members are not totally responsible for quality control. There is a specific quality assurance department in each unit that takes final responsibility for controlling quality because of its importance for the protection of brand and reputation;
- Senior managers rejected the idea of introducing a variable bonus mechanism for team performance, because, they believed, it would have created an element of rigidity among teams within the same unit. This would have undermined one of the overall aims of the project namely the inter-changeability of roles and flexibility among teams.

Already, the new organisational model has been in place for less than a year, there has been a material increase in productivity.

## THE OBSTACLES

The main problem encountered by the company during the implementation process was the difficulty in building commitment to the process of change.

This problem was a symptom of more complex, underlying obstacles to organisational reform within the company. There were three major obstacles:

- **Lack of managerial skills** - the production managers of each plant lacked human resource assessment and evaluation skills. The company arranged formal training and set up a continuous knowledge provision programme to overcome this problem;
- **Inflexible mandatory collective agreement** - the introduction of new labour organisation methods in general, and the new reward system mechanisms in particular, did not conform to the existing national, collective agreement. To overcome this, the company was forced to negotiate at a national level through the creation of an ad hoc committee, whose members included trade union representatives from outside the firm, to define a supplementary agreement. This lengthened the project's life by about a year;
- **Culture and values** – many of the employees have worked for the company for many years and possess a “Fordist” work culture (i.e. specialising in single work tasks). This made it more difficult to apply the new organisational model, especially the introduction of “multi-specialisation” and the new reward system in older parts of the company with large numbers of older workers.

## THE CONSEQUENCES

As a result of these obstacles the implementation process took at least a year longer than scheduled. Application of the organisational model was also adjusted to meet the needs and overcome the problems of each production centre. As a result the model achieved most success in more recently created production units.

## THE CONCLUSION

This case study illustrates the extent to which rigid labour legislation that enforces and facilitates equally rigid national collective agreements can badly hamper the introduction of new organisational methods in enterprises, slowing down the implementation process and rendering it overly “onerous”.

## ITALY: IED

**This case study illustrates how regulatory obstacles, negative attitudes amongst managers and a company culture that is insensitive to organizational renewal processes can penalize the introduction of new work methods, slowing down the application and modifying, during the introduction phase, the objectives foreseen by the implementation process.**

### THE ORGANIZATION

IED Italia was created in 1994, through IED's acquisition of an Italian enterprise that had been operating in the information and communication technologies sector since 1986. IED's main activity is the supply of outsourcing services (housing, hosting, application services). The company has 23 operational units in Italy territory, the main one being located in Milan.

At the end of 2001, the company employed a total of 3,300 employees, of which 950 (around 35%) had flexible work agreements (consultancy, fixed-term contracts, temporary work). The turnover – over Euro 645 million in 2001 - has grown by more than 25% over the last few years.

### THE RATIONALE

Organizational changes started when IED Corporate (an American multinational) took over the existing company, and introduced the IED Group's organizational models into the new Italian subsidiary.

Through the course of the years, two additional factors were added, which reinforced the initial input that led to the change of internal organizational arrangements. Specifically:

- The growing competitiveness of the ICT market - this led to the adoption of performance and result-oriented organizational criteria; and,
- The high turnover of professional skills, particularly staff with higher qualifications, within the company - this led to the adoption of new retention mechanisms.

### THE CHANGES INTRODUCED

Since 1994, but primarily in the last two years, IED has started up a renewal process of the internal organizational structure. This has also been supported by the adoption of important technological innovations. In particular, the most important organisational changes were:

- **Team working:** the reorganization of work following a team-based organization approach only affected the personnel working permanently for the company, and currently involves many areas: administration, marketing and sales, production and customer support, and workers involved in specific projects. Teams jointly decide how work should be carried out and are accountable for achieving agreed targets;
- **Reward system:** the entire reward system has been reviewed, anticipating the adoption of incentive techniques, based on: individual performances such as *individual incentives* connected to the achievement of personal objectives; *ex post rewarding policies*, such as the bonus for the achievement of particularly high performance; and, *stock options*, for senior managers;
- **Performance measurement:** individual members of the teams are periodically contacted by the management to discuss individual and group work performance;
- **Training:** important training investments have been made, with around 70% of resources being assigned to technical training and around 30% to training in company values, teamwork and behaviour. On average each employee benefits from around 8 days of training per year.

IED has introduced a large number of new working practices indicated by IED Corporate, in particular in the reward system and training, although they have not yet introduced a full “High Performance Work System”. In particular, the company does not yet recognise the full autonomy of the work teams. Specifically, they have not yet introduced:

- An information system for providing teams with relevant performance information on a regular basis;
- Full group responsibility for the resolution of operational problems;
- Group autonomy in the choice of the team leader;
- Multi-specialization of the group members: as professional skills are very specific, team members tend to carry out a single activity within the group, and do not receive specific training to carry out other tasks.

As far as regards the quality control on work carried out by the team, although there is a substantially high level of group autonomy, the final control is either carried out by the management, or by a specific internal structure that deals with quality control, and certification processes in particular.

## THE OBSTACLES

A number of difficulties emerged during the initial phase of implementation process. In particular:

- **Lack of leadership from local (Italian) senior managers** – there was a lack of commitment to change amongst top managers in the new subsidiary. The group of managers “inherited” from the previous structure was, in fact, strongly opposed to the acquisition of the organizational culture of the parent company. It represented a transition from an owner style management to company management. The problem was resolved by the progressive substitution of the top management;
- **Failure to build commitment to the new approach** – an unenthusiastic senior management team found great difficulty in overcoming the existing culture of the organization. This reflected not only on the attitude of the previous management, but also a widespread scepticism on the part of the structure’s employees to accept the directives that came from IED Corporate, a structure perceived as foreign to the culture of IED Italia at the beginning;
- **Ineffective communication with staff:** the top management was not always able to communicate to the staff the objectives and validity of the re-organization initiatives undertaken. This slowed down in its full realization;

- **Lack of flexibility from IED Corporate:** in many cases the directives from the Corporate were, as well as being extremely innovative, difficult to apply. There was also little inclination from IED Corporate to adapt its organisational directives itself to the specific Italian context. This, in turn, generated hostile attitudes towards IED Corporate on the part of the managers and employees.

The underlying reasons for these problems were:

- **Culture and values of existing top managers and employees:** the existence of a very individualist organizational culture that existed prior to the acquisition by IED Corporate that had little orientation towards group work, and even less towards performance, initially constituted the main limit to the implementation process. This was partially resolved by the change of management and partially by strong staff training activities.
- **Inflexible mandatory collective agreement:** another obstacle was represented by the fact that IED Corporate directives could often not be applied to the Italian structure because they contrasted with the collective agreement, and this caused delays in the search for an adjustment of the directives to the Italian case.

## The Consequences

Because of the problems that emerged, the implementation of the new work organization forms did not lead to the introduction of a full “system” approach. In particular, the teams’ level of autonomy appears not to be fully achieved, precisely because the Corporate, due to the problems stirred up by the implementation process, prefers to still avail itself of a careful control of the middle and top management.

## **THE CONCLUSION**

This case study illustrates some of the problems of introducing new forms of work organization into a sector such as ICT, which is characterised by a strong orientation towards individualism and innovation. In this instance, the fact that an inflexible renewal process was induced by outsiders, without adaptation to reflect the particular characteristics of the existing culture and organisation, made organisational change more difficult to achieve. Regulatory obstacles also slowed down the process of change.



## ITALY: “II”

**This case illustrates the difficulties encountered in developing new work organisation methods owing to the presence of an overly traditionalist and bureaucratised culture among both white-collar workers and management.**

### THE ORGANISATION

II is the national public body responsible for collecting social security contributions and granting social security benefits. Founded in 1925, the Institute has 180 offices all over the country, broken down into local agencies, provincial offices, regional coordination centres and national divisions. In 2001 it had 36,000 people on the payroll.

### THE RATIONALE

In the late 1980s II embarked on an internal restructuring process, which is ongoing. This change was motivated by the need to streamline the Institute’s work organisation and to adopt a working method more oriented towards the needs of citizens and other government services. Citizens can now access a comprehensive assistance service, thanks to efforts made over the past ten years to teach all of the Institute’s employee’s new skills, including specialist and generalist skills.

A number of factors and conditions induced the Institute to review its organisational set-up, the main ones being:

- The need to improve the Institute’s image, tarnished by decades of poor management, by raising the quality of services on offer to users;
- Wholesale investments in new technologies, commenced in the late 1980s, leading to the complete computerisation of the Institute’s services, as well as the creation of a specific IT activities department within the Institute;
- The operating autonomy granted to the Institute in 1989 through a law that enabled the Institute to implement an organisational and management shake-up;
- The need to reduce the Institute’s large deficit, with the introduction in the late 1980s of a system to monitor the Institute’s global productivity.

### THE CHANGES INTRODUCED

The new organisational model was formally introduced in 1995 with the signing of a trade union agreement and the adoption of a team-based organisation. Since then, the process has been developed through experiments in pilot areas representing different local contexts, with the chosen model subsequently extended to all of the Institute’s offices.

Specifically, the following changes have been introduced:

- **Team working** - in local offices the work organisation is team-based, teams being formed according to the type of activity: granting of benefits or collection of contributions. Each team has goals to attain, and team members are “multipurpose”, i.e. tasks are interchangeable among team members. Teams decide on their own work organisation, they are responsible for achieving their goals within set deadlines and for solving the problems that crop up during work;
- **Performance measurement** - the main novelty of the new organisational model has been the introduction of a system for measuring team performance through a computerised system for the real-time measuring of productivity of each unit. Monitoring and assessment of the quality

of services supplied by the team in each office supplement computerised controls. A regional assessment group performs this;

- **Reward system** - following the introduction of the system for measuring performance, a productivity bonus was introduced, varying according to team productivity;
- **Training** - at the same time, extensive and comprehensive training has been provided to update the professional skills of those providing the Institute's service, supplying them with broader, less specialist skills. This has been done through targeted vocational training in single areas (collection or service-providing workers) and more general training covering service values, work organisation, motivation.

With regard to the "High performance work system", it should be stressed that to enhance individual skills, the management group is thinking about introducing an assessment system for career advancement purposes, focusing on the appraisal of individual skills and the drafting of a "development" schedule, which should offer the opportunity for professional growth within the Institute. This system should be tried out in some pilot offices in 2003.

Just two years after the introduction of teamwork II has already obtained a major increase in productivity and an enhanced image among citizens, confirmed by numerous customer satisfaction surveys.

## THE OBSTACLES

Contrary to expectations, the implementation process has not created substantial difficulties that have impeded the introduction of new work organisation methods, despite the fact that the management group has had to face a number of obstacles threatening the process of change, namely:

- **Difficulty in overcoming existing culture and values** - the introduction of new work organisation methods, in particular the need to update individual skills, moving from specialist to 'pluri-specialist' training, has caused employees to face up to the challenge of a new work logic, which came up against considerable opposition, especially among older staff in the Institute. This problem has been overcome through the extensive use of training, involving all employees and with the significant assistance of trade union organisations, which have fully shared the mission of the management group;
- **Negative attitudes amongst managers** – although part of the management group had initial doubts about reorganisation plans; these doubts were dispelled through training activity and the "marginalisation" of managers opposed to change.
- **Lack of financial resources to recruit new staff** - the recruitment freeze imposed by recent finance laws and the progressive ageing of the Institute's employees were critical factors that could have undermined the success of the operation. To overcome this, the management group has attempted to implement change in the Institute by encouraging mobility to and from other public bodies.
- **Extreme regional differences in historic organisational arrangement** - the organisational differences in the network of offices dotted all over the country have been overcome by "calibrating" the model, in particular the system for measuring productivity, to adapt to different local contexts, and by specific and targeted training according to local needs.

## THE CONSEQUENCES

As a result of these obstacles, the implementation process has been delayed by one or two years. The major cause of the delay was the need to adapt the chosen organisational model to different local contexts.

## THE CONCLUSIONS

The case study illustrates difficulties in the implementation of new forms of work because of the presence of an overly traditionalist and bureaucratised culture among white-collar workers and management.

## PORTUGAL: “PN”

**This case illustrates the negative impact of existing culture and values, lack of managerial skills and employee resistance to change on the introduction of high performance work system. It highlights the need for senior managers to assess cultural and attitudinal obstacles to change before implementation of new work practices.**

### THE ORGANIZATION

PN is a Portuguese accounting, taxation and financial management services company. Two school friends founded the company in 1978, and they remain the sole owners of its equity capital. Since its formation the value of the company's shares and reserves has grown from €5 000 to € 500 000.

PN's head office is located in Carcavelos, a small town on the outskirts of Lisbon. It delivers its services through a network of 9 offices located in the Greater Lisbon area. These are close to its main customers - self-employed people and SMEs. Recently, it has begun to provide its services to large enterprises. The company employs 140 people on a full time basis. During 2001 PN achieved an annual turnover of Euro 3.5 million, resulting in a 40% growth compared to 2000.

### THE RATIONALE

PN has grown by meeting the accounting, taxation and financial management needs of smaller enterprises and the self-employed. Recently, it has begun to question this strategy because of a number of internal and external factors. Specifically:

- Unpredictability and increased competitive intensity in its core markets;
- Changes in legal the framework;
- Growing sophistication of communication and information technologies;
- Unexpected increase in micro enterprise competitors with lower fixed and variable costs; and,
- A high rate of employee turnover, with staff leaving to become self-employed.

**To meet these challenges, PN adopted a new strategy that targeted medium and large enterprises. These customers are more sophisticated, ask for more help with technical inputs for their daily operational routines, need more complex financial and tax management advice, and require suppliers to comply with formal quality standards.**

PN needed to be able to perform tasks that required new organizational, technical and human resource competencies to meet these needs. Moreover, PN needed to improve all of its organizational and personnel capacities, and its know how, so that it could cope with the impact of external factors on its core business, as well as perform more detailed and complex tasks.

PN decided that the best way to manage the situation was to design and implement a “high performance work system”. This form of radical organisational innovation would enable it to develop new human skills, to enhance work flexibility and to raise levels of workers motivation throughout the company. Organizational innovation would also help the company achieve ISO 9002 accreditation, a mandatory requirement for many larger customers.

### THE CHANGES INTRODUCED

PN introduced the following organizational changes:

- **Business Structure** – a new structure based on Strategic Business Units (SBUs) replaced a traditional, functional organisation;
- **Processes** - operational processes were redefined to meet the complexity and technical specifications demanded by each SBU. PN also reviewed the level of development of its

current technical and human resource skills, in order to adapt them to meet market requirements;

- **Team working** - Four working teams (located in each of the operational offices) have been set up to support the structure and the new work organisation processes that were implemented. These teams are accountable for the PN services provided to 1800 of its customers, and they provide the link between customers and the company. Their central mission is to provide technical consistency of tax and financial management recommendations produced for customers. They also assure the quality of the operational processes. These working teams are self-organized: roles, duties and tasks organization within each of them is responsibility of the team itself. Team members can perform different tasks and activities, depending on the needs of the team itself. Moreover, team members have an important role in the design and validation of the working processes structure;
- **Communication** - Coordination within the team is responsibility of a supervisor, who has regular meetings with the board of directors to discuss team performance and to pass on improvement suggestions that arise within the team. These meetings have an important impact on the promotion of cultural and attitudinal changes within all the company;
- **Rewards** - PN is setting up an incentive system relating to the results generated by these working teams;
- **HR Management Policies:** To reinforce and consolidate organizational changes, PN implemented complementary career, performance appraisal, reward, recruitment and selection policies and systems. These help to improve worker motivation and aid the capacity of employees to participate in the organizational development of the company. They also promote a shared and accepted perception of personal and professional equity and development throughout the organization;
- **Training:** A series of new training programmes have been set up. They include programmes to diagnose and evaluate competencies, and to identify personal development needs. They form part of a two-year training plan designed to ensure a high level of participation and involvement of employees. Information about training needs and perceptions has been collected from employees and managers through the completion of structured questionnaire. This will enable the two-year training and development plan to take account of the specific personal needs felt by each employee;

**PN has also made complementary investments in ICT to take advantage of the introduction of “eGovernment” schemes set up by the Portuguese tax authorities. In the late 1990s, the Portuguese Government decided that communication between enterprises and the tax authorities should be based on digital technologies rather than paper. To comply with this Government measure, PN had to change the structure and processes of its information systems. PN also decided to take advantage of this legally imposed change to set up a software and hardware development programme that would meet the new legal obligations and produce, store and disseminate information throughout all the organization in such a way that both its commercial relationship with its clients and the communication processes among their employees and working team groups would be consistently improved.**

PN has established a new high performance work system; it is a ‘systems user’.

