

International Labour Office

WORKPLACE COOPERATION

A practical guide

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Foreword

National and international product markets are becoming increasingly competitive, requiring individual enterprises to adopt new approaches to the way they operate.

These new approaches recognize the importance of effective labour-management relations at enterprise level and the benefits this brings in terms of increased efficiency, higher productivity, reduced conflict and industrial disputes, increased job satisfaction, and improved decision-making on matters of mutual concern to management and workers.

Many enterprises have made much progress in improving industrial relations in the workplace and provide excellent examples of best-practice from which others can learn. But many enterprises have barely started in making such improvements and, indeed, may not be sure where to begin.

This booklet is intended for managers and workers interested in "getting started" and outlines a planned approach to change that can improve enterprise relations based on information-sharing, discussion, consultation, negotiation, open communication, and mutual respect. Workplace cooperation can be improved in all enterprises – small, medium, and large – provided there is a will to do so and a clear understanding of the steps to be taken.

This publication is a companion to *Workplace cooperation: An introductory guide*, which focuses on the nature, purpose, objectives, and forms of cooperation in the workplace.

This guide has been prepared by Robert Heron, Senior Labour Administration Specialist and Caroline Vandenabeele, Labour Law and Industrial Relations Expert, of the ILO East Asia Multidisciplinary Advisory Team.

Translation of the guide into national languages is encouraged. User comments and suggestions for improvement are welcome.

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1

Workplace cooperation: An overview

Workplace cooperation refers to workers and managers resolving issues of common concern through consultation and discussion.

The main characteristics of workplace cooperation – or labour-management cooperation as it is sometimes called – are:

- It is a **bipartite** process between workers and managers at the enterprise level.
- It is a **voluntary** process in which workers and management choose to work together.
- It may be supported by a legal framework. (Where there is a legislative framework, this can be either facilitative or prescriptive.)
- It involves **open communication**: talking, listening, and information-sharing.
- It is a **pro-active** process which allows enterprise workers and managers to change situations and events by taking the initiative, rather than by reacting to them.
- It aims at establishing a **common approach** – acceptable to both workers and management in a particular enterprise – to issues that concern both parties.

Workers' participation can be regulated by law or collective agreements, but the parties need to be **willing** to consult and cooperate if it is to be successful.

Workplace cooperation can take various forms:

- **Information sharing.** The regular and systematic provision by management and workers of accurate and comprehensive information on a range of personnel, financial, production, developmental, and organizational matters.
- **Consultation.** A process by which management seeks the views of workers on certain issues, but retains the power to make decisions on these issues.
- **Collective bargaining.** The process by which management and representatives of workers voluntarily discuss and negotiate mutually acceptable terms and conditions of employment which are binding for a given period.
- **Joint decision-making.** A process by which workers' and employers' representatives come together to consider and take decisions on matters of common interest.
- **Self-managed work groups.** Teams of workers who have considerable autonomy for their own operations.
- **Financial participation.** Theoretically, a form of workers' participation in the ownership, policy formulation, management, or financial results of the enterprise. In reality, it is often no more than a sharing in the outputs of the enterprise.

There is no direct role for government in workplace cooperation in that it is concerned with interactions between management and workers. The government, however, may facilitate by advising on implementing relevant laws and regulations (e.g. establishment and operation of joint consultative bodies) and through the services provided in workplaces by government labour relations officers and labour inspectors.

Developing better workplace cooperation is not an objective in itself but is aimed at:

- increased efficiency, productivity, and competitiveness of the enterprise
- better enterprise industrial relations
- an improved working environment
- increased job satisfaction and effectiveness
- more effective decision-making within the enterprise
- more equitable sharing of enterprise benefits with workers.

The ILO/EASMAT publication *Workplace cooperation: An introductory guide*, sets out in detail the nature of workplace cooperation, the principles and preconditions which underpin it, its objectives, the parties involved, the forms such cooperation may take, and the factors which influence its development.

This practical guide is based on the assumption that an enterprise **wants** to introduce workplace cooperation or enhance the system already in place. Although the specific changes needed will vary from enterprise to enterprise, there are a number of basic steps of general application if a workable system is to be introduced and sustained. This requires a systematic and planned approach to change.

