

Case Study 1

Tegral Metal-Forming Ltd

Significant organisational change has been introduced at Tegral Metal Forming through partnership. Work has been re-organised to deliver substantial improvements in both the performance of the company and the welfare of employees.

Developments of interest at Tegral Metal Forming include the re-organisation of work around a skill-based pay system and the implementation of an effective and progressive gainsharing system.

The Company

Tegral Metal Forming Ltd (TMF) is part of the transnational ETEX group. TMF itself came into being in 1977 as part of the then Tegral Holdings Group, that in turn was acquired by ETEX in 1988. Based in Athy, Co. Kildare, TMF currently employ some 80 people and its main activities are cold steel forming, and supplying steel roofing, cladding and flooring products almost exclusively for the Irish market. At present the manufacturing and clerical staff are organised by SIPTU, and craft personnel by TEEU.

The Partnership Context

In 1996/1997, the company faced the major challenge of implementing significant organisational change. A number of factors such as the emergence of new competitors, demands for enhanced service from customers, the prospect of the EU working time directive (TMF had a heavy dependence on overtime working), and increasing aspirations of the workforce led to a debate within the organisation as to how to progress forward and provide an impetus for change. This debate coincided with the development of a NWO (New Work Organisation) initiative at a National level co-ordinated by the Irish Productivity Centre (IPC), and management and unions decided jointly to participate in this initiative. The overall objectives of the programme were to promote the profitability and economic well being of TMF through innovative work practices, job satisfaction and staff development.

The Structures

To co-ordinate the process, an overall partnership forum was established which contained representatives of management and unions (including external union officials). The day-to-day work was completed by a steering committee of eight people representative of key union and management decision-makers, and various joint task teams established to address particular issues highlighted by the steering committee.

An external facilitator was employed to support the process initially, but his role lessened in importance as the partnership process developed and the internal stakeholders gained ownership. Training was provided to the steering committee in appreciating partnership principles, problem solving, and the conduct of meetings among others.

The Activity

The process was kick-started by task teams tackling a number of areas. For example, one team considered the strategy that TMF should employ in relation to its scrap and put in place concrete actions to address this. Another team examined the implementation of a new IT system and made recommendations as to how it would be introduced. The addressing of core business issues that were reasonably 'safe' helped to buy the process credibility, and get some results, but both sides were also using these to build trust and become used to working in this way with each other.

As a result of this initial activity, which worked well, there was general consensus that the process should be moved further forward. A decision was made to establish a team-based structure in one part of the plant, and to ring-fence it for a year as a pilot. This structure was introduced with a team leader, a guarantee was given to employees that earnings would not be lost, and a gain-sharing scheme was designed which was based on sharing the gains based on the cost per tonne produced. The experiment involved significant commitment from both management and employees, and really tested the resolve of those involved in the process. The steering committee and overall partnership forum was useful in helping to resolve issues that arose even though most were resolved at the team level.

The initiative was generally successful, and the company introduced an NWO 2000 initiative which established a team-based system across the plant, implemented a jointly agreed pay system based on skills levels, and used a gain-sharing system based on the cost per tonne mentioned earlier. The change in roles from charge hands to team leaders was a significant one, but generally the system has worked well, evidenced by the fact that the new arrangements are generally viewed more positively than the old one.

However, one aspect that did not work well initially was the gain-sharing system. Part of the reason for this was that the teams were not satisfied with the cost per tonne measurement, having traditionally regarded volume generated as the relevant KPI. It was agreed to establish a joint team to re-examine this issue and recommend an alternative.

As a result, four KPIs (Key Performance Indicators) were jointly established that the teams needed to meet. These were cost per tonne (productivity), hours lost (safety), customer complaints (quality), and delivery time (customer service). A joint monitoring team, consisting of the manufacturing team leader and a member of each of the six

teams, receives a presentation from each of the teams on a monthly basis on how they have performed against these indicators, and determines the gain on that basis to be shared based on the labour budget. This system is now working effectively.

The Benefits

The partnership process at TMF has undergone significant change. From an initial starting point of strong emphasis on structures such as the partnership forum and steering committee, the focus has now shifted to improving the performance of the organisation and the welfare of the employees. TMF cites the main benefits of this approach as being:

- The company introduced significant organisational change, and employees had a significant say in the organisation of their workplace.
- The company now has a stable work organisation capable of being responsive to customer's needs. Employees now have a greater understanding of the customer and market demand. This has arisen partly also as a result of contact with other companies in work organisation initiatives. TEEU have come on board with an annualised hours agreement, and the Office employees now have a team-based system also.
- Overtime has been almost eliminated in the plant, and the length of the working week has decreased for most employees. This has led to a significant improvement in quality of life.
- Very little time is spent on IR issues. While there is an implicit understanding that IR issues are dealt with separately, in practice this is not necessarily the case and task teams have on occasions resolved these issues themselves. Release of management and union reps' time for more constructive activity is a resource not to be underestimated.
- The company has implemented an ERP (Enterprise Resource Planning) system, a further ingredient of change, with an understanding by all of the reasons for its implementation. The relative ease with which new work practices can be adopted is a direct result of the partnership process.
- The costs of the organisation have been stabilised, and employees now have real input into their work, as well as enjoying a degree of flexibility, an innovative gain sharing arrangement, and reduced hours of work.