The introduction of a new work system has generated many benefits for the company:

- Staff motivation and competencies (technical and inter-personal) have improved due to their involvement in different and complex tasks;

- Staff are questioning existing ways of doing things and proposing changes in operational processes in order to improve operational efficiency;
- The supervisors have demonstrated the skills needed to assume the role of quality assurance and liaison between management and staff;
- A service quality inquiry has been carried out and the early results and the client satisfaction indicators show that PN's staff are meeting customers needs;
- The communication flow is more effective and participative and the supervisor's role has been very effective in helping to gain staff commitment to the changes introduced.

Other expected results have not yet been achieved due to short time lag between implementation and now, but in the opinion of managers staff productivity has increased and the company is better prepared to face the demanding requirements of a quality accreditation process.

## THE OBSTACLES

The following problems surfaced during the implementation of the new high performance work system:

- **Inadequate consultation with other managers and workers** – in the early stages of implementation, the process was managed on a “top down” basis. There was little consultation with other managers and workers. This made it more difficult for the company to overcome the robust existing values and culture of the organisation;
- **Ineffective communication throughout the organisation** – prior to the programme of organisational reform, a teamwork culture did not exist in PN. Moreover, the organizational innovation process required employees to change traditional ways of doing things and to eliminate interpersonal conflicts between workers and managers. However, some workers did not understand that PN's organizational dynamics had changed. Communication programmes failed to explain the main goals of the project, the role of each worker in the change process and its impact on the whole company.
- **Failure to build commitment to the new approach** – poor communication and inadequate consultation slowed down the development of support for the change process throughout the company.

**These problems were the result of a number of underlying obstacles to organisational reform within PN. Specifically:**

- **Lack of key managerial implementation skills internally** – initial problems with implementation highlighted the lack of key managerial skills within the company. External consultants were hired to help PN develop the human skills and abilities necessary to facilitate the change process. The consultancy company helped to set up and support the implementation of the new structure and processes. Human resource management know-how was also transferred to internal managers. This relationship was useful because the change process was implemented as defined and know how needed to manage an organizational change process was transferred;
- **Difficulty in overcoming existing culture and values** – at the beginning many employees saw the change process as intangible and peripheral to their activities. They compared it unfavourably to the previous, hierarchical culture with its rigid and functional structure, secure status, and predictable promotion opportunities. Consequently employees were sceptical about the change programme. This was resolved when the company improved employee participation and involvement in the implementation process and in the validation of organisational strategies; and,
- **Resistance from employees** - the innovation process was completely new for employees and individual fears produced disruptive behaviour. This undermined the change process at the

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beginning. To overcome this, PN brought in an external consultancy company that specialized in human resource management policies and practices.

### THE CONSEQUENCES

As result of these underlying obstacles to organisational change, PN's organizational innovation process took longer than expected. This delay also reduced the effectiveness of the programme and increased its costs. The difficulties also highlighted the need to make comprehensive, complementary changes in HR policies and organisational structures in order to realise the full benefits of new team-based work processes.

### THE CONCLUSIONS

**The case illustrates the need to develop effective communication and consultation processes to overcome cultural and attitudinal obstacles to change. The need for all members of the organization to be informed about the need and purpose of the organizational innovation process is emphasised in this case. Communication must be clear and should be supported by participation and involvement of all company members. It also stresses the importance of training programs to prepare the managers and workers to work within a new set of organizational dynamics. It also suggests that corporate culture and employee attitudes should be evaluated before, during and after the change processes. Finally, it highlights the value of the participation and involvement of employees in the change process.**

## SPAIN: “SU”

**This case study illustrates the changes introduced in a school in the Basque region of Spain. It shows how, despite some initial problems, the organisation has successfully introduced a major organisational change programme.**

### The Organisation

Located in Vitoria, Spain, SU was founded in 1882 by a religious Order. One of seven private schools managed by the Order, this co-educational school offers subsidised education for 3-16 year-olds, and partially state assisted education for older pupils – i.e. affordable education for all.

The school has 47 classrooms, 1225 pupils, and 85 teachers. It covers all levels of non-university education, including infants, primary, secondary, and tertiary. This includes Advanced Academic level and Higher Diploma courses. One of the distinctive features of the school is its commitment to multi-lingual education. The educational courses include the teaching of Basque and English for all children from the age of 3 years and French and German from 12 years onwards. It has an annual budget of around Euro 3.4 million.

### The Rationale

In 1991, SU decided that a separate management team should assume responsibility for the school, drawn from the cohort of teachers currently teaching at the school.

The new team set out to improve the performance of the organisation. They wanted to facilitate the management of the centre through a structured system that would allow them to manage the school across all the areas of the centre. They introduced a series of initiatives, including:

- Creation of formal long and medium-term objectives;
- Introduction of formal strategic and operating plans to translate objectives into action plans and milestones. The medium term plan, for example, sets out in time-based goals, provides indicators to measure the level of goal attainment and assigns responsibilities for achieving goals; and, for each of them.
- Adoption, in 1995, of a Total Quality Management Plan based on the European Evaluation Model (EFQM) They chose this model as they wanted to use an approach that would include all the activities of the centre but be adaptable to the participative and teamwork culture of SU.

To meet these challenges, the organisation undertook a series of reforms, including organisational change.

### The Changes Introduced

The organisation made a series of organisational changes. Changes have been undertaken on a step-by-step basis, building confidence in the process, paying individual attention to each person, and reaching a consensus about the important issues with the people involved. Specifically the introduced changes have been:

- **Modification of the organisational structure** – the structure has changed from a traditional (and thus hierarchic) one to a flatter one. At the same time, the focus of the



organisation has shifted away from traditional functions and towards key processes. Therefore, the main responsibility for operational management falls on the Titular Headmaster/Headmistress, who is also the representative of the Congregation, the owners of the business. This responsibility is shared between the current Headmistress and the managing team, composed by the manager and two manager assistants. All four are owners of the macro processes of the school and some of the key operating processes. Immediately below this group is an intermediate staff who are phase coordinators with coordination responsibilities for other areas, and in their turn owners of the rest of the key processes and first level processes.

- **Management recruitment** - all management positions are temporary, for 4 years. The only qualifying requirement is that a teacher must have been part of the teaching staff for at least one year.
- **Consultation** – as a result of the participative system used for the appointment of the management positions, the regular internal evaluation processes carried out by all the staff of managerial performance, the bi-annual review of management plans and the transparency of managerial activity, all teachers are highly involved in the management of the organisation;
- **Training for all the staff** – all have received training in both the EFQM model and its continuous improvement tools. Team members have also undertaken specific training for teamwork and process management. External training has also been given to all the personnel of the centre (“Personal Quality”), and 25% of the staff has received specific training about process management.
- **Team-based work organisation** – the organisation uses multifunctional, project teams to achieve performance improvement and to manage key processes. “*Improvement Teams*” are constituted with a temporary character (no longer than a year). They are created as a result of the internal evaluation processes, the results of customer satisfaction research, or analyses by any work team. In contrast, “*Process Teams*” are constituted for all activities that are repeatedly carried out. Their objectives are: to document these activities; to assign them a responsible manager and a support team; to set indicators and goals; to make sure that activities are customer-oriented; and to review process performance on a regular basis;
- **Communication** - So that these teams could work, it has been necessary to make available space in the school timetable so that the involved staff could meet and work together;
- **Working time** – a flexible teaching timetable has been introduced such that workloads vary depending on wider, management and team responsibilities;
- **Organisational policy and strategic orientation** – the organisation has defined its mission (what we currently are), its vision (what we aim to be in the medium term) and the strategies to achieve them and carry them out. “Strategic Plans” for the medium term (four-year plans) and for the short term (annual plans) have been drawn up along with plans to roll them out and control implementation;
- **Performance Measurement** – the school has introduced new ways of collecting performance data, including questionnaires to parents, pupils and personnel, and indirect data sources. The data is analysed by the corresponding process team, which takes the pertinent decisions. A questionnaire is sent to the parents of the new pupils, and a team composed by the managing team and representatives of the parents think about the items that could be useful to measure their satisfaction. At the same time, it has introduced regular internal and external evaluations of performance using the EFQM model and appropriate performance metrics. Everything that is planned is also measured.
- **Continuous quality improvement** - systematic application of the EFQM’s improvement cycles (P/D/C/A) to all the activities of the Organisation has been introduced.

They have achieved the goals they established when they started the change process. Many concrete improvements have been realised, including an increase in participation levels amongst staff, an increase in co-responsibility, a rise in the number of proposed activities, and increasing satisfaction amongst staff and customers.

### The Obstacles

A number of major problems emerged during the implementation process. Specifically:

- **Design failings that made implementation difficult:** At first, there was an overlapping of organisational structures. Over time, this was resolved by the creation of intermediate levels of management to control key processes and by the removal of certain activities;
- **Inflexible implementation process** – to begin with there was too much reliance on the EFQM total quality tools, despite the inability of many teachers to make use of them;
- **Lack of an integrated approach to implementation** – at the beginning, the teaching timetable was not adapted to reflect the new organisational responsibilities of many teachers. Moreover, the organisational reforms were, initially, confined to a small group of teachers.
- **Lack of knowledge of the “management model”:** the EFQM evaluation model is very complex and affects all organisation areas. Extensive training was required, first for the management team, and later for teachers. This consumed significant resources in the initial phase.
- **Difficulties in the application of some tools:** At first there were some difficulties in the application of some of the EFQM tools, but this issue was resolved by the appointment of a person in the organisation who thoroughly understood the Model and its tools. This person was made responsible for the monitoring of the processes and the improvement teams, and has been able to anticipate some specific application difficulties and to solve them as soon as possible

The organisation encountered a number of underlying obstacles to reform. The most important were:

- **Lack of managerial implementation experience:** because of the lack of managers with implementation experience, the organisation was unable to establish a formal training programme in the early stages of implementation for the entire workforce. Initially the formal training programme was designed only for the managing team; afterwards, it was directed to the rest of the staff.
- **Failure of senior managers to recognise the scale and nature of problems** – the lack of workforce skills and the impact of this on the capacity of the organisation to cope with the EFQM approach was under-estimated initially by senior managers;
- **Lack of workforce skills** – the existing teachers had no experience of using total quality tools and continuous improvement techniques.
- **Lack of key managerial implementation skills internally** – complex organisational change was a new topic for the middle managers of the school. This meant that there were problems in the design of the new work system and in its introduction.

- **Distrust of the new model:** the staff had heard about other applications in other centres that had been a failure. This meant that at first they were a little uncertain about the use of this approach at the school.

### The Consequences

The school has implemented a successful organisational change programme. Nevertheless, it has taken a lot longer than originally envisaged, particularly because of the level of training required, and it has cost more. The budget increase is not, however, viewed in a negative light. On the contrary, it has been seen as a necessary step for success.

### The Conclusions

Significant changes have taken place at this Spanish school. They have demanded high levels of determination, and significant investment in training to ensure that staff were equipped with sufficient skills to understand the model and the implementation tools. Whilst the organisation did experience some initial problems in the early stages, these have been overcome. Nevertheless, changes have been slower than initially expected, as it was important to take a step-by-step approach to build confidence and security.

## SPAIN: “SM”

**This case study, based on a large Spanish co-operative organisation producing electrical appliances and telephony, illustrates some of the difficulties faced in the early stages of a substantial organisational transformation. It also shows, however, how a creative approach to problem solving, and a willingness to continually challenge and improve leads to success.**

### THE ORGANISATION

Founded in Gernika in the 1970s, SM is a cooperative organisation and is a member of SMCC, a large cooperative corporation.

SM is a group of industrial companies that produces electrical appliances, telephony and other electronic products for the automotive industry. It has collaborated with the most prestigious companies in the automotive sector: BMW, Rover, Daimler/Chrysler, Ford/Jaguar, GM (Opel) Honda, PSA, Volkswagen.

Throughout its businesses, SM uses a wide range of technologies (injection, paint, chroming, finishes, joints and moulding) and undertakes most major business processes, including R&D, product planning, product development, prototype production, mass production planning, production and evaluation control, production, quality management, procurement, logistics, accounting, marketing and sales. Specialist departments undertake these tasks.

Apart from the plant in Gernika, in which about 800 people work, SM also has plants in Navarre and Galicia (in Spain) the United Kingdom, and Brazil. It has local offices in France, Japan, Germany, Sweden and the USA. There is also a technical centre, which specialised in research and development of pieces and thermo plastic sets. In all, about 1400 people work in the company. The annual turnover amounts to Euro 100 million.

Governance of the company is undertaken through the Governing Board (equivalent to the Management Board) and the Social Board (similar to a trade union style works committee). Members of both institutions are elected from the workforce ('associates') by universal suffrage, based on the principle one person, one vote. Decisions can only be adopted by a majority agreement of the cooperative's associates.

### THE RATIONALE

SM began its process of change at the end of the 1980s, when it carried out a strategic review. The main driving force was the managing director. A group of employees that included managers, workers, and representatives of the Governing Board (whose members are elected by universal suffrage, and thus is constituted by people of all the company's strata) undertook this. These initial reflexion groups of 40 people each (all the organisation participated) produced a list of problems. A small group was given time to find a solution to the identified problems. The review, identified the following problems:

- Competitive pressure - although SM was a successful company with annual growth of 20-30%, it was a small company compared to its main competitors (large international groups) in a market where the scale is very important, and competition was becoming more intense. To meet these challenges the company needed higher productivity and quality;
- Internal structure - the managerial model had not changed in 10 years;
- Internal attitudes and values - the predominant culture in SM was 'industrial', based on the belief that value is only created through production rather than through customer satisfaction.
- Internal communication problems: especially between those in management positions and the rest of the workers

By the end of the review, it was clear that there was a need for major changes in the culture, management style and structure of the business. After visiting companies in Japan, which were similar to SM, managers also concluded that work organisation and people factors were critical for the competitiveness of companies in the automotive sector. Higher productivity, greater quality, and faster

innovation could be achieved, the company believed, through the creation of a new culture and organisation that emphasised intangible factors such as learning, flexibility, and the importance of customers; above all, the involvement of the personnel was critical, therefore, it was clear that the changing model had to be a participative one.

The most important element of the new approach established by SM is 'Hobekuntza', a process of continuous improvement. This is a strategic initiative that helps to formalise the need to continually question the business and its organisation, to nurture new ideas. It is also a process in which the leading role belongs to the people of SM, a participative and critical collective, and to a highly involved managing team.