The process of change

I am interested in the future, for that is where I will spend the rest of my life.

Mark Twain

Change involves making a future situation different from an existing one. Some change is unplanned and beyond our control as, for example, a natural disaster or an accident. But many changes, particularly in the working environment, can be anticipated and accommodated. If change is to be successful, it will have to be carefully planned and managed.

Planned and structured change, regardless of the situation, involves a number of steps.

A. Assessing the existing situation

Change may be either positive or negative. Workplace cooperation is concerned with positive change or improving an existing situation. This requires a clear understanding of the current situation through a process of "taking stock" to assess strengths and weaknesses **before** making changes.

Assessing the existing situation involves collecting information that is accurate, reliable, and up-to-date.

B. Making plans

Planning begins with a **vision** of the future and involves defining the goal we seek to attain.

The vision must be supported by a **plan** which sets out the steps for transforming the vision into reality.

The vision should be a realistic statement of what is reasonably attainable in a given period.

C. Convincing others

Once a vision has been formulated and the specific action steps identified others will have to be convinced that the planned change is beneficial and that the implementation strategy is workable.

This involves communication to clarify meanings, eliminate misunderstandings, and persuade others to support the vision and the plan.

D. Implementing plans

Once the vision and plan have been agreed and endorsed by all affected parties, actual implementation can begin. Inputs or resources are coordinated and transformed to achieve a series of outcomes leading to the ultimate objective.

Effective implementation involves leadership, delegation, supervision, motivation, coordination, and ongoing consultation to ensure that targets are reached and that outcomes are closely monitored.

E. Evaluating results

In addition to ongoing monitoring of change, the final results must be evaluated to see whether the vision has been achieved.

Evaluating involves comparing actual results with planned intentions. It also involves reflecting on the entire change process to see what has been learned and to identify what might be done differently should a further change cycle be necessary.

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Getting started: Assessing the existing situation

Change is not introduced for its own sake, but is directed towards making the future different and better than the present.

To decide whether, how much, and what kind of change is needed, it is essential to know the present situation. This includes a critical examination of these questions:

- Where are we now? What are we doing?
- Why are we doing this?
- Is it working? Why or why not?
- What are our strengths and weaknesses?
- Could we do better?
- What is the current climate? Is there a willingness to change?
- Is the need for change based on external or internal factors?

Assessing the existing situation to decide whether change in an enterprise is needed is fundamental to the goal of improved workplace cooperation.

The need for change may be based on:

- external factors largely beyond the control of the enterprise, for example, a change in consumer demand, more competition, changes in financial markets, privatization
- internal factors largely within the control of the enterprise itself, for example, poor cooperation between different groups of workers, restrictive work practices, or outdated technology.

In assessing the situation, management must:

- collect facts
- consult with workers and supervisors to get their opinion.

In consulting with workers, management must decide on the best way to obtain their opinions. Should this be done:

- formally (e.g. interviews) or informally (conversations)
- collectively or individually
- with or without the presence of supervisors.

Management must be sure of its objectives in having these consultations. The purpose is to **assess the current situation** to verify whether there is, in fact, an internal problem and, if so, its precise nature and dimensions.

Once management has collected all possible information and ideas it is then in a position to establish a vision and make plans. Management should take care that it does not propose or impose solutions **before** the current situation has been thoroughly assessed. Changes, for example, in work organization and practice, will require more detailed consultations once the existing situation is known and agreed.

The current situation for the enterprise as a whole can be assessed through a comprehensive audit or evaluation of its strengths and weaknesses. If this is done regularly problems can be identified early resulting in focused rather than general change.

Such an audit or diagnosis should be driven by the motive to "improve" rather than "prove" – to improve performance rather than prove that performance of a particular division or section is sub-standard.

The audit or performance analysis should include a reassessment of:

- general characteristics, including size, structure, production processes, products, decision-making processes, production costs, profitability
- organizational health, including –
 - absenteeism and tardiness
 - labour-management conflicts
 - worker complaints
 - labour productivity
 - labour efficiency
 - sabotage
 - work accidents

(Organizational health should be assessed not only for the organization as a whole but also for its various divisions, departments, and sections.)

- organizational trust
- communication systems, both formal and informal
- management styles.

