

### Case Study 3

## Dairygold Co-Operative Society Ltd

Partnership has enabled particular business areas within the Dairygold organisation to respond effectively to rising production cost inflation, tighter margins and consumers that are more sophisticated. Organisational change and enhanced performance has delivered tangible benefits to all of those involved in the partnership process.

Important developments within the Dairygold organisation include the approach to change, a structured gain-sharing agreement, job security, and the diffusion of experience with partnership throughout the organisation.

### The Organisation

Dairygold Co-Operative Society Ltd (DG) is one of Ireland's premier food companies with sales of 960 million Euro in 2001. It employs approximately 3,100 people. DG's Headquarters is based in Mitchelstown, Co. Cork, but with production and retailing/trading facilities in Ireland and the UK, DG is an organisation with multiple sites and production facilities. Its operations are focused on the following:

- Dairy products such as cheeses, butters, powders and ingredients
- Beef
- Pigmeat
- Agricultural products such as fertilisers, feeds and farm requisites, and
- Retail Operations – DG has its own chain of retail co-op stores.

DG has undergone significant change in the last ten to fifteen years, including the merger of Ballyclough Co-Op and Mitchelstown Co-Op to form DG itself in 1990. DG is a multi-union environment with the organising unions being TEEU, SIPTU, MSF, AEEU, DEA (Dairy Executives Association), and MANDATE.

As a prelude to describing partnership-type activity within DG, it is important to bear in mind that in an organisation of this type, with a series of brownfield rather than greenfield sites, change can often be difficult to achieve for a variety of reasons. In some areas of DG, there are ongoing difficulties in relation to negotiating change and traditional positions are adopted, while in others change initiatives have been more successful. DG is an example of an organisation where partnership-type initiatives have grown organically, and this brief profile reflects on these initiatives. It is important however to stress that they are not necessarily representative of the whole organisation, and yet are all the more interesting because of that.

### **The Partnership Context at Galtee**

Galtee Meats Pigmear plant in Mitchelstown, employing 420 people on site, has seen a partnership-type initiative in existence for ten years. Faced with rising production inflation, tighter margins, and more sophisticated consumers, Galtee set about ensuring that it remained competitive in the marketplace. Part of this, in the early 90s, included contracting out certain operations such as the canteen to ensure cost stability. When considering options for the maintenance area, management and unions together devised an alternative strategy, that of establishing an autonomous work group. Based originally on the initiative of the union, as an alternative to decreasing the maintenance workforce, the idea was that the maintenance employees would manage and run the maintenance function within the plant on the basis of a self-managed work team. They have responsibility for budgeting, planning of work, and liaising with production. They schedule their own holidays and working hours (within certain constraints). They have their own team leader who negotiates the annual maintenance budget with management. The financial savings on budget are shared between the company and the employees, with the first 25,400 Euro split 3:1 in the employees' favour, and beyond that a 50:50 split.

### **The Results for Galtee**

The results have been impressive for both the company and the employees. The employees have come in below budget every year. Despite a doubling of the pig kill in the last ten years, only one more full-time maintenance employee has been hired (bringing the total, excluding apprentices, to 18). The maintenance manager has been released to work on more strategic issues. The employees now have more control over their own work and stand to gain financially as a result of their efficiency. Issues such as cross-skilling and multiskilling have been dealt with by the group internally on the basis of what's the best way to complete the work most effectively. There has been only one disciplinary problem in the last ten years with the group. They are also quite discerning in relation to, for example, training courses they attend, assessing them rigorously on the basis of the added value they can bring to the group. A key factor in the group's success has been the fact that there was a strong champion on the union side who remains with the group to this day.

### The Extension of Partnership-Type Initiatives to Other Parts of the Organisation

The comparative success of this initiative has led to innovative options being considered in other parts of DG. SIPTU have registered more than 20 team-based partnership agreements within the organisation, although they vary in nature according to the circumstances. For example, in the prepack operation for cheese in Mitchelstown (where blocks of cheese are cut up into smaller sizes ready for packaging), a situation arose where that part of the business was becoming uncompetitive. The organisation was faced with three options: contract out the work, continue in the same way and eventually shut down, or reorganise in such a way that both the organisation and the employees were guaranteed a future within the business.

After a significant amount of consultation between management and union representatives, and communication of relevant information by management such as the financial rudiment of the business, an agreement was reached with the union that the work be reorganised on a team basis, but with the employees guaranteed a basic wage and a gain based on the number of boxes of output produced. Now, the manager meets the employees to brief them with the relevant business information, and an employee representative chairs the meetings. They manage themselves on the day-to-day running of the business primarily. Output is maintained despite the fact that there has been an agreed decrease in employee numbers (either through voluntary redundancy or deployment to other parts of DG's business),

and absenteeism rates have decreased significantly. There has also been significant capital investment by the company in new machinery to facilitate this.

Similar agreements have also been reached in the cheddar operation (where cheddar cheese is made), and also in the process cheese operation (where bulk lots are prepared for processing or packaging). They have not been without difficult moments, and the process of negotiating these partnership-type arrangements can be quite arduous, particularly as, at the time that this is being done, sufficient trust between both sides is not yet necessarily fully established. In certain instances, employees are not ready or willing to take on the responsibilities associated with operating such arrangements effectively, or managers are at best reluctant participants who feel their own roles are under threat.

All parties, however, suggest that the key to establishing and maintaining successful partnership arrangements is the regular flow of information, and the continuing building of trust between management and unions.

In establishing these agreements within DG, the availability of persons internally experienced in relation to partnership-type arrangements has been quite helpful. For example, the autonomous group facilitator from Galtee has facilitated the establishment of a number of the arrangements in other parts of the organisation.

### The Benefits

The DG experience in relation to partnership-type arrangements is that these have:

- **Facilitated organisational change towards enhanced performance in particular business areas. The initiatives within DG are focused on achieving organisational change and modernising the workplace to the benefit of all concerned**
- **Promoted adaptability and flexibility as a key to business success**
- **Introduced structured gain-sharing/ productivity agreements**
- **Assisted in guaranteeing security of employment in increasingly competitive markets, and**
- **Increased employee involvement and the ability to influence business decisions.**