## THE CHANGES INTRODUCED

The principal changes centre on 'Hobekuntza', a model of continuous improvement based collective participation that identifies improvements in existing activities and possible innovations. The explicit goal of hobekuntza is to assure the current and future competitiveness of SM and the quality of life of the associate-workers. It encompasses the whole organisation, including relationships with third parties. Specific changes include:

- **Management style** - SM introduced a less control-orientated management style that was designed to encourage wider participation in decision-making and to release creativity; hobekuntza has now been adopted as the management model.
- **Structure** – a customer-oriented organisation was set up based on divisions organised round customer sectors. Each division contains all of necessary functions (such as commercial, technical, quality and production functions) and roles needed to meet customer needs. Within divisions, process flows are given more primacy than departmental activities; increasing the closeness and the attention to the customer, reducing the complexity and making the follow-up/monitoring and control of the activity more effective. The organisation is decentralized and each division is given autonomy so that it can answer to the customers with the greatest agility and personalization.
- **Decision-making** – powers of decision-making and responsibility have been devolved throughout the organisation, creating new managerial nuclei and more autonomous organisational forms. In some areas, for example, 'mini-factories' have been set up to control complete processes through the use of self-organised work structures with responsibility to develop their knowledge about the process and the capacity to learn about it, thus improving the process; they believe that those who know better about each process are those who experiment with it and live with it everyday.
- **Teams** – 'hobetaldes' (improvement teams in Basque) have been set up: These are established in response to ideas for improvement identified by workers and managers. Hobetaldes can be set up for long-term issues (e.g. quality, services), or to solve short-term, practical problems. Team members are drawn from a range of functions. They analyse the issue, define the improvement process and find solutions. The team is then responsible for revising the activity, measuring results, and, when necessary, introducing further modifications. All changes made are recorded in a record-card. In the production plant, for example, there are designated areas where performance against key indicators and the record-cards of the hobetaldes are displayed. The manager visits these areas daily, and so these cards have become a key communication tool.
- **Communication:** SM believes in a new communication concept that goes beyond the identification between the communication and the information concepts. In SM to communicate means to put things in common, to contrast ideas, initiatives and problems face to face. Communications were established in relation to the customer, on the basis of the value flows, creating relation areas that transcend hierarchies and departments, and that become the

promoters of the value and learning generation Communication in SM therefore depends on the attitudes and will of the people concerned. To achieve this, SM has:

- Created advanced information networks (without great technological displays, but advanced in contents and use) that allow and favour a free, agile and friendly accessibility, fed by the users themselves. All through SM information can be seen displayed in offices, olatxus, txokos and vestibules.
  - Each team has a manager that acts as a primus inter pares. He or she works with the rest of the team, organising and leading and establishing communication channels with the rest of the teams.
  - The number of hours the general director has personally devoted to talk to all the members is huge. And not in assemblies or multitudinous meeting, but with all the teams of the organisation.
- **Culture** – SM has set out to identify and break down cultural and organisational factors that limit the progress of the business. It has, for example, shifted attitudes away from stability and bureaucracy and towards the primacy of ideas and continuous improvement. Action has also been taken to foster innovation. SM has chosen to understand the concept of innovation and creativity as a concept inherent in the human being. A culture of innovation has, therefore, been diffused throughout all parts of the organisation, its structure, people, products and services.
  - **Human Resources strategic plan:** to attract highly qualified external personnel to maintain and increase the improvement and transformation rhythm.
  - **Remuneration systems:** recently there has been a re-defining of the remuneration system on the basis of professional levels, determined by the responsibility level of each worker. But in SM there are no specific “Bonus-type” incentive schemes - recognition has a moral part (such as displaying names on the informative board of hobekuntza and the express recognition of the managers and the Governing and Social Boards) and a more material part (such as travelling to fairs and to the assembly plants of the customers, travels, dinners, the “Special Mikeldi”: an award for people or groups who have done more for the development of the SM Group that year). Hobekuntza has functioned without specific economic incentives, but as a cooperative, in which the workers are the associates, global improvements bring benefits to all. (Depending on the general result, a salary bonus is given).
  - **Training:** SM has placed much importance on training, but not in a traditional sense. Training here is intimately related to action and practice. It is focused on the learning. Training is considered an essential part of the management role (managers are encouraged to be and act as teachers). Workers are also encouraged to plan their own path to acquire competencies. Moreover, SM has recently established a mini-university: a quasi-virtual communication, training, knowledge exchange and discussion centre.

As a result of the changes introduced, productivity has increased, the production systems have been rationalized, new customers have been consolidated and the rejected product rate is lower. For employees, jobs have been enriched, and satisfaction has improved. The culture of the organisation has also changed. Everybody now knows what is going on and there's more transparency.

## THE OBSTACLES

A number of major problems emerged during the implementation process:

- **Initial leadership problems amongst senior managers** – there was a failure in the initial stages of the process to create a communication plan that contributed to the development of a common image of what SM is - an image of the company for customers, suppliers, local communities, institutions and the personnel of the company. This lack of a common vision made the process of change more difficult to achieve. Some of the participants of the hobetaldes, for example, highlight that the initial presentation and explanations by the managers about hobekuntza were a bit confusing. There were no clear objectives, as the process was intended to be self-defining.
- **Ineffective communication throughout the organisation** –at first, there were some communication problems, as the existing communication structures didn't really support the new objectives.
- **Lack of an integrated approach to implementation** – insufficient attention was paid to improving factors that have an impact on work organisation but are not directly related to the productivity, such as ergonomics of equipment and improvements in work-quality; later on a Progress Plan was designed in order to give an integral sense to the advancing process; it included: a communication plan, a Human Resources Plan, a continuous improvement plan (hobekuntza), formation plan, R&D plan, and a investment plan.

The process of change revealed a number of underlying obstacles to organisational reform. Specifically:

- **Lack of managerial and technical expertise** – there was a lack of suitably qualified staff in the technical and in the management areas. As a result, insufficient human resources were assigned to the process, especially the 'hobetaldes'. Lack of expertise also contributed to the difficulty of establishing new communication processes.
- **Resistance to change** – SM experienced the 'normal' problems of a organisation in transition to new work organisation forms that is using methods based on high participation of the personnel i.e. tension, discord, criticism, misunderstandings, need to repeat things. Change, at least initially, created a climate of uncertainty and 'fear'. This led to scepticism amongst employees and resistance to new ideas. There was for example a tendency amongst many employees to assign responsibility for solving problems to others. The underlying existence of these defensive routines avoids the resolution of the problem in its origin, thus obstructing the organisation structure;
- **Difficulty in overcoming existing culture and values** – within the organisation there were different perceptions, conceptions of what SM is, its business, its functioning and its future. There were, for example, differences between the office staff and the production plant, and differences among the functional areas. This splintering of culture and values meant that the new approach had to overcome a range of different, historic cultures. This took time to achieve;
- **Failure of senior managers to recognise the scale of the problem** – managers failed to recognise the time and resources needed to build a new culture and organisation. There was, for example, insufficient investment in training for leadership and in the creation of new leaders.

## THE CONSEQUENCES

The main consequence highlighted by the managers is the time it takes to change people's beliefs and ways of working. Even if the initial organisational changes are significant, new values and habits still take time to be internalised by all employees.

The company has grown very fast (there were 300 employees when hobekuntza was first introduced, now there are more than 1400), and so all new employees have to be introduced to the concepts and philosophy of hobekuntza. This takes time and investment. of resources. Yet to maintain competitiveness, the company recognises that it needs to keep on improving faster.

## The Conclusions

SM has achieved substantial successes with its new approach to business. In the early stages, the organisation did experience some initial difficulties, but they have found creative solutions to these problems. They continue to challenge and improve their approach – they now want to apply “Hobekuntza to Hobekuntza” – to question the system and improve it further.



## SPAIN: “SZ”

**This case study, based on a hospital in Spain, illustrates how a public sector organisation has established an innovative management system that has promoted the active participation of the personnel in the systematic improvement of all that they do. But it also shows how the difficulties of overcoming a traditional and hierarchical culture, that is protected by legislation and the administrative structure, may place a serious constraint on future development.**

### The Organisation

The SZ Hospital, the reference hospital for the 90.000 inhabitants of the Goierri and Urola valleys of the province of Gipuzkoa, is a public centre that belongs to Osakidetza – the Basque Health Service- that gives specialized health care. It covers a wide range of specialities (including for example Cardiology, Haematology, Neurology, Rheumatology, Paediatrics, General surgery, and Gynaecology). The services are offered through the following “production lines”: Hospitalisation, Emergencies, Consulting, and Rehabilitation. The hospital also gives MIR (House physician) teaching for the training of Family doctors and collaborates in the practical training of various collectives.

It was founded in 1984 by the Insalud (Spanish Health Institute), and was the first regional hospital of the province. Being a member of Osakidetza (the Basque Health Service) offers many advantages, such as its prestige, culture and strategic lines, the coordinate use of tools and the impulse and the support of the organization. Furthermore, the knowledge transmission and the creation of work teams with professionals of different centres is a great source of continuous learning.

The overall responsibility for the hospital falls on the Manager. The decision-making body is the management committee, formed by the manager and the four management sections (doctors, nurses, economical management and personnel) and as a result of the teamwork culture; most of the strategic and daily management decisions are taken by consensus. The leaders of the hospital are those who assume the responsibility to improve the management of the professionals, the resources or the processes of the centre. 40 middle managers and 71 process managers work in the development of this leadership.

Around 440 professionals work at the hospital (doctors 93, nurses 245, administration 48, other staff 46, managers 5) the personnel of the hospital are mainly women (65%), young (average 39 years-old) and more than 60% have a permanent contract. There are also subcontracted personnel in catering, cleaning, laundry services. The annual budget amounts to € 26 million.

### The Rationale

Between 1984 and 1992, the hospital was managed on a strongly hierarchal basis. It as was organised on the basis of services and units. Quality was focused mainly on a technical-clinical point of view.

On the road to the Total Quality there have been different stages. In 1992 the Osakidetza Central Organisation established an Integral Quality Plan as a stimulus and a frame of reference for the hospitals of its network. This was therefore reflected in the Quality Plan of the hospital in 1993 in which the satisfaction of the customer, the technical quality guarantee and the avoidance of non-quality were established as basic themes. In addition, the Central Quality Commission was set up which, along with the Management, promoted the training of staff in quality management tools and developed indicators, work lines and performance protocols.

In 1995 the Management adopted the European Excellence Model as a reference to follow. The first self-evaluation was realised in 1996, and as a result a Strategic Plan was developed, in which a mission was defined and the first personnel satisfaction questionnaire was realised.

In 1998, as a result of the second EFQM self-evaluation undertaken by the Management Committee, "Management by Processes" was analysed as a working methodology to create a quality culture in the hospital, and increase the involvement of people and to improve their efficiency. There were no precedents in the Spanish health network, but this methodology was adopted as a quality management system and a project was started, led by the Manager and all the Managing Team.

The "management by processes" approach was chosen as a continuous improvement project that facilitates the awareness of what has to be improved, increases staff involvement, facilitates tools for it, allows sufficient delegation of decision taking power, and encourages the development of synergies across the hospital to improve the efficiency of all the services.

### The Changes Introduced

- **Policies and strategy:** During the period previous to 1992, the planning of the hospital was undertaken by taking the budget and the annual activity plan as a reference point, which was essentially based on historical data. From 1992 onwards, the Integral Quality Plan (PIC) was incorporated into the management. This included Total Quality concepts and established reference goals, which are indicators of technical and perceived quality. Subsequent plans were developed that incorporated the "management by processes" approach.
- **Performance Measurement:** New performance measurement systems were established, based on a wide range of data sources. Management annually analyse the activity, performance and quality indicators in order to understand the fluctuations and their causes and to propose the necessary adjusting measures. The Managing Committee meets once every month to examine the production and quality data, the information that comes from the Human Resources management, the economic-financial results, as well as, other periodic reports of staff services. The conclusions of this analysis result in action or strategic plan adjustment, after analysing them with those responsible for the services. The evolution of the plans is continually revised.
- **Management by Processes:** the management by processes was chosen as a project of continuous improvement that would facilitate the awareness of what has to be improved, increase the involvement of the personnel, facilitate tools for it, allow the decision taking power delegation and encourage the synergy of the hospital, all this, to increase the efficiency of the hospital services.
- **Continuous improvement:** The continuous improvement is highly customer focused. The process called "The voice of the Customer" manages the customer satisfaction. In this process the customers' needs and expectations are studied based on a wide range of information sources. In addition, analysis of inputs and outputs allow management to remove activities that do not contribute any added value to the final result.
- **Process managers:** "Managers" have been established for all of the processes in the hospital. This involves 71 professionals.
- **Leadership:** until 1998, the leadership concept in the hospital was close to that of a "traditional boss". During 1998, they evaluated and revised this concept and thought about what kind of leaders the hospital needed. As a result, a new approach was formulated, defining the leader as the person who has the responsibility for other people in their jobs, is coherent in his behaviour, assumes responsibilities, trust his/her co-workers and is committed to the improvement of the hospital.
- **Human resources:** Despite the fact that many responsibilities in this area fall outside its remit, the Hospital has developed its HR planning and organisation functions to the full:
  - *Identification, development and maintaining the knowledge and the capacity of the personnel:* This is one of its main goals and to achieve this different, mechanisms have been established to promote the participation of the personnel in the

- management. The hospital has, for example, established a personnel adaptation system for the various jobs by organising different mechanisms: Internal Mobility (horizontal mobility), Internal Temporary Promotion (vertical mobility), and Training
- *Motivation, support and recognition of personnel:* different mechanisms have been established to support and motivate staff in their daily work and in their commitment to the improvement of the hospital. For example, the accessibility of the managers in the hospital is absolute and any person in the hospital can consult them without previous appointment in order to be supported or discuss a problem.
  - *Reward and recognition:* the Work Conditions Decree of the Osakidetza/S.V.S. personnel regulates the working conditions, working days in the year, leaves, working permissions and extras, along with the general payments for all the organisation personnel. These working conditions are negotiated with the Central Trade-Union representatives of the personnel in proportion to the results of the elections held every 4 years in the organisation. However, the hospital has undertaken various recognition and recompense measures. For example, the conferring of higher category functions has been used as a way of rewarding high performance.
- **Teamwork** the characteristics of the assistance and organisation functions of the hospital require teamwork to make sure the right attention is given to the patients – this necessity is clearly appreciated in the key process chains or series, such as: programming – consulting – medical/surgical care – nurse support – discharge from hospital
  - **Communication:** convinced of the importance and the need to maintain a strong communication throughout the hospital, the managing team maintains an “Open door” policy at all times. Management also regularly visit the various services of the hospital. Consultation with key groups, such as patients, takes place through informal and more formal mechanisms such as questionnaires.
  - **Knowledge and information management:** The hospital has developed a sophisticated knowledge management system, covering general clinical information, economic and financial information, and personnel information. Moreover, knowledge is kept up-to-date through specialisation practices, assisting at courses and conferences, clinical practice audit, training among professionals, protocol evaluation, scientific literature, inter-hospital work-meetings, evidence-based medicine revisions, teaching for training professionals, clinical sessions, technology evaluation agencies’ reports. Publication, communication and experience sharing is encouraged in all the services of the hospital.

### The Obstacles

Despite the overall success of the changes introduced at the hospital, some problems were encountered during the implementation process:

- **Difficulties in understanding the new approach:** There were difficulties for some staff in understanding and knowing the detailed approach that was taken. There was already a tradition of quality in the management of the hospital, but the EFQM methodology was different. It involved a new conceptual framework guided by ideas such as, “if you want to do it, you can do it”, “if you know your job you can improve it”, “the personnel’s job is not only to do but also to think”. In addition, the “management by processes” approach also led to some difficulties due to the fact that it introduced new conceptual and organisational concepts compared to the previous approach.

- **Communication:** Communication throughout the organisation was good, but not as good as the management thought it was. Feedback through satisfaction questionnaires showed that this was the case. Management recognise that this needs to be improved, particularly as the nature of the organisation involves a high mobility of the personnel.
- **Management style:** The managing team was also changed. Initially it had a strong hierarchical tradition. They understood, however, that this was not the right formula, that they needed another approach. Nevertheless, this change has not been easy, and feedback from staff indicates that there is still room for improvement. The management team believe that a positive perception of the management is fundamental for a successful change process.
- **Requirement for extensive training:** The whole personnel of the hospital needed to be trained in various competencies and tools associated with the new approach. Management consider that all the activities in a hospital are value adding (including the guard, the reception and all the support service) as they are all in contact (in a way or another) with the final customer. Therefore, they all can be improved. But the training task was huge.