The audit process could be complemented by information obtained from:

- individual questionnaires

Questionnaires should be:

- formulated in a neutral way, to encourage respondents to be objective and impartial

Example:

The question "Do you think workplace cooperation in this enterprise is good, not so good or poor? Why?" would be a far more neutral question than "Why do you think workplace cooperation in this enterprise is poor?"

- anonymous to ensure that respondents will not be victimized. (To further ensure objectivity, the results of the questionnaire could be processed by someone outside the enterprise.)
- relevant, concentrating on matters solely concerned with workplace performance.
- individual interviews which might be used to confirm information obtained from other sources, or to obtain information from a source that would otherwise remain untapped. (Interviews need to be structured to encourage the interviewee to provide information that is relevant and accurate and which assists in making decisions.)
- group meetings. (Assessing the existing situation through **group meetings** requires an environment with a sufficient degree of trust and openness for people to give their **real** opinion. Group meetings can be useful in giving feedback on questionnaires and to further discuss respondents' suggestions.

- practices in other enterprises which can be useful in providing a benchmark against which enterprise performance can be assessed as, for example, for labour productivity, absenteeism, labour turnover, accidents, strikes, and work stoppages.
- information from employers' organizations and trade unions on sectorial and industry examples to further assist in establishing best-practice approaches.

Assessing the current situation may require external consultants and advisors. But it should not involve management alone: workers at all levels must participate.

An assessment is only valuable in so far as it is based on facts and the openly and honestly expressed opinions of all involved.

Exercise:

What specific information should be collected and what assessments should be made before introducing change in each of the following situations?

- An enterprise finds that its labour turnover has doubled in six months.
- Management reports 10 instances of managers' cars being vandalized in the company's parking area in the last month. (Previously there were none.)
- All worker representatives failed to attend the management-worker consultative committee meeting last week.

- The number of work accidents has doubled from 10 to 20 in the machining division in the last month.
- Labour productivity in the packaging section has increased by 20 per cent last month and the number of rejections by quality control has increased by 50 per cent in the same period.
- The workers in one division are agitating for quality circles.

4

Getting started: Making plans

Once the existing situation has been assessed, a base has been formed from which plans can be made. Making plans involves:

- setting goals
- deciding what must be done to achieve those goals.

The goal of an enterprise represents its overall purpose or vision. This is usually contained in a statement of purpose, mission statement, or vision statement. Such a statement is usually:

- written
- brief (a few sentences)
- stated in simple terms
- general
- time-specific.

It is a statement of intent indicating what the enterprise would like to achieve and what it sees itself striving towards. Such a statement provides a very broad framework for change.

The goal of an enterprise in establishing or improving workplace cooperation is distinct from the overall goal of the enterprise.

The goal of the enterprise as a whole is necessarily broad; its vision for improved workplace cooperation, however, should be much more focused.

Examples of vision statements for change in the workplace:

Within six months the overall labour productivity in the enterprise will have increased by 15 per cent.

Within four months, a consultative mechanism between workers and management will be operational.

In defining the vision for workplace cooperation, the following questions will have to be considered:

- How much change is needed? (Total or partial?)
- What level of change is needed? Will change require minor variations and substitutions or completely new structures and processes?
- What rate of change is needed? Should change be rapid or slow, at a constant, increasing, or decreasing rate? Different types of change will demand different timescales. For example, change in introducing new products or assessing new markets could take some time because of uncertainty created by external factors. But change involving new consultative arrangements in the workplace could be introduced quickly as this falls within the immediate authority of enterprise management.

Example:

Enterprise X covers a large physical area. On the first Friday of each month, immediately after lunch, the enterprise conducts a management-worker consultative meeting. The worker-representatives from one of the production lines frequently arrive late and sometimes fail to attend at all. Management perceives their non-attendance as a lack of cooperation and as an indication of worker-management conflict.

In assessing this situation, it may become clear that the worker-representatives who fail to attend the consultative meetings have a considerable distance to travel to the meeting room. They are reluctant to give up their lunchtime and if they start immediately after lunch they will arrive 10 to 15 minutes late. Knowing management's insistence on punctuality the worker-representatives often do not bother to attend the consultative meeting, even though they consider it a valuable forum.