Some of the reasons why some of these problems emerged include:

- **Difficulty in overcoming the existing culture of the organisation:** It is proving difficult to overcome the “*no matter what I do I will be paid the same amount and I won't loose my job*” culture that prevails in many public organisations.
- **Negative attitudes amongst middle managers:** Some middle managers have had problems adapting to the new approach. They maintain their traditional hierarchical attitudes. For example, the delegation of the improvement process to the person with the original idea (regardless of his/her position in the hierarchy) wasn't very welcome by the existing hierarchic structure, especially by the middle management. It caused tension, as it was believed that if a person didn't have an important position in the hierarchy, he/she couldn't possibly have the power and the authority to take decisions, without the approval of the management team. This is changing, but slowly.
- **The legislation and the administrative structure:** the legislation and the administrative structure are constraints that favour a static and hierarchic structure; job positions are awarded after a public competition, and therefore they are considered to be lifelong positions. This tends to foster an attitude that is counter to the “improvement” approach - extra effort is not needed as: “no matter what I do I will be paid the same amount and I won't loose my job”. Moreover, the opportunity to reward those people who deserve it (owing to performance...) is limited. This is a structural obstacle –even if the management of the hospital would like to do so, it's not something they can control. Management are concerned about how to carry on motivating the people when the scope to decide on the rewards for individuals is so limited. They are afraid this could be restraining the process and the new model.
- **Resistance from some employees:** Many people participate fully in the new approach and believe in the new organisation model. But there are some others that do not participate. For example, there was an attempt to reduce the functions of some middle managers (they would maintain the same payment) but they showed their disapproval and the approach had to be abandoned.

### The Consequences

The overall change process in the hospital has been successful. However, the process has taken longer than was originally expected. Nevertheless, the hospital has received the Silver Q, a very important Quality award.

### The Conclusions

An organisation that consults its staff the personnel shows the will to improve, and recognizes the need for communication and for trust in a process of change, it shows that they believe in their people, it shows how the managing team understands the management.

To date, the hospital has successfully implemented a process of change that incorporates high levels of participation and continuous improvement. But the changes have been superimposed on a hierarchical and static tradition, protected by legislation and the administrative structure. This is a real constraint on future development. Managers are now concerned about how they can continue to motivate people to change the way they work when there's no scope to offer additional rewards for the people who really make an extra effort.

## SWEDEN: “SC”

**This case illustrates how organisational change in a public sector organisation can be slowed down because of cultural factors, employee resistance to change, and gaps in workforce and managerial skills.**

### THE ORGANISATION

Responsible for local government in a small town in Sweden, SC employs more than 600 people and has an annual budget of SKR 200 million. As well as implementing local regulations, SC is responsible for the delivery of a wide range of services, including education, leisure, child care and care for the elderly.

This case study focuses on the 300 SC employees responsible for the provision of care for the elderly. SC provides residential homes and home nursing for elderly residents. Services are provided by nurses and nursing assistants, supported by administrators and operational managers (“crew leaders”).

### THE RATIONALE

In the late 1990s, SC decided to review its provision of care for elderly residents. Its aim was to improve the quality of service and improve cost efficiency. There were, however, major obstacles to achieving these goals, including:

- **Staff costs** – care for the elderly is a physically and mentally demanding job and there is always a high turnover of staff. Sickness levels also tend to be higher than those in many other occupations;
- **Financial pressures** – there were political restrictions on the extent to which local taxes could be increased to pay for improvements in care for the elderly;
- **Service demand** – numbers of elderly people in the town had increased steadily because of demographic change. At the same time, more elderly wanted to be nursed at home rather than in a residential facility; and,
- **Existing organisation** – the provision of elderly care was organised using a traditional hierarchical model. Each operational manager was responsible for 50-60 nursing staff and took decisions about tasks, resource allocation, and quality assurance on a top-down basis. Measures of performance were limited to compliance with the overall departmental cash budget. This organisational model was unable to cope with increased workload and high staff turnover.

To overcome these problems, SC decided to make major reforms in work organisation. These were designed to unlock the creativity of the workforce through greater involvement in operational decision-making.

## THE CHANGES INTRODUCED

SC introduced a “high performance work system”. This included:

- **Structure** – the traditional, hierarchical structure was replaced by a new, flatter organisation based on semi-autonomous teams, in which decision-making was decentralised and pushed down to the lowest possible level;
- **Team working** – nurses and nursing assistants are organised on the basis of 4-6 person teams. Team members jointly decide how work is done. Teams are responsible for solving operational problems (such as covering for absence or sickness), ensuring quality assurance, and achieving agreed targets. Team members are also multi-skilled and rotate regularly between tasks. They are able, for example, to deal with patients with different needs such as the terminally ill and sufferers from Alzheimers disease;
- **Communication and consultation** – there are daily team meetings with managers to discuss performance and task allocation. A period of 30 minutes is included in the daily schedule to accommodate these meetings;
- **Performance measurement** – each team is responsible for controlling a discrete part of the departmental budget. Information about budgetary performance is provided to teams on a regular basis;
- **Training** –all team members receive regular, formal training paid for by SCouncil. This includes general skills (such as group working) and job-specific skills such as training in caring for different clinical needs and lifting techniques. EU-funded general skills training has been added recently; and,
- **Remuneration** – a proportion of the pay of each team member is determined by quality and nature of their work with patients. An annual evaluation process assesses the extent to which team members have achieved desired behaviours, such as flexibility and empathy.

SC has implemented a comprehensive work system based on a package of complementary work practices, structural reforms, and HR policies. It is a “Systems User”. The results include greater cost efficiency, lower sickness, and a reduction in staff turnover.

## THE OBSTACLES

During the process of implementation of these reforms, SC encountered a number of problems. Specifically:

- **A lack of leadership from senior and middle managers** – turnover of “crew leaders” increased during the initial implementation period. This eroded the scale of the management cadre and reduced the time available for consultation and communication;
- **Inadequate consultation with other managers** – in the initial stage of the change process, inadequate time was allocated for consultation between senior managers and crew leaders. This reduced ‘feedback’ and slowed down the introduction of improvements in the implementation process;
- **Poor communication throughout the organisation** – although initial communication was effective in building support for change, senior managers failed to identify the need for regular repetition of messages explaining the rationale for change and the vision of the new organisation;
- **Lack of commitment** – some middle managers and workers did not support the process of change. They preferred the old, hierarchical model because it provided certainty and security.

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Some workers were also uncomfortable with taking responsibility for planning and controlling their own activities; and,

- **Inflexible implementation process** – at the beginning, senior managers used a top-down, prescriptive model of implementation. Faced with problems of lack of commitment and opposition to change, this approach lacked flexibility.

These problems were symptoms of a series of underlying obstacles to organisational change in the elderly care unit of SC. These obstacles included:

- **Lack of workforce skills** – employees in the elderly care department tended to have narrowly based technical skills and lacked experience in group working. Extensive technical training was needed to enable SC to set up multi-functional teams;
- **Resistance to change from employees** – in the initial stages many employees were afraid of the new organisational approach. They saw it as a threat to the traditional and accepted way of doing things. This led to opposition to the implementation process;
- **Failure of senior managers to understand the scale and nature of the problem** – none of the senior managers involved had direct experience of implementing large-scale programmes of organisational change. They failed to identify likely cultural and attitudinal obstacles to change. As a result, the initial implementation programme failed to involve the workforce adequately and was inflexible;



- **Insufficient financial resources** – the elderly care unit lacked the budgetary capacity to finance extensive training in the initial period of implementation. Moreover, it could not afford to introduce major variations in remuneration between individuals. These problems limited the effectiveness of changes in structure and working practices;
- **Negative attitudes amongst some managers** – some crew leaders were unhappy with the shift away from a traditional, hierarchical organisational model. They feared a loss of status and prestige. Extensive training and the recruitment of new managers have been used to overcome this obstacle; and,
- **Difficulties in overcoming existing culture and values** – the old-fashioned and traditional model of organisation was strongly supported by most workers and managers. It had a strong ‘fit’ with the cultural values of the locality. The new model was based on more modern principles that emphasised equality and individual responsibility rather than conformity to traditional, hierarchical values. Organisational change, therefore, needed to overcome cultural values that had their roots in the wider, societal framework.

### THE CONSEQUENCES

As a result of the underlying obstacles, the process of organisational reform took longer than planned and was less effective in the early stages. It also required more investment in employee training than envisaged originally.

### THE CONCLUSIONS

This case highlights the difficulties of establishing a modern, high performance work system in a traditional public sector organisation. It shows how cultural and attitudinal factors, a lack of skills and the failure of managers to appreciate the difficulties of managing organisational change slow down the process of implementation.

## SWEDEN: “SF”

**The case highlights how employee resistance and the difficulties of overcoming existing cultural values slowed down the realisation of important benefits from a comprehensive, new work system.**

### THE ORGANISATION

A subsidiary of a leading Swedish multi-national, this company is a producer of consumer durables for small businesses and private customers. With annual turnover of Euro 50 million, the company employs around 240 people in a single major production facility in Sweden.

A small number of standard products are manufactured, using process-type production techniques. The parent company purchases all of the company's output and exports it to Europe and North America.

### THE RATIONALE

The current owners purchased the company in the mid-1990s. At the time of acquisition, the company owned two production facilities in Sweden and manufactured a wide range of bespoke products principally for business customers.

Under the direction of the new owners, a series of major changes were made:

- All production was concentrated on a single site and one of the two production facilities was closed;
- Focus on end-consumers and small businesses rather than large business-to-business customers;
- Replacement of “job shops” with streamlined production lines as the principal means of organising the manufacturing process;
- A new product line was introduced based on standard items rather than bespoke, batch-based products. In turn, this allowed the company to expand the length of production runs and move to process-type production methods;
- Additional investment in specialist production equipment helped to further reduce costs and facilitated higher levels of output of the new simplified product range;

These changes enabled the new owners to raise output, cut costs, and improve productivity. But there remained a need to ensure that product quality remained high despite the perceived loss of “craftsman status” amongst the workforce. To overcome this, and to ensure the quality standards remained high, the company undertook a series of reforms of the way in which work was organised.

## THE CHANGES INTRODUCED

The organisation of work within the Assembly Department was changed in a number of important ways:

- **Teams** – the entire department was restructured around a series of 5-10 person teams. Each team is responsible for a single production line, supported by advanced robot technologies. Teams have responsibility for solving some operational problems (such as re-programming machines), for quality management, and for selecting their own leaders.
- **Job rotation** – all team members are trained to carry out more than one task, and there is regular job rotation within teams. In a limited number of cases, there is rotation between different teams.
- **Performance Measurement** – each team has quality and output targets, and these contribute towards the overall targets for the factory. Teams receive weekly reports that outline performance against plan and highlight key variances.
- **Communication** – the Assembly Department meets once a week, and there is a meeting of all factory employees each month. At the monthly meeting of all employees, the Managing Director discusses operational and financial results.
- **Training** – all team members receive training whenever a new machine is installed. On top of this, team members are trained in problem-solving skills as well as being cross-trained to carry out a number of different tasks within the work group.
- **Remuneration** – team members receive a base salary linked to an hourly rate. In addition, they share in a bonus based on the overall performance of the factory.

The new approach is an integrated high performance work system. Over a number of years the company has become a “system user”. Over time, the system has performed well, and has contributed to higher productivity, greater output and continued high quality.

## THE OBSTACLES

A number of problems emerged during the implementation process. Specifically:

- **Inadequate consultation with workers and other managers** – at the beginning of the change process, there was very little consultation. The workforce saw the programme as being imposed by the new owners, and there was little ‘ownership’ of it as a result;
- **Ineffective communication throughout the organisation** – the new management team failed to communicate the goals and objectives of the process to the existing workforce. This made the problem of lack of ownership of the new approach worse. Insufficient resources were allocated to “selling-in” the new work system and its benefits;
- **Failure to build commitment to the new approach** – within the company, there was an underlying opposition to changing working practices. The new managers failed to appreciate the scale of this. Lack of communication and consultation reinforced these negative attitudes, and made building commitment more difficult at the beginning of the process of change.

These problems were symptoms of the underlying obstacles to organisational reform within the company. The main obstacles were:

- **Resistance from employees** – employees feared the impact of radical new working practices and the move from batch-based to process production on their security of employment, job satisfaction and remuneration. As a result they opposed the change process.

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- **Difficulty in overcoming existing culture and values** – previous work practices had emphasised craft skills. Employees were uncomfortable with replacing these with new process-based production methods. They felt a loss of pride in their work. These cultural factors underpinned opposition to workplace change.
  - **Failure of senior managers to appreciate the scale and nature of the problem** – the radical transformation of the company by the new owners necessitated huge changes in the way in which work was organised. New managers failed to identify the extent to which the workforce gained a sense of identity from the organisation of work on a craft-basis. In consequence, insufficient resources of time or expertise were allocated at the beginning of the process to winning the commitment and trust of the workforce for the new work system.

### THE CONSEQUENCES

As a result of these underlying obstacles it took much longer than expected to gain all of the planned benefits from the new work system. Although all of the changes were introduced quickly, the full benefits only began to emerge after 2-3 years.

## THE CONCLUSIONS

Radical transformation of the product range and target customers of an existing company by new owners necessitated a fundamental change in the organisation of work. But the workforce opposed the shift from craft-based working methods to process production backed up by a high performance work system. Fear of change and deep attachment to existing cultural values limited the economic benefits from the new work system for 2-3 years.

## SWEDEN: “SI”

**The case shows how a lack of management expertise in a fast growth company slowed down the process of organisational change in a fast growing IT company in Sweden.**

### THE ORGANISATION

A fast-growing ICT company, this organisation provides information technology, communication, and software services to a wide range of public and private sector organisations. Its services cover telecommunications equipment, networks, and infrastructure, software, and IT.

The company operates from a number of locations in Sweden and employs around 240 people.

### THE RATIONALE

Since the early-1990s, the company has grown rapidly through a combination of organic growth and acquisition. Throughout this period, it has faced fierce competition from larger, multi-national companies. At the beginning, the company’s growth was based on technical excellence, including high quality after-sales support.

Towards the end of the 1990s, the company faced difficulties in sustaining growth rates and absorbing a series of newly acquired companies. These had been purchased to expand the company’s expertise in related areas. At the same time, competitive pressures increased as larger companies began to match the level of technical specialisation offered by the company.

In response, the company changed its strategy. The new approach is customer-based and focuses on integrated solutions to specific problems, as well as the technical excellence of the service provided. Very high levels of customer service back up service integration and the focus on solutions not technology.

Organisational changes have been made to deliver this strategy. New business units have been set up based on different types of customers rather than technologies. To support this and to ensure consistent high levels of after-sales support a centralised Customer Service unit has been created.

The case study focuses on this new Customer Service unit and the changes in work organisation that have been introduced to ensure consistent standards of service quality.

More than 30 people are employed in the Customer Service unit. These have been drawn from newly acquired companies and existing, small-scale customer service units that had been set up to support particular technologies.

### THE CHANGES INTRODUCED

The new unit faced a number of challenges. In overall terms, it had to ensure that the standard of service offered by the company were better than those provided by competitors, and that they were consistent over time and between customers. For this goal to be achieved, the new managers of the unit also needed to integrate employees from different companies and different business units.

A number of changes were introduced to achieve these goals:

- **Teams** – the unit is organised on the basis of teams. A series of 5-8 person support teams provide after-sales service to specific groups of customers. Each team provides all of the support needed for all of the company’s services. Customers have a “one-stop-shop” for after-sales service.

Team members jointly decide how work is done, and are responsible for solving operational problems. They decide, for example, how to ensure that service standards are met when team

members are absent from work. Teams are also responsible for quality assurance, and are accountable for achieving agreed targets.

But the company has placed limits on the extent to which decision-making is decentralised. Teams do not choose their own leaders. Senior managers in the unit select these.

- **Performance measurement** – the company uses a range of financial and non-financial indicators to measure performance. For example, regular independent surveys of customers measure satisfaction with the quality and speed of after-sales service. Time taken to respond to and resolve queries (“cycle time”) is another non-financial measure used to monitor team performance. Financial measures include the proportion of customers that renew after-sales contracts.
- **Management information** – the company has a complex and sophisticated management information system. This enables it to track all of the financial and non-financial indicators used to track team performance. Management information is provided to teams on a weekly basis, and high-level financial performance information, including company-wide revenues and net profits, is provided quarterly.
- **Communication** – team members meet managers regularly to discuss team performance. Middle managers have weekly meetings with teams to discuss performance and to identify problems. Monthly meetings with the senior management team in the Customer Service Unit complement these.
- **Training** – most members of teams receive regular, formal training paid for by the organisation. This includes job-specific training and courses to improve general skills, such as problem solving and team-working.

Evidence from customer satisfaction surveys suggests that the new work system has, in general, been successful. Although it took longer than planned to implement, the new approach seems to have contributed to an improvement in after-sales support.

The company recognises, however, that there are gaps in its approach. Team members are not yet multi-skilled and, as result, there is no job rotation. This, along with the failure to link pay and performance, limits the impact of the new approach and reduces the economic benefits. The company is a “Transition User”.

## THE OBSTACLES

During the process of implementation, the company experienced two major problems:

- **A lack of flexibility in the implementation process** – managers responsible for implementation took time to design the new approach carefully before attempting to introduce it. However, the original design failed to take account of the different cultural values that the new organisation had to absorb. These made implementation difficult. Over time, the rigidities in the original design have been removed, and a new, more flexible approach introduced in its place.
- **A failure to build commitment to the new approach** – it took longer and was more difficult than expected to build commitment to the new approach, despite a comprehensive communication and consultation programme. The underlying obstacles to change were stronger than the new management team had anticipated.

As the managers eventually recognised, these problems were symptoms of a series of underlying obstacles to change within the company. There were two major reasons why problems emerged during the implementation process:

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- **Insufficient management expertise** – the new management team of the Customer Service unit lacked experience in planning and implementing major programmes of organisational change. The rapid expansion of the company revealed a lack of depth of managerial expertise and necessitated a degree of “learning by doing”. As a result, the initial programme design was unduly rigid and timescales were unachievable.
  - **Difficulty in overcoming existing cultures** – the new unit was staffed by employees from a number of newly acquired companies and from elsewhere in the parent organisation. Many of the employees had been used to working in product-led organisations and lacked experience in providing after-sales service in a customer-focused organisation. It took time to convince staff that technical excellence and high service standards are not mutually exclusive.

### THE CONSEQUENCES

As a result of the obstacles, implementation was more difficult than expected and took longer than planned.

### THE CONCLUSIONS

The case highlights some of the problems in attempting to undertake major changes in work organisation in fast-growth companies. Insufficient management expertise and the difficulty in overcoming technically based cultural values slowed down the process of change.



## SWEDEN: “SV”

**This case study, based on a medium-sized service company in Sweden, illustrates some of the difficulties experienced in implementing a far-reaching programme of organisational change. Whilst the changes have brought significant benefits, they have taken a lot longer to implement than originally planned.**

### THE ORGANISATION

SV is one of Sweden’s leading providers of photographic services. A family business established over 40 years ago, it still operates from one main location, but serves customers throughout Scandinavia. SV employs around 200 people, around two-third of whom are full-time employees and one third are seasonal. The annual turnover is around Euro 15 million.

### THE RATIONALE

In 1990, the company faced a crisis. The market stopped growing, competitors cut prices, and margins fell. SV experienced major financial losses.

SV recognised that to compete successfully it needed to become more innovative and efficient.

The company developed a new strategy to reduce costs, reduce cycle-time, improve quality and increase service levels. To achieve this, they recognised that they needed to increase flexibility to cope with seasonality of demand, improve labour efficiency, improve employee skills in order to maximise the benefits of new investment.

SV decided to invest in new equipment and simultaneously introduce New Forms of Work Organisation.

### THE CHANGES

SV introduced a range of new working practices and policies:

- **A new system of team working:** Previously, SV had a work system based on a traditional division of labour, task repetition, and extensive supervision. The new system is based on six self-managed teams who are responsible for achieving a number of key goals, including cycle time, efficiency, quality, waste and re-work targets. Teams also organise their own local purchasing activity and their own holidays. Each team has a co-ordinator (that changes on a monthly basis), but no supervisor.

- **Job-rotation and multi-skilling:** This has replaced the previous system of specialisation in narrowly defined tasks. Many employees have received training to help them to acquire appropriate skills. The new system has led to greater flexibility and improved job satisfaction.
- **New Training Programmes:** Significant investment has taken place in training to improve the technical skills of staff, change attitudes to work, and develop new skills appropriate to working in the new environment. All employees receive regular training covering issues such as team working, business economics, team co-ordination, and technical skills.
- **New Remuneration system:** Previously, each employee received the same salary with small adjustments for length of service. Now, employees have an individual salary package, which includes a basic salary with extra payments for training as a team coordinator, regular attendance, acquiring additional skills, and group performance.
- **New performance measurement system:** The company has developed a new system of performance measurement based on both financial and non-financial measures. Each team has its own targets and received continuous information about its performance through an open and structured system of feedback. Information about overall company performance is also shared with employees regularly.

## THE OBSTACLES

In overall terms, the introduction of New Forms of Work Organisation in SV has been successful. Competitiveness has improved. Losses have been replaced with profits, sales have increased, average cycle time has reduced by half, and output per person has doubled. Moreover, jobs have been protected and the job satisfaction of employees has improved.

However, SV has experienced some problems during the implementation process:

- **Lack of commitment to the new approach:** At the beginning, many employees were unsure about the new techniques proposed and felt uncertain about the changes.
- **Consultation with other managers and workers:** When the new strategy was developed, the problems, solutions and vision were explained to employees and their representatives. Most recognised the need for change, but some felt that they had not been consulted sufficiently at an early enough stage. Some believed that the changes were presented as a “fait accompli” as appose to ideas for debate.

Some of the underlying reasons why these problems occurred were:

- **Lack of skills:** Many employees lacked the necessary skills to implement the new working practices. Many had worked in the same narrowly defined area for many years, and hence lacked the technical skills to work in more than one area. Moreover, very few had the necessary general skills to work as team co-ordinators in the early stages. Extensive training was therefore crucial to overcome these skills gaps.
- **Failure to appreciate the scale of the problem:** In the early stages of implementation senior management under-estimated the scale of the changes required and the time it would take to implement them. At first the pace of change was very slow, which was a major concern to the senior management, given the financial problems that the company faced. The company was forced to employ a more evolutionary approach to the change process, in order to allow enough time for training, consultation and regular communication.
- **Difficulty in over-coming the existing culture:** Some employees found it difficult to move from the traditional culture based on narrow specialisation and high levels of repetition in which employees were extensively supervised. They felt comfortable in the old situation, but felt that they lacked the necessary skills to perform well in the new situation.

## THE CONSEQUENCES

Whilst the overall change programme has been successful, it has taken a lot longer to implement than was initially planned. At first, the pace of change was very slow, but in later stages it has speeded up.

The company has also found that the process of change is unending. To sustain their competitive position demands continuous improvement. This means that the management have to invest significantly in maintaining the commitment of the workforce.

## THE CONCLUSIONS

This medium-sized company has implemented a far-reaching programme of organisational change that has brought significant benefits to the performance of the organisation and to the employability, job satisfaction of employees. Nevertheless, they have experienced some problems caused by lack of staff skills, failure to appreciate the scale of the problem and the difficulties of overcoming the existing culture of the organisation. As a result, implementation has taken a lot longer than planned.

## UNITED KINGDOM: “UKB”

**This case highlights the difficulties facing new technology companies as they seek to manage growth and sustain creativity. It shows how difficulties in overcoming existing cultures, the failure of senior managers to grasp the nature of the problem and a lack of managerial and financial resources can significantly erode the effectiveness of a programme of organisational change.**

### THE ORGANISATION

UKB is an innovative UK-based high technology manufacturing company, specialising in the fast-changing field of electronic engineering, at the convergence of a number of previously separate technologies, each with its associated technical and industrial culture. Based near London, the company employs around 300 people and has an annual turnover of circa Euro 60 million.

One of the founding partners, an engineer, started the company in his garden shed, working in association with a colleague who was a university academic. The company grew to employ 20 employees, but in a highly competitive international market, involving the combination of major investment and state of the art knowledge. This presented challenges that were beyond the experience and expertise of the founders.

The founders sought advice from an old university friend who was now a management consultant. He offered a choice of options: close down, or take him on as chairman and chief executive, taking over a proportion of the shares owned by the founders.

There followed a decade of deep hands-on management by the new chief executive, who developed personal relationships with, and knowledge of, all the employees. He was intimately involved day to day with all company activities, from Research to Production, Marketing and Sales. Bold strategic decisions led to rapid growth, with 200 employees by 1996, and expansion through acquisition of two other small companies in the same business. During a period of recession the company increased their research and development activity, preparing for an upturn. This meant a change from a small London office and a small factory to a large factory, a small factory / research centre, a main research centre, a corporate centre and a sales office. The company was seen as a success story in innovation, receiving a series of national and international awards. It had moved from being a start-up to achieving an international reputation.

### THE RATIONALE

Despite the visible results, with increasing turnover and a series of national and international awards for exports, technical excellence and innovation, the chief executive began to find it hard to drive the company. There were a series of problems:

- Given the rapid pace of technical change, and patterns of convergence that forced frequent and rapid changes of production planning, the chief exec could no longer sustain the previous depth and breadth of contact with employees and company activities;
- The hierarchy had remained substantially unchanged, with a single reporting line to the Chairman and Chief Executive, to whom all executive authority had been delegated by the Company Board; and,
- Those working close to the chief exec lacked the confidence to challenge him, and the decision-making process was deficient.

It was clear that change was needed, if the company was to manage the effects of business growth and market changes. This might challenge the traditional ways of working in the company. It might also expose poor decisions, reveal gaps in knowledge, and weaken the chief exec's authority.

To overcome these problems and maintain growth, a new approach was introduced based on:

- Strategic alliances that could enable the company to concentrate on specialist high-end research and development, while mass markets could be developed for particular products: the results of years of development could be produced on a single chip;
- A drive to raise sales and to become "the biggest company of its size" in the world, based on a high profile at international trade fairs, with strategically planned product launches, and heavy investment in marketing; and,
- Organisational change.

## THE CHANGES INTRODUCED

Major organisational changes were introduced to help the company manage the effects of success. Specific changes included:

- **Team working** - teams took responsibility for solving operational problems and for quality assurance in research, design, and production, with some flexibility of roles within the teams. This was a mechanism for linking groups of workers from previously separate companies, now brought together within the group, enabling a common culture to be fostered, and mutual learning from distinctive skill sets.
- **New managers** – the Chief Exec decided that those who had managed the small company phase of UKB could not cope with the challenge of the new major transnational business, and a new generation of managers was introduced. Their brief was to assist the transition to operations as a world-class company, bringing in experience from that scale of activities. Their role was to introduce new ways of working, attuned to the demands of the emerging markets, and with experience of handling transitions to high performance working.

As a result, the company was able to address the international marketplace, drawing on the skills of the growing group, with tightly focused development and marketing programmes in a field of rapid technological convergence.

UKB has made only limited changes in work organisation; it is a 'transition' user. There major gaps in its organisational reform programme. Training, remuneration, management structure, communication and consultation processes, performance measurement, and remuneration have not been changed.

## THE OBSTACLES

During the process of organisational change within the company, a series of problems were encountered. These include:

- **Lack of leadership by senior managers** - there was no clear vision of how organisational change would improve the performance of the enterprise. Instead, the emphasis was placed on meeting new, demanding sales targets. Scarce management time was also diverted away from the management of change and into interminable debates about unimportant matters. This reflected the unwillingness of the Chief Exec to relinquish control of day-to-day activities;
- **Failure to build commitment to change** - insufficient time and senior managerial resource was allocated to convincing managers and employees of the need for change and its benefits. Failures to deliver improvements in salaries further undermined trust between employees and the board;
- **Ineffective communication throughout the organisation** - formal and informal processes of communication were not established. This made it difficult for the board to assess the morale of employees and to change the process organisational reform during implementation;
- **Design failings that made implementation difficult** - the company failed to introduce a comprehensive "high performance work programme". New, complementary structures, processes and policies did not, therefore, support team working. There was, for example, a failure to link remuneration to new organisational structures.

These problems were caused by a series of underlying obstacles to organisational reform. Specifically:

- **Lack of commitment to the change process** - the perceived credibility of the changes, such as the introduction of external management expertise, was limited and short-lived. Many of the first generation of imported managers left, to be replaced by new appointments;
- **Insufficient financial resources** - challenging market conditions, investment of cash resources in buildings, and sceptical investors reduced the availability of financial resources needed to fund wider, more extensive organisational change. The market continued to be technically complex, with rapid changes, and a battle between alternative models of technological convergence. UKB came from the electronics tradition of high specification, high cost, low production runs, and needed global strategic alliances in order to convert this into sustainable business. It was vital that each such alliance was successful, as major markets such as the USA are hard to conquer by a small firm with an overseas base. There was also limited support for change from sceptical financial institutions who imposed conditions, including a major share of the equity, on any additional resources;
- **Lack of managerial resources to ensure effective implementation** – The Chief Exec was slow to give the new managers formal executive authority or job descriptions, so that the previous reporting structures remained in place, and he maintained control over all decisions. Management continued to be by endless discussions with the Chief Exec, with constant meetings. Patterns of working continued much as before. Moreover, the atmosphere from the early start-up days had gone. Key experienced Board members, including those responsible for sales and marketing, departed, taking their specialist knowledge and contact;
- **Senior managers did not understand the scale and nature of the problems** – The Chief Exec and the Board of Directors made organisational changes that were only "skin deep". They did not appreciate that successful organisational change shifts attitudes, values, and behaviours. Changing culture, therefore, is more than just a matter of introducing team working and adding new management. They also failed to recognise the potential conflict between the existing culture of the company and a more formal management structure;
- **Difficulty in overcoming existing culture and values** - new, more formal management structures threatened the existing culture of the company. The company derived competitive advantage from the excellence of its team of research engineers, working in an environment where they could develop their ideas. The research and design culture had been based on working in beautiful settings such as converted water mills, stimulating creative thinking by the technical staff. The theory had been that the human-centred creativity at the core of the company culture depended for its success on continuation of chaos management, rather than the introduction of conventional management hierarchies;

- **Resistance from employees** - relations with the workforce deteriorated, as promises of improvement were not delivered. Trade unions were not recognised, and there were limited internal communications. Salaries were low in relation to industry norms, with poor bonuses and pension provision, and realisation of this situation spread. Employees had been promised an equity stake in the company, but this was not delivered due to complications in the tax system. The foundations of trust had been eroded.

## **THE CONSEQUENCES**

Many of the promises of improvement were not delivered because of the underlying obstacles to organisational change within the company. There was a contrast between the undoubted potential of the company to maintain international technical excellence, and the organisational capacity of the company to deal with the practical implications of continued rapid growth and high performance in fast-changing competitive international markets. The company arrived at a decision point: in order for external investors to take an active role in the future of the company, they required, as a condition, the removal of the chairman and group chief executive officer. This transition stage also involved downsizing, and a period of reduced share values during the restructuring, in a period of market turbulence in the high technology sector. One era came to an end, and another began.

## **THE CONCLUSIONS**

Sustained business growth in the new technology sector is extremely challenging, and all the more so in areas of convergence, where new alliances and management approaches are constantly needed. This case highlights the difficulties facing such companies as they seek to make the organisational changes necessary to manage growth and sustain creativity. It shows how difficulties in overcoming existing cultures, the failure of senior managers to grasp the nature of the problem and a lack of managerial and financial resources can significantly erode the effectiveness of a programme of organisational change.

## UNITED KINGDOM: “UKF”

**This case illustrates how lack of long-term commitment to the change process, the loss of core staff, insufficient financial resources, and a failure of senior managers to recognise the scale and nature of the problem caused an SME's modest programme of organisational reform to be less effective than planned. It also shows how these underlying obstacles to change eroded staff morale and, as a result, placed the very survival of the company in question. This highlights the fragility of SMEs, especially those operating in the rapidly changing world of high technology research, development and training. Behind the veneer of technology, the key resource of such enterprises is human expertise and experience, and this has been difficult to sustain through turbulent times. The introduction of new forms of work organisation is a continuous, and often hazardous, process.**

### THE ORGANISATION

UKF was established in 1994 with the primary objective of providing basic IT skills to mostly unemployed individuals who are seeking employment in the intermediate labour market. UKF was strategically located in Balham "The Gateway to the South" in South London, providing potential clients easy access to its offices by surface trains, underground rail services and buses.