The vision required to change this situation could be quite specific and focused, for example:

"As from next month, worker-representatives from all parts of the enterprise will be able to attend worker-management meetings".

To improve workplace cooperation in this case, only minor changes may be needed. Possible solutions would be to pick up these worker representatives by car, to hold the meeting in a more central location, or to start the meeting later.

A vision has to be **time-specific**. If not, it is merely a wish and it will be difficult to gain commitment or get the necessary support from the enterprise stakeholders. A vision such as "we want improved consultation in the enterprise" is too vague, gives no indication of what improvements are to be encouraged, and is not time-specific.

In deciding the time-frame for the vision, it is necessary to think carefully about what is possible and realistic.

Example:

"Within one month the enterprise will introduce and operate a new pay system in all sections and at all levels."

(Clearly, this vision is too ambitious and is unlikely to be achieved due to insufficient time for meaningful consultations.)

"Over the next ten years the enterprise will introduce a performance pay system for workers and managers."

(The time-frame for this vision is excessive and is unlikely to receive the support and cooperation of those affected. The possibility of intervening factors frustrating the vision are just too great.)

Once the vision is clearly established, the steps needed to achieve this vision can be decided. Questions to be considered include:

- **What** has to be done?
- **Who** will do what?
- What are the **priorities**?
- **When** does each step have to be taken?
- What are the **expected obstacles** with each step?
- How can these expected obstacles be **overcome**?
- What are the **resource requirements** for implementing each step?
- How will the implementation of each step be **monitored**?

The more detailed the plan of action, the easier it will be to implement. It will also be easier to detect what is not working should the enterprise fail to realize its vision.

It is important to reflect carefully whether the vision and plan are based on clear assumptions and to check their validity.

Example:

Introducing a performance-related pay system to increase productivity is based on the assumption that performance **can** in fact be improved by a new pay system. It is possible, however, that the general working environment (e.g. temperature, noise, lighting) together with outdated machinery and equipment that is constantly breaking down, makes it impossible for any worker to attain the stated performance targets. In such circumstances, any performance-related pay system will not make a difference. The problem of faulty assumptions can be avoided if the initial assessment of the existing situation is done properly

In developing the action plan for achieving the goal the enterprise should continuously consider these questions:

- Can we achieve our goal with this plan?
- Can we achieve our goal within the set time-frame?

In doing so it may become clear that the vision is not achievable within the time-frame. In such a case, it is likely that the vision will have to be modified and adapted to a more realistic time-frame.

5

Getting started: Convincing others

Creating a vision and developing a detailed plan to realize that vision is not enough. Others will have to be convinced that the planned change is beneficial and that the implementation strategy is workable.

This requires consideration of these questions:

- What are the obstacles to change?
- How can these obstacles be overcome?
- Whose support do we need?
- How will we get that support?

People resist change for many reasons, including:

- fear of new, unknown approaches, preference for status-quo situations, and an aversion to risk-taking
- fear that a new system will negatively influence acquired rights, benefits, power positions, job security
- a lack of knowledge, awareness, understanding, or information relating to the purpose and procedures for change
- apathy, inertia, or a refusal to see that anything is wrong with the existing system
- lack of trust
- negative attitudes based on experience of previous unsuccessful change initiatives

- lack of top management commitment and support
- organizational culture of conservatism and tradition that encourages and supports “always doing the same things in the same way”.

Resistance to change can be demonstrated in several ways, including:

- complaints and anger
- an increase in errors and accidents
- clinging to old practices
- apathetic and “don’t care” behaviour
- outright refusal to apply new ideas
- increased absenteeism
- increased tardiness
- an increase in union activities
- an increase in turnover.

Overcoming resistance and getting support can be done through:

- **educating** others on the disadvantages and weaknesses of the existing system
- **explaining** how the new system will benefit the enterprise, groups of workers, and individuals
- **clarifying** each of the specific steps needed to reach the set goal

- **negotiating** the substance of the plan and the circumstances for its implementation (e.g. persons affected, time-frame)
- **encouraging** participation by individuals in the change process so that they become part of it. (Participation in the change process should start as early in the process as possible. Ensuring involvement in identifying disadvantages and weaknesses of the existing system will gain commitment for change.)
- **allocating** specific roles to individuals so they feel involved
- **creating rewards** for those who implement the desired changes
- **providing** enough time for people to make the necessary transition.