Initially, UKF's core activity was to provide clients with training in IT (Word, Excel, Access, Powerpoint etc). The introduction of Windows NT generated interest and demand from employers for IT experts with computer networking skills, to fill the technology gap that was created during the "bubble" of the "dotcom" era.

As a small company with less than 10 employees, the goal was to build a solid reputation within the Greater London area by providing high quality training courses at affordable prices within the ICT industry.

After a rise from a modest start to apparent success in prestigious premises, the turnover for a slimmed down company in the last, very difficult, financial year was Euro 580,000.

### THE RATIONALE

After a number of years in operation, the company faced major changes in its core markets. These included:

- Competition to win contracts from government and European funded projects became increasingly tight. Other IT training providers began to offer bespoke courses at cheaper prices, and at the same time established secure links with government agencies, NGOs and networks beyond the periphery of the local community;
- Rapid changes and advances in technology meant that the provision of IT skills and dedicated learning had to be tailored to meet the changing demands of the labour market;
- UKF's ongoing partnership development with local and European partners required the development of new strategies, to enable them to raise their profile and cope with changes in public policy within networks that had been established through collaboration on community initiative projects. These projects were directly related to Economic Regeneration programmes in areas of social deprivation in inner city areas. Funding streams for these projects originated from the European Social Fund, with some administrative duties assigned initially to the local Training and Enterprise Council and then to the Government Office for London (GOL).

In response to these challenges, the company took a series of steps. To expand its product range, UKF decided to develop niche expertise and to provide other services like video web casting of conferences for government agencies, institutions and corporate bodies, and web designing of Internet sites for SMEs.



It also decided to enter new markets, where its wider expertise could generate value. The company, therefore, set out to build up its research consultancy activities. Having been successful with previous projects financed by DG Information Society, UKF took a bold approach in strengthening its relations with its European partners to win more European Commission projects, rather than just concentrating on IT training, which by this time was experiencing very bad times with the downfall of many IT companies.

New forms of work organisation were introduced to help the company achieve its new strategic goals.

## THE CHANGES INTRODUCED

The objective was to accomplish the transition from high technology campus spin-off start-up company to sustainable growing enterprise. This meant finding ingenious solutions to what could be expensive problems.

- **Multi-skilling of core staff:** graduates from the first group of trainees were very keen on providing their services as trainers, and therefore it was useful for the company to engage these pioneers as core staff, providing multi-functions as trainers and mentors for new students. This meant that there was no need for the recruitment of new trainers, should anyone leave at short notice, as there was always availability of trainers in house. This led to active encouragement and support for staff at every level to accumulate additional knowledge, skills and qualifications by learning to do what was required to achieve a personal or company goal rather than necessarily attending a course.
- **Development of international networks:** to expand its research consultancy operations, the company had to maintain good links with universities, as some of these projects overlap with academic research. A major evaluation project under the European Commission IST programme, has links with a Danish lead partner, and technical support from Newgown University, for example.

The changes in work organisation have helped the company to improve its performance. Over a three-year period UKF averaged between 200-300 students per year, with funding from the European Social Fund. During this time the pass rate for all students was 98% for the Microsoft Certified Professional examination.

Balham is cosmopolitan, and 86% of the students were from ethnic minorities, with 815 having English as their second language. In the three months after passing their examinations, 50% found work in IT companies. After 12 months 82% found work, with 58% in IT and 24% using their qualification as leverage to get into other jobs or further education.

The company was for a period able to "punch above its weight", engaging in successful training programmes while also developing local, national and international research collaborations and niche consultancy. This achievement was precarious, with a small company dealing with expensive, rapidly changing technology.

UKF has not introduced a comprehensive "high performance work system"; it is a 'transition' user. Its organisational reforms exclude, for example, changes in communication, training, performance measurement, and remuneration.

## THE OBSTACLES

A number of major problems emerged during the implementation of the new forms of work organisation:

- **Lack of leadership from senior managers:** managers lacked the courage to shift the company away from low-margin, government-funded work and towards competing for private sector contracts. As a result, the company lacked resources to implement organisational change effectively. Moreover, the need to allocate scarce management time to resolving cash flow difficulties reduced the resources available to manage organisational reform;

- **Limited scope of reforms:** only a limited number of staff were included in the organisational reforms. In a very small company this created the potential for division and loss of morale;
- **Design failings that made implementation difficult:** the organisational reforms were not accompanied by the introduction of formal internal controls, innovative measures of performance, and additional training. This strengthened the informal nature of the company's approach to business development;

There were a number of underlying obstacles to organisational reform, specifically:

- **Lack of long-term commitment to the change process:** the senior management group was diverted away from organisational change because of the financial problems that beset the company throughout the period;
- **Loss of core staff:** inadequate cash flow meant that staff remuneration for quality and loyalty became threatened, and delay in getting the company back to its old glory led to the eventual loss of the core staff with the right attitude and expertise. A number of experienced key staff left through frustration, making it very difficult to maintain project activity.
- **Insufficient financial resources:** rapid technological change meant that the company needed to continuously invest in training, marketing, hardware, and software. Low margins on government-funded work and administrative blunders meant that UKF had to compromise some of the above in order to survive. Lack of financial resources also made it impossible for the company create new remuneration packages linked to organisational change;
- **Failure of senior managers to recognise the scale and nature of the problem:** managers failed to grasp the need for extensive organisational reform as a mechanism for managing growth and strategic change. Instead, they relied on limited changes and the retention of an informal culture. There was also a failure to recognise the negative impact on the company of limiting the scope of reforms, including additional financial rewards.

## THE CONSEQUENCES

Implementation has been less effective than expected, and the reforms have undermined morale in the organisation. New working arrangements have not led to higher quality working life, to additional financial rewards, or to improvements in professional development, and as a result confidence of staff in the benefits of organisational change has been undermined. The fact that the flexible working environment exists, but does not as yet provide financial reward to all staff, has created division within the company. Moreover, it has been difficult to maintain consistent development at UKF, due to problems of leadership vision and ongoing financial weakness.

## **THE CONCLUSIONS**

UKF faced major problems when it tried to implement a modest programme of organisational change. Lack of leadership by senior managers, design failings in the new organisational system, and the limited scope of reforms reduced the effectiveness of the organisational reforms and contributed to erosion in staff morale. The underlying causes of these problems included a lack of long-term commitment to the change process, loss of key human resources, insufficient financial resources, and a failure of senior managers to recognise the scale and nature of the problems.

The case also highlights the fragility of small-scale enterprises and thus their inability to absorb unsuccessful attempts at organisational reform. In this instance, the negative effects of the change programme threatened the very survival of the company.

## UNITED KINGDOM: “UKK”

**This case illustrates the difficulty of introducing new forms of work organisation in the face of considerable resistance to change from staff, a complex set of challenges in “the knowledge industry”, and a deeply entrenched existing culture. It also highlights the negative impact of imposing change from the top down, especially in public sector organisations.**

### THE ORGANISATION

After a century of providing higher education, as a Technical College and then Polytechnic, under the management of the local authority, in 1992, UKK became a University, and a Higher Education Corporation.

The University is organised in six faculties, and the Faculty of Business comprises the Business School and the Law School. The Faculty of Business has some 3,500 students out of a university total of 14,500; there are around 200 academic staff. The Business School has maintained a strong national and international reputation, based on strength in teaching and improving research. The University faculties are based on separate sites, with their own distinctive cultures.

### THE RATIONALE

In the late 1990s, the University faced significant pressures to increase throughput of students, improve the quality of teaching and research and to reduce wastage and unit costs. This was the result of:

- Government targets to increase the proportion of young people engaged in higher education because of the need for the British economy to compete internationally on the basis of knowledge rather than low wages; and,
- Annual "efficiency gains" assumed by Government when calculating levels of public funding, which required performance measurement and related pay arrangements to reflect these priorities;

With a view to improving performance, in 1998 the Academic Board, chaired by the newly appointed Vice-Chancellor, determined that all faculties, including the Faculty of Business, should modularise their undergraduate courses, and move from a system of terms to one of semesters. This would also open the theoretical possibility of a university-wide scheme, enabling students to choose elements of their courses from many different faculties.

This new method of organising teaching and learning would involve new working practices by the lecturing and administrative staff, new structures and new patterns of work organisation, taking better advantage of new technology. This should also free more time for research, another priority of the government and the university.

## THE CHANGES INTRODUCED

A number of major organisational changes were introduced:

- **Team working** – a new system of module teams was developed, bringing together academic staff from different disciplines, and meeting the needs of students on what had previously been separately named, managed and delivered programmes; the teams developed new module guides and handbooks, developed and monitored module content and delivery, and offered a new form of support to students;
- **New working methods** - new central standards were laid down for the description and delivery of modules, with increased use of a new electronic "Blackboard" system;
- **New structures** - the new approach included specialist modules and a new infrastructure of course management, breaking down old divisions, and bringing together teaching of identical or similar course modules for greater efficiency of delivery. There would be implications for future flows of funding;
- **New managers** - the process of change was to be overseen by newly imported senior managers, with responsibility for the overall portfolio of undergraduate courses, with an emphasis on learning rather than on teaching, and with pressure to both increase student admissions and reduce student "wastage".
- **New performance measures** - targets set by government for student recruitment by the University were passed to faculties, and the Business School was required to make further increases in student numbers to compensate for shortfalls in other subject areas. Shortfalls in recruitment, or excessive wastage, could lead to losses of jobs among lecturers.

As a result of the changes it was easier for the University to respond to changes in external market conditions, with rapid expansion of student numbers in particular areas for which demand was high. This increase in student numbers brought financial benefits for the university, but presented challenges in terms of physical provision. This imposed considerable short and medium term stress on academic and administrative staff, but with later benefits in terms of funding for new appointments.

The university has not introduced a comprehensive "high performance work system"; it is a 'transition' user. The organisational reforms do not include changes in training or remuneration.

## THE OBSTACLES

Considerable problems emerged during the process of implementation:

- **Lack of leadership from senior managers** - organisational change had to be imposed on the Business Studies faculty because of the opposition of the Dean and his colleagues. In contrast, the Law School accepted the university decision, and sought to implement a practically acceptable form of modularisation;
- **Lack of an integrated approach to implementation** - resources were not made available to improve IT and physical resources necessary to exploit the new organisational system;
- **Failure to build commitment to change** - change was imposed from the top down because of the opposition of the senior management of the Business Studies faculty. Little effort was put into convincing lecturers and other staff of the rationale for the change or its potential benefits; and,
- **Design failings that limited the effectiveness of implementation** - organisational change was limited to structural reform and the introduction of formally designated teams. Lack of investment in training, new communication and consultation processes, and new performance measurement techniques made it difficult to exploit fully the limited organisational reforms introduced.

These problems were symptoms of a series of underlying obstacles to organisational reform. Specifically:

- **Failure of senior managers to recognise the scale of the problem** - senior managers in the university as a whole failed to appreciate the scale of opposition to the introduction of 'modularisation' and the associated changes in working methods. As a result they were forced to focus on the imposition of new senior managers on the Business Studies faculty rather than building commitment to new ways of working. ;
- **Lack of financial resources** - no additional government funding was provided to fund the introduction of team working and the new course structure;
- **Lack of investment in complementary resources** - although there were practical reasons for the absence of support for the imposed change, the lack of investment in complementary resources made organisational change less effective. There was a lack of teaching rooms of appropriate size and funding for the library and learning resources had historically been low by national standards. Moreover, timetabling and other organisational changes was impeded by the absence of an effective University Management Information system;
- **Resistance from employees** - there was considerable resistance to change because of the negative impact of 'modularisation' on the workload of lecturers. Traditionally the key to higher education has been teaching and research by the lecturing staff. At UKK lecturers were typically highly experienced, after many years at the University. Over those years their teaching hours and numbers of students had constantly increased, while the relative value of salaries had fallen to the extent that recruitment of new colleagues was very difficult, compounded by the fact that the university is located in an expensive area.
- **Difficulty in overcoming existing culture and values** - imposition of new ways of working challenged previous perceptions of autonomy in working practices, including one day a week of self-managed time. Lecturers in the Business Studies faculty also disagreed with the educational philosophy that underpins 'modularisation'. The University Modular Framework had been developed in the Faculty of Science, where the different fields of science were seen as distinct. Business, it was argued, is a problem domain, rather than a discipline in the traditional sense, and courses had developed with a view to enabling the understanding and experience of the learner to grow, drawing on a range of specialist inputs but with a core integrating focus.

## THE CONSEQUENCES

The absence of local support for the changes meant that the decision-making process was slowed, and individuals were reluctant to take ownership of either the management or the consequences of changes to which they were opposed. Moreover, morale of teaching and administrative staff suffered, amplified by the realisation of their fears regarding physical accommodation, information system failures, and the consequences of increased student numbers. There was a general perception that the education process was being dehumanised. Taken together, these problems slowed down the introduction of organisational change and reduced its effectiveness.

However, the University Vice-Chancellor was determined to proceed. The long-standing Dean, who had opposed the changes, was moved to a post at the corporate headquarters. After a short period in office, the new Dean resigned, and an external appointment was made.

As a result of the opposition to change and given the tight timescale, a compromise version of modularisation was arrived at, which involved the minimum disruption to the status quo.

## **THE CONCLUSIONS**

The case highlights the problems of organisational change in the public sector when there is large-scale resistance to change from employees and a deeply entrenched culture.

Although top down change was initially resisted by the lecturing and administrative staff, eventually their collective loyalties and professionalism led them to work together in the new prescribed team structures, rising to new challenges and delivering successful results. A further review of structures, processes and delivery is likely to enable the development of joint ownership of the new approaches. Similar reviews in other faculties could enable the emergence of a genuine University Modular Programme. After a transitional period, the University could move to high performance working, with considerable benefits derived from new flexibilities and cross-disciplinary links.



## UNITED KINGDOM: “UKR”

**This case illustrates how a clash of organisational cultures, including between public and private sectors, and a lack of support for change from investors are major obstacles to organisational reform within a national business operating in the transport sector.**

### THE ORGANISATION

Based in London, UKR provides infrastructure services and facilities to transport operators. This involves the development and maintenance of infrastructure facilities and exploitation of an extensive property portfolio, within a heavily regulated operating environment.

Core employees and a network of suppliers undertake these activities. In 2001, UKR had a turnover of Euro 4 billion.

### THE RATIONALE

UKR took over a business previously provided by a public sector company. In the process it inherited facilities, technology, and a working culture that were inadequate for the modern transport market.

At the same time, UKR had to face up to major changes in its operating environment. These included:

- **Liberalisation** – progressive liberalisation of all transport sectors in the UK raised competitive intensity between different forms of transport and within each transport sector. In turn, this placed pressure on all industry participants to improve efficiency and become more innovative;
- **Technological change** – new transportation and ICT technologies offered innovative transport operators ways of improving competitiveness. Exploitation of these technologies, however, required major changes in working methods and major increases in investment;

To meet the needs of the new business environment, UKR decided that to invest in new infrastructure facilities and to develop a modern working culture based, in part, on participative working methods.

### THE CHANGES INTRODUCED

There have been major changes in work organisation, as part of this new strategy. Human-centred and ergonomically informed approaches have been applied across all parts of the company. Staff seek to operate as a team, despite their diverse physical locations across the UK. Specific changes include:

- **Team working** – new combinations of skills and specialisms have been brought together throughout the company. This includes permanent and virtual teams that take appropriate advantage of information and communication technologies, and overcome previous demarcation issues;
- **Multi-skilling** – new and higher levels of skills are required in order to deliver world-class standards of technical quality and safety with a reduced workforce, with an enhanced focus on human factors; these have been required in the new network management centres, bringing together new groups of workers with experience of working separately;
- **Revision of production processes** – new approaches to inspection, maintenance, planning and infrastructure development have been required to reduce disruption to the provision of core services; integrated control has been required over facilities which accommodate different services, with varying technologies and information requirements;
- **Revision of job descriptions** - the approach has been to flatten hierarchies, broaden the experience of individual staff members, and to encourage initiative;

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UKR has not yet introduced a comprehensive high performance work system. It is a “Transition User”. New performance measures, new investment in training, new communication and consultation methods, and new structures need further attention in the programme of organisational change. Success will depend on clarity regarding what must be achieved, structurally as well as operationally.

Over time, it is hoped that organisational change will contribute to an increase in annual turnover, and feed through to improved overall profitability.

## **THE OBSTACLES**

During the process of implementation of the new working methods the company encountered a number of problems. The most important has been the difficulty in building commitment to change amongst investors, workers, and managers.

The underlying obstacles to organisational reform within the company have been:

- **Lack of support for change from investors** - the owners of the company have placed limits on the scale and scope of organisational change. They believe that other issues, particularly operational effectiveness and new investment, should be given a higher priority;

- **Clash between different corporate cultures** - there are cultural differences within the company. The traditional approach is to emphasise formal controls, hierarchy, detailed job descriptions, and multiple checks on staff. In contrast, the new culture is intended to encourage staff to think for themselves, but as part of a system which merits confidence;
- **Lack of long-term commitment to the change process** – operational problems have consumed significant quantities of senior management time. In turn, this has made it difficult for managers to sustain their commitment to organisational change;
- **Insufficient investment in complementary technologies** – the company inherited a business that had suffered from decades of under investment for decades. As a result the company needs to undertake a major programme of investment to overcome serious deficiencies in ICT and product technologies. This programme is incomplete.

## THE CONSEQUENCES

The effectiveness of organisational change in UKR has been limited by a lack of support from investors, workers, and managers for reform, but the foundations are being put in place.

Continued organisational change will require the exercise of professional judgement. At each stage it is vital to maintain the trust of the skilled staff, and to preserve their tacit knowledge on which the operational effectiveness of the company depends. There is, however, greater recognition of the importance of human factors in the performance of the company.

## THE CONCLUSIONS

The case illustrates how a clash of organisational cultures, including between public and private sectors, and a lack of support for change from investors are major obstacles to organisational reform within a national business operating in the transport sector. UKR also demonstrates how it is possible to combine a human-centred approach with leading edge technology.

## UNITED KINGDOM: “UKN”

**This case illustrates how a lack of senior management expertise, internal opposition to change, and insufficient implementation skills amongst managers slowed down the implementation of a new, high performance work system.**

### THE ORGANISATION

UKN is a manufacturer of construction materials. Based in the UK, the company employs over 600 people and has annual sales in excess of Euro 70 million.

### THE RATIONALE

Until the early 1990s, the company had focused on supplying a limited range of mass-market products, manufactured in large quantities and sold at low prices. Competitiveness had been based on manufacturing efficiencies.

Demand maturity and changes in the needs of end consumers away from mass-market products and towards greater variety, forced the company to re-evaluate its business strategy. A new approach was developed based on supplying high quality, speciality products to selected customer groups.

There were, however, a number of major problems, especially low labour productivity, long lead times, and poor on-time delivery. To solve these, organisational reforms were introduced to unlock the creativity of employees.

### THE CHANGES INTRODUCED

Over a five-year period, UKN introduced a comprehensive package of inter-related and internally consistent work practices and Human Resource policies; it has a “high performance work system”. Implementation took place in two phases.

In the first phase the company introduced a group of structural and process reforms. These included:

- **New business structures** – a customer-focused structure that grouped activities around specific product lines designed to meet clearly defined customer needs and customer groups was established;
- **New organisational structures** – operating activities in the new business units were re-organised and team working was introduced. Teams became responsible for quality and problem solving; and,
- **New business practices** – a formal Total Quality Management (TQM) programme was introduced to establish a focus on customers and quality. At the same time, a new production strategy was introduced based on small batches, “build-to-order” and Just-in-Time (JIT) management of inventory.

This phase of the reform process was, however, unsuccessful and did not deliver expected improvements in operational performance. One of the most obvious reasons for this was that there was no “high performance work system”: the company was merely a user of a number of high performance work practices. Team members, for example, were not multi-skilled, had no control over work organisation or job rotation, and were paid on the basis of job grade or output. In response, the company restructured the senior management team and replaced the CEO.

In this second phase of the reform process, additional changes included:

- **New responsibilities and training for team members** – teams became responsible for deciding how work is to be done, for solving operational problems, for quality, and for

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determining job rotation. They were also made accountable for achieving a range of targets, such as scrap and re-work rates, quality levels, lead times, and order fulfilment. Additional training enabled team members to complete different tasks;

- **Reductions in hierarchy** – the number of management layers was reduced and operational decision-making was decentralised;
- **Performance measurement improvements** – a new IT system was introduced. This enabled the company to provide all teams with relevant performance information on a regular basis;
- **Regular meetings with managers** – weekly meetings were established between managers and team members to discuss team performance.
- **Major investment in training** – the company set up regular, formal off-site training programmes for all team members. These cover job-specific and general skills.
- **New remuneration system** – team bonuses, profit sharing, and share ownership plans were set up for all team members.

As a result of these additional reforms, there were major improvements in operational performance. Labour productivity increased by 25%, lead times fell from 12 weeks to 5 days, and on-time delivery improved from 65% to 96%.

## THE OBSTACLES

During the initial phase of the implementation process, a number of major problems emerged. These included:

- **Poor leadership from senior managers** – there was a failure, for example, to generate a clear, consistent vision of the change process and to overcome objections of managers and workers to new organisational structures;
- **Inadequate consultation** – the initial changes were, in general, imposed by senior managers without widespread consultation;
- **Ineffective consultation** – formal mechanisms of communication were confined to a periodic newsletter;
- **Low levels of commitment** – lack of a clear vision, failure to consult, failure to overcome cultural and attitudinal obstacles to change, and inadequate consultation contributed to low levels of commitment to the change process;
- **Inadequate investment in training and technology** – this made it difficult to build skills and to provide access to relevant performance information;
- **Weaknesses in the design of the initial programme of organisational reform** – the programme did not integrate the various components, it did not introduce new motivational tools, it failed to adapt key HR policies, and it did not encompass a suitable performance measurement system.

These problems emerged because of a number of underlying obstacles to organisational reform within NorthCo. They include:

- **Failure of senior managers to appreciate the scale and nature of the problem** – this was the result of a lack of experience, inadequate management training and insufficient training;
- **Lack of key implementation skills available internally** – the company lacked operational managers with experience of using JIT and TQM manufacturing methods and of working with teams;
- **Difficulty in overcoming existing culture and values** – the company had an inward-looking, producer-based culture as a result of its historic focus on low complexity, high volume production. The new approach required a completely new set of attitudes. The time and investment needed to achieve this was not fully understood at the beginning of the process;
- **Negative attitudes amongst other managers** – many middle managers opposed change because they feared a loss of power and authority. This contributed to a failure to shift responsibilities into the new teams;
- **Resistance from employees and their representatives** – there was considerable concern amongst trade union representatives that the new approach would lead to work intensification, loss of job control, and erosion of traditional bargaining rights. As a result employees and their representatives opposed multi-skilling, job rotation, team working and new remuneration structures, especially in the initial phase of reform. This limited the scope of change and made it difficult to build commitment.

## THE CONSEQUENCES

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As a result of the problems that emerged during the first phase of the reform process, the overall programme of change was more difficult and took longer than planned to implement. In the short-term, it was also less effective than had been expected.

### THE CONCLUSIONS

This case illustrates how a major, well-financed company experienced major problems in attempting to introduce organisational change. It reinforces the importance of the expertise of the senior managers involved as a critical determinant of success. The failure UKN's senior managers to grasp the scale and nature of the problem contributed to major weaknesses in the design of the new work system and a lack of leadership during the implementation process. The case also brings out the impact of internal opposition to change amongst other managers, employees, and trade unions. For UKN, this exacerbated design and leadership problems, made building commitment difficult, and reinforced historic cultural values. Finally, the case shows how poor implementation skills of managers contributed to the emergence of major problems during the implementation process, especially the lack of effective consultation and implementation.

## UNITED KINGDOM: UKG

**This case illustrates how lack of skills, negative attitudes amongst middle managers, and the problems of overcoming the existing culture reduced the effectiveness of organisational reform within a major public sector organisation.**

### THE ORGANISATION

A Public Sector organisation in the UK, UKG was set up in the 1990s as a semi-autonomous Agency, to deliver discrete government services. It is separated structurally, financially and operationally from its parent department. A Chief Executive, who is set annual financial and service targets by a minister, heads the Agency.

UKG is involved primarily in clerical and administrative tasks. It has a central office and a network of field offices. Overall, it employs around 8,000 people.

### THE RATIONALE

The UK Government set up a series of Agencies in the early 1990s in order to improve efficiency in the Public Sector, to give priority to the needs of customers rather than producers, and to introduce market disciplines or proxies for them.

As a result, senior managers in UKG recognised the need to introduce a more business-like and entrepreneurial approach to the way in which it operated. They wanted to change the organisation from an inward-looking bureaucracy into a more innovative and flexible one. They also wanted to remove duplication, improve quality through reducing errors, and streamline and simplify its operations. Management identified the need to change the structure and operating processes in order to achieve this.

### THE CHANGES INTRODUCED

UKG introduced three linked programmes in order to achieve these changes. These were supported by major investment in new technology. Specifically, UKG introduced the following changes:

- **Process-oriented business units:** A new structure was introduced based on new processes-based units, which replaced the previous functional structure.
- **Team working:** a new team-based organisation was introduced in the central office, and field offices became autonomous units with responsibility for using their own initiative and organising their own workload. Teams are responsible for solving operational problems and accountable for achieving agreed targets. Team members are multifunctional based on the concept of “multi-skilled case-workers with end-to-end responsibility for all of their activities”.
- **A flatter management structure:** the number of layers of management has been reduced, and responsibility for decision-making has been devolved downwards.
- **Training:** Considerable investment was made in staff training, with particular emphasis on the dimensions of culture that were perceived by management to be crucial to the Agency's success.

Whilst UKG has introduced a number of new working practices, they have not yet introduced a full “High Performance Work System”. They are taking a step-by-step approach, because they believe that this will be less disruptive to the organisation. Specifically, they have not yet introduced:



- New ways of measuring the performance of the organisation;
- New information systems for providing teams with relevant performance information on a regular basis;
- Regular face-to-face meetings between staff and managers to discuss performance
- Regular, off-the-job training programmes for all staff that includes both job-specific and general skills training
- New remuneration systems where an important element of pay depends on individual or team performance.

Moreover, UKG has failed to give teams responsibility for quality assurance. Indeed, they have set up a separate unit to check the performance, in direct conflict with the teams.

Organisation reform at UKG has delivered some operational improvements in error rates, cycle time, and speed of response to customer queries.

## THE OBSTACLES

A number of problems have emerged during the implementation process.

- **Lack of involvement of staff in the development of change plans:** Staff were not sufficiently involved in the planning process. They were not asked to provide any suggestions or ideas, and as a result, they believe that management ignored a number of potentially useful improvements.
- **Ineffective communication with staff:** Many misunderstandings crept in to the implementation process, which undermined commitment to it. These arose through ineffective communication.
- **Lack of commitment amongst staff to the changes proposed and the pace of change:** inadequate consultation and ineffective communication served to undermine commitment to the changes introduced. This was despite the fact that most employees were not against change per se.
- **Lack of commitment to change amongst middle managers:** some middle managers were uncomfortable with the changes introduced, as they were no longer able to define their role on the basis of “superior technical expertise”.
- **Ineffective empowerment:** employees were told that authority and responsibility had been pushed downwards, but they were not encouraged to use their initiative. Moreover, the changes have not resulted in fewer checks.
- **Ineffective investment in Information Technology:** Despite significant investment, the new IT system was not used a critical enabler of change. Instead, it merely automated the old way of working.

The underlying reasons for these problems were:

- **Lack of implementation skills:** Staff responsible for the implementation of the new organisation were civil servants whose previous experience lay in a traditional bureaucratic way of working. They did not therefore have in-depth knowledge of the new techniques, or experience of managing major change programmes. Moreover, they failed to invest sufficiently in external advice because of budgetary constraints.
- **Misunderstanding of the scale and nature of the problem:** Senior managers failed to appreciate the need to introduce changes in an integrated fashion. They also believed that the changes could be introduced quickly. This reflected their lack of training and inexperience in implementing major change programmes.

- **Culture and values:** A decade earlier, the culture of UKG had been extremely hierarchical, rigid, and obsessed with checking. This culture had begun to change with the introduction of the new Agency structure. But, some traditional values remained, such as the desire to check everything, in order to achieve “zero errors”. These values discouraged employees from making their own decisions and taking initiatives.
- **Negative attitudes amongst other managers:** Middle managers feared loss of status, loss of promotion opportunities, and potential job losses. They therefore sought to justify their own role in the organisation and to maintain their own power base. Hence they did not delegate sufficient responsibility to team members.

## THE CONSEQUENCES

As a result of the problems that emerged, the implementation of new forms of work organisation was much more difficult than expected, it was less effective than was hoped, and a full “system” approach was not achieved.

## THE CONCLUSION

This case study illustrates some of the problems of introducing new forms of work organisation in a large Public Sector organisation. In particular, it highlights the lack of design and implementation skills within the organisation, the lack of understanding of the scale and nature of the problem, negative attitudes amongst middle managers, and the problems of overcoming the traditional civil service culture.

## MULTINATIONAL: MS

**MS is a relatively small, autonomous subsidiary of an international publishing group, itself part of a major media conglomerate. This case illustrates how new ways of working at MS have been constrained by the culture and values of its parent company. It highlights an important obstacle to change within multi-national companies.**

### THE ORGANISATION

MS was established as the UK division of MS International, a long established European-owned humanities publisher. The UK company has considerable autonomy, with a strong editorial team, director of sales and marketing, reporting to the UK managing director, and develops its own lists of books and journals, distributed worldwide. Under the present managing director the company moved to new offices outside London, where staff have doubled, the numbers of books and journals published has increased, and profits have been consistently strong.

There are now 80 UK employees, with a turnover of Euro 30 million.

### THE RATIONALE

When MS was taken over by TC, the success and reputation of MS in a niche market meant that the change in ownership did not, in the short-term, affect their operations or the autonomy of local managers. In a people-business, such as publishing, delegated authority and local autonomy can be powerful incentives for managers and staff. To maintain this position, MS must sustain its image and generate acceptable financial returns.

The Publishing market is, however, highly competitive and fast moving. As a result, MS faced a number of problems as it sought to meet the demands of its new parent. Specifically:

- **Technological change** – although publishing appears to be a traditional industry, it is in fact in a field where technology is constantly changing, challenging conventional ways of working. Indeed, there are threats to the future of both books and journals in their present forms, thanks to the spread of the Internet and World Wide Web;
- **Competitive intensity** - Publishing is an industry dominated by a decreasing number of global corporations, serving global markets. It is hard for a smaller company to survive, retain its identity and integrity, and succeed in commercial terms;
- **Market Size** - the market for specialist humanities books and journals is fragmented and small, and likely to remain so. This necessitates constant investigation of new niche markets into which the company can venture, using their established style of working.

To meet the needs of its new parent in this business environment, MS decided to exploit its strengths as a specialist, traditional publisher and to use these to build new business in related markets. This has been achieved organically. They have not, for example, rushed into large-scale new investment, or committed themselves unduly to Internet technologies. At the same time, it set out to improve its efficiency and its capacity to respond rapidly and flexibly to new opportunities.

Major strategic changes include:

- **New products** – there has been a widening of the breadth of subject coverage and an expansion of the range of books linked to journals. From specialist geography they explored travel guides for busy managers, for example. From academic linguistics they developed a popular series. From philosophy and research techniques in support of archaeology, they have moved into innovative action research. Spore UK recognises that publishing facilitates communication between individual people. The readers of a journal may be potentially interested in related books, and it is a worthwhile investment for the editors and sales and marketing staff to be familiar with both the authors and their readers;
- **New methods of marketing and distribution** - with the changing competitive environment, in terms of companies and technologies, the traditional passive system of publishers'

representatives was seen as insufficient, and a new team of proactive sales staff has been developed;

## THE CHANGES INTRODUCED

There have been major changes in work organisation, as part of this new strategy. MS, under their current management, determined to apply to their own organisation and business activities some of the principles derived from the books and journals in which they have established a reputation. MS will not become a general publisher, or seek to address the mass market, but it has been applying human-centred approaches to its own operations. Publishers depend on maintaining a good relationship with both their authors and their customer.

Changes apply across the functions of MS, but in such a way as to avoid impacting MS International or TC. In summary, the UKS staff seek to operate as a team.

- **Team working** - MS is based in a compact corner building in a country town, and has made a virtue of the premises by cultivating a team-working approach. The style is non-hierarchical, benefiting from the fact that the managing director was previously a series editor, and retains a specialist publishing interest in philology. He is hands-on and informal, and takes responsibility for networking support as well as senior management functions. In a fast-moving industry, many promotions are made from within the company, with experience developed through team working. Team working has also been applied to the sales force, with whom close relationships have been developed.
- **Multi-skilling** - Given the pace of change, in both technologies and the configuration of academic subject specialisms, often requiring rapid responses in new areas at short notice, it has been seen as important to develop multi-skilling among staff. The location of book and journal publishing functions in the same building facilitates the transfer of skills and experience. Staff act as their own secretaries, and share a common corporate network, developing familiarity with the technology that forms the subject matter of some of their publications.
- **Revision of production processes** - MS were quick to adopt new technologies in publishing, but seek to do so while preserving personal contacts with their authors and series and journal editors, who are regarded as members of the MS team. Thus MS staff try to attend conferences and visit authors, building and maintaining relationships.
- **Revision of job descriptions** - The approach has been to flatten hierarchies, broaden the experience of individual staff members, and to encourage initiative. This means that a young team member can take on a demanding editorial role due to their proven confidence in the professional context, with a salary package to match.
- **Rewards** - The changes operate within MS, in such a way that the staff share in the success of the company, while retaining appropriate communications with the international parent company and with partner organisations in the UK.

Organisational change has contributed to improvements in annual turnover and contribution to group profits. It has also helped to sustain the autonomy of the UK company. At MS there is pride in a growing UK-originated publishing list, within which speculative projects can be cross-funded from established successes.

A series of investments in technology were made to complement these changes. Technology is integral to the work of MS, and they are aware of the danger of dependence on outsourced expertise. Thus the managing director is directly involved in issues such as updating of networking, and determining new approaches to production as a result of new technologies. Due to the team working approach, his colleagues provide experienced support.

MS is a 'transition' user of new forms of work organisation. It has not implemented a "high performance work system". New performance measures, new investment in training, new

communication and consultation methods, and new structures are missing from MS's programme of organisational change.

## THE OBSTACLES

In an environment of turbulence in the publishing industry, it has seemed prudent to ensure that changes made at MS should be self-contained. A weakness in the design of the new work system that made implementation less effective was the only problem that emerged during implementation. Specifically, MS was unable to establish additional complementary changes in HR practices (such as remuneration and training) and organisational structure.

This problem is the symptom of the underlying obstacles to organisational reform within MS. Specifically:

- **Lack of support for change from investors** - the owners of MS have placed limits on the scale and scope of organisational change. The parent company has an established organisational model and complementary HR practices. These are more traditional than those used by MS.
- **Clash between different corporate cultures** - there are cultural differences between MS and its parent company. The parent company emphasises formal controls, hierarchy, detailed job descriptions, and multiple checks on staff. In contrast, MS's culture encourages staff to think for themselves and seeks to unlock knowledge and creativity.

## The Consequences

The effectiveness of organisational change in MS has been limited by a lack of investor support for reform.

Continued organisational change requires the exercise of professional judgement. As long as the success of MS is such as to motivate, reward and retain the key team members, the obstacles to radical change represent an acceptable context. Fundamental changes in the business position, the loss of key staff or failure to keep up with major technical developments, would lead to a re-appraisal of the situation. At each stage it is vital to maintain the trust of the skilled staff.

## THE CONCLUSIONS

The case illustrates how a clash of organisational cultures and a lack of support for change from investors are major obstacles to organisational reform within a multi-national business operating in the "Creative Industries". MS also demonstrates how it is possible to combine a human-centred approach with sustained business success.

## MULTINATIONAL: ‘MI’

This case illustrates how organisational reform in a major, global company was slowed down because of the difficulty of blending together different cultures whilst simultaneously merging business processes, structures, and practices. It highlights the difficulty of achieving organisational change in multi-national enterprises.

### THE ORGANISATION

In 2001 MI was formed from the merger of two major multinational chemical businesses, RC based in the UK and EC based in Northern Europe. With its headquarters in mainland Europe, the new enterprise became the global market leader in its sector. Sales in 2000 were Euro 10 billion, with 22,000 employees at 72 sites worldwide.

Both of the companies involved in the merger had interests and links with parent chemical producers: RC was an offshoot of a large global manufacturer, and EC split from its own parent division. RC had been one of the largest manufacturers of chemical products in its sector in the world, with offices and plants situated globally and its worldwide headquarters in Southern England. Whilst global management of the new, merged enterprise was concentrated at the site EC’s old head office, the European headquarters was located at the old global head office of RCs.

### THE RATIONALE

The new, merged entity faced pressure from investors to improve business performance. Although there was some scope for reducing manufacturing and administration costs, the principal opportunities for improvement lay in enhancing the innovation performance of the new group.

The group faced two major problems:

- **Global Innovative Capacity** – the merged group owned a number of R&D facilities spread throughout the world. Each of these possessed different skills, knowledge, and competencies. Both companies also had extensive investments in intellectual property. The challenge for the new group was to ‘unlock’ this knowledge, to ensure that these assets were shared, and to facilitate the emergence of synergies and new ideas. It would, however, not be easy to achieve because of geography and differences in working methods. Synergies were measured in terms of financial costs and benefits, documented by change managers, specific to each region, who held regular tele-conferences to discuss progress, and acted as the intermediaries between higher levels of management.
- **Integration of Cultures** – MI needed to integrate two well-established and diverse cultures if it was to enhance its global innovative capacity. Both companies had key members of staff that workgroups that they considered valuable assets of considerable advantage to the new organisation. The challenge was to bring together the highly departmentalised and hierarchical culture of EC with the more cross-functional, and team-orientated approach of RC.

To improve its global innovative performance the group made a series of organisational changes. The corporate restructuring, and the move of head offices from Southern England to mainland Europe, was taken as an ideal opportunity to refine existing methods of innovation and work organisation, while also introducing a whole new organisational paradigm and culture with the challenge of further integration.

## THE CHANGES INTRODUCED

The principal change was the introduction of new multi-functional project teams to integrate the workforce, manage resources, administer the organisation, and unlock ideas. The overall aim was to enhance the innovative potential of the new, combined enterprise:

- **Objectives** - Meetings of cross-functional teams brought together the community of workers, and provided an arena in which many views and ideas could be raised, discussed and documented. The multi functional project teams covered Range Support and European Operations. Teams emerged in face of specific issues, such as data anomalies for data maintenance. Their objectives were to sort problems, clarify objectives and roles, and agree delegation and control of processes. They often comprised three people dedicated to a problem, with another three from HQ. Results were communicated through email or telephone.
- **Structure** - Headed by an ex-EC and non-English manager, an integration of support departmental staff was created. There were a number of teams, such as Product Support Services, divided into artwork, packaging and data maintenance. There were further groups in European Operations.
- **Communication and consultation** - regular team meetings and discussion took place alongside day-to-day operational working. Team members also had links with both European and globally situated staff. Team meetings were relaxed, lasted a day, and took place out of the office. The style followed RC's previous format, in terms of documentation, benefits and concerns. The meetings also had an important social function
- **Working Methods** - at the global packaging conference, for example, several team initiatives were pursued to facilitate learning, cultural integration and organisational knowledge, such as new systems and product naming schemes. Champions were recognised, who were consulted on their areas of expertise. Visits across the sites were frequent, and a team orientated intranet information system was developed, providing organisational charts, goals and ideas, and information channels between teams and functions. The conference was also a social event, making sure that people were aware of the global working environment, and acting as an extension of the local team meetings. In addition, smaller groups of one to three people would come over from Basel to discuss and solve problems with UK counterparts.
- **New training programmes** - these covered the use of formal new manuals for systems information, and methods of "referral to champions" to resolve conflict and disputes;
- **New performance measurement systems** - New performance measurement tools developed by RC were given new life in MI. One development was a redesign of a data collection and reporting tool, used to track innovation processes and cost savings. This was distributed globally, administered from the European and global HQs, and reported and analysed from global HQ by both accounting staff and global supply leaders. This formed part of the global supply chain functioning, coupled with regular telemeetings between management and relevant personnel.

As well as the creation of project teams, the company made complementary investments in the integration of Information Systems and in the development of new performance measurement systems. Integration of IS was a strategic crosscutting priority. Integration was conducted with existing enterprise resource planning systems as well as other global scale operational databases, technical support providers, software integration, and the role of users and systems administrators. In house IT specialists were limited, in contrast with outsourcing.

The introduction of multi-functional teams was a significant part of the new environment. It is, however, too early to ascertain concrete results. In general, teams have worked well.

## THE OBSTACLES

The use of teams was not new in itself, but these teams had the added task of integration. During the process of implementation of these new, project teams, the company encountered a number of obstacles:



- **Lack of an integrated approach to implementation** - changes in IT were ineffective and hence failed to support the introduction of the new, multi-functional project teams;
- **Failure to build commitment** - senior managers failed to build commitment to the new organisation amongst middle managers. This made the introduction of team working less effective because participants were focused on other matters, especially the allocation of posts and responsibilities;
- **Design failings that limited the effectiveness of implementation** - the database tool to track innovation processes and cost savings was not implemented effectively because of changes in design and features, which contradicted the original design. The involvement of accounting staff further confused the situation, as their perspective was more cost based and conflicted with estimated forecasting values.

The causes of these problems were a series of underlying obstacles to organisational reform within the new, combined enterprise. The underlying obstacles to the use of multi-functional project teams to enhance the innovative capacity of MI were:

- **Cultural differences between the two parts of the new enterprise:** the most prominent obstacle was the cultural dichotomy. The new Europe centred and UK centred approaches often meant difficulty in clarifying who did what, and how. The effect of meetings and attempts at fostering changes often resulted in completely different results, complicated by difficulties in arguing cases through barriers of language and culture. In the early months, light-hearted remarks and socialisation were often interpreted as threats of new cultural ownership, for example;
- **Ineffective integration of IS** - integration of information systems presented immediate challenges for IT staff. Small in-house database development encountered bespoke engineered and standardised global practice, leading to minor conflicts, with the HQ imperative overriding small developments and use of modelling software.
- **Management failure to appreciate the scale and nature of the problem** - there was a failure to appreciate the difficulties inherent in attempting to introduce new forms of work organisation and to merge different cultures, IS systems, business processes, and performance measures at the same time. As a result, insufficient time was allowed to build commitment to the new way of organising work, and insufficient management resource was allocated to developing effective complementary assets, especially IT and performance measures;
- **Negative attitudes amongst some managers:** there was a lack of trust between the two parts of the new enterprise. Although MI was the outcome of a merger, not a take-over, there were difficulties regarding assignment of roles, and locations. Some managers in RC felt disadvantaged by the change to a head office outside the UK;

## THE CONSEQUENCES

There were teething problems with the new teams. Effective operation was delayed until managers overcome the principal obstacles to organisational reform, especially the cultural differences between the different parts of the new organisation.

## THE CONCLUSIONS

Although senior managers had recognised that overcoming the contrasting cultures would be a substantial challenge to organisational reform, they failed to appreciate the difficulties of merging the two businesses and establishing new ways of working at the same time. Senior managers had to realise that cultures need to learn to co-exist and blend, and that this is not a one-way or short-term process.

## MULTINATIONAL: “MP”

**This case study of a large glass manufacturer located in North West Germany shows that, in some situations, the problems that arise in the use of new forms of work organisation can be so great that they cause the company to revert to a more traditional style of working.**

### THE ORGANISATION

MP is a subsidiary of a major multinational company. It is a specialist producer of glass for use in electrical and electronic equipment. Based in North West Germany, the company has a major production facility. Production is based on a line production process, run on a four-shift system. It employs 830 people. Around two-thirds of employees are directly involved in the production process. The other third are involved in a wide range of functions, including product development, customer service, maintenance, purchasing, human resources and finance.

### THE RATIONALE

In the mid-1990s, MP, decided to introduce new working practices in its production facility. It did this because the company recognised that it needed to increase productivity in order to improve competitiveness and to meet the company's long-term objectives.

It was also recognised that there was a need to increase the flexibility of production and to improve the motivation of employees. In particular, it was recognised that it would be beneficial to increase the opportunities for employees to be more creative in their daily work, to strengthen the self-confidence of workers, and to provide more recognition for blue-collar employees.

### THE CHANGES INTRODUCED

In 1996, MP introduced a major new approach to the organisation of its production facility. Previously, the organisation had been organised on a hierarchical basis. The new approach was based on group working. Specifically, they introduced:

- **Team working:** Blue-collar workers were organised into teams. Each team had a team leader. Team members were jointly responsible for deciding how work was carried out, for solving operational problems, and for achieving agreed targets. Team members were asked to carry out more than one task within the team.
- **Decentralised decision-making:** Responsibility for making operational decisions was pushed down to the lowest level possible. Teams and their leaders played a very important role in this.
- **Information Flow:** Teams were provided with targets and regular updates about how they were performing against targets. The company developed the concept of a “glass wall” onto which daily production information was displayed so that all team members had access to key performance data.
- **Training:** Team members received training to help them to carry out their new role.

However, after five years of using this new approach, the company decided to revert to its old organisational structure. It abandoned team working and re-introduced the more hierarchical structure that was in place beforehand. The production manager now has four shift leaders working for him. These shift leaders take overall responsibility for making all decisions for that shift. Blue-collar workers implement the decisions taken by the shift leader. They also tend to focus on specific functions (e.g. packing or sorting) to a greater extent than before.

### THE OBSTACLES

MP abandoned the team-working approach after approximately five years. This was because they encountered a number of problems:

- **Commitment to the new approach:** Workers lacked commitment to the new team-working system. They found it difficult to focus on achieving the targets set for the team. Instead, they spent large quantities of time discussing holidays, working hours for individual people, and other similar issues.
- **Design of the system:** The company were able to introduce many of the critical components of a successful “system”. However, they were not able to link the remuneration of workers to the performance of the team. Remuneration continued to be based on a fixed wage, irrespective of performance.

The underlying reasons why these problems emerged were:

- **Lack of workforce skills:** The majority of the blue-collar workers employed at the MP plant have very low levels of education and are unskilled. A large proportion of them are foreign workers, from Turkey, Poland and Russia. This meant that they did not have the necessary skills to participate fully in the problem solving and decision-making required within the team.
- **Difficulty in overcoming the existing culture of the organisation:** The mindset of many of the workers was inappropriate for the work system that was introduced. They were not interested in participating in the decision-making process and found it difficult to do. Since the company has reverted to its old organisational structure, workers have been happy to be told what to do by the shift leaders.
- **Opposition from the Workers Council:** The company was not able to link remuneration to the performance of the teams because the Workers Council were not prepared to support it. They were unhappy with the concept of variable wages – if production increased, they were supportive of wage increases, but if production decreased, they were not prepared to support a corresponding decrease in wages. Without the support of the Workers Council, changes to the remuneration system could not be introduced.
- **Failure to appreciate the scale of the problem:** Before the introduction of the new approach in 1996, management in MP did not fully appreciate the problems that the new approach would bring, particularly the difficulties that some workers would have in playing an active role in the decision-making of the team.

## THE CONSEQUENCES

The new team-working approach was used for five years in MP. However, they found that implementation was much more difficult than they had envisaged, and that due to the problems that they encountered, the approach was not effective. Last year, MP therefore reverted to their previous, hierarchical approach, which has proven to be much more successful.

## THE CONCLUSIONS

This case study shows that, in some situations, the problems that arise in the use of new forms of work organisation can be so great that it leads to a decision to abandon the approach and revert to a more traditional style of working. In particular, this case shows that team working requires a certain level of skill and a particular cultural approach in order to be successful. When this is absent, team working can fail.