In convincing others of the need for change and encouraging them to endorse a new vision and related plan of action, various modifications to the vision and plan may be required depending on how much resistance is met. This should be accepted as part of the change process and seen as an opportunity to engage reluctant parties in constructive dialogue.

People who have been informed about why something is happening, and have been consulted about how it should happen, will be much more willing to make it happen!

6

Getting started: Implementing plans

This is the part of the change cycle where action takes over and emphasis is placed on **doing**. The emphasis should be on day-to-day management involving leadership, delegation, supervision, motivation, coordination, and consultation.

The main questions to consider while implementing change are:

- Are we making progress? (How do we know?)
- If we are not making progress, why is this? (What is preventing us from doing what we want?)
- What can we do to overcome these obstacles?
- Are we following the planned schedule?

If it becomes clear while implementing change that the desired outcome cannot be achieved, modifications may be necessary during implementation, including a rethink of the overall vision.

A major problem in practice is that implementing the new sometimes takes place while the old system is still in place. Both systems must continue to be managed and regular consultation will be needed to ensure that ultimate objectives are emphasized and achieved. Developing transition structures may also be necessary, including a transition team to oversee the change.

Implementing plans may be easier if:

- training is provided to employees who have to take up a new role
- continuous feedback is given so that individuals know where they stand in the change process
- individual employees are encouraged to take up new opportunities provided by the change
- responsibilities and active roles in the change process are assigned to various employees at different levels
- regular meetings are organized to highlight progress and achievements
- information on reactions to the change are collected to detect possible resistance or difficulties
- coordination between key people in the organization is encouraged and formalized
- two-way, multichannel communication is encouraged and supported to ensure transparency and information-sharing.

7

Getting started: Evaluating results

Evaluating change determines whether the change has been successful, whether we achieved what we wanted, and whether it has had the positive effects intended. It also involves reflecting on what we have learned during the change process.

Evaluating involves comparing actual results with planned intentions and considering these key questions:

- Did we make it?
- What was good?
- What went wrong?
 - Was the vision too ambitious?
 - Was the strategy wrong?
 - Was there not enough support?
 - Did we try to make the change too quickly?
- What did we learn?

If at the end of the evaluation, it is clear that further change is needed, the change cycle can start again.

A. Did we make it?

Evaluation involves assessing whether we achieved what we set out to do. If, for example, our vision was to reduce absenteeism by 50 per cent we need to establish some measures to assess whether this was achieved.

Where the indicators of achievement are less easily measured it is more difficult to assess whether we "made it".

Example:

The vision and its related plan might be as follows:

"Within a period of 6 months, an effective joint consultative process will be established and operational to reduce industrial disputes".

(It would be possible to assess whether the process was, in fact, established, the number of times joint consultation took place, and the points discussed during the consultations. But it would be much more difficult to determine whether the consultations were effective and whether they contributed to reduced industrial disputes. Even if there had been fewer disputes this could be due to factors other than the joint consultative process.)

Assessing whether "we made it" involves a combination of objective assessment and subjective opinion. Thus, in addition to asking "Did we make it?" we need to ask "How do we know?".

B. What was good?

This part of the evaluation process requires us to reflect frankly on what we did well in implementing our vision. This may relate to measurable outputs (e.g. reduction in absenteeism, fewer disputes) but may also relate to the process and procedures that were used.

If an enterprise previously known for a very closed approach to information-sharing decides to pursue a more open approach to information exchange, based on consultation and discussion through worker-management work groups, the process of openness and transparency can be regarded as "good" even if this has not resulted in tangible performance improvement.

Implementing the change could be "good" for various reasons expressed in such statements as:

"We achieved our production targets more easily."

"I was able to speak to my section manager without feeling inferior."

"I realize that the workers in my section know more about their work than I do."

"Sharing information is a loss to no-one and a benefit to all."

"I feel more confident about raising problems with my supervisor."

"I want to learn more about how the workers in my section feel about their work and how improvements can be made."

"These initial consultations have been a positive stimulus to improved contact with shop-floor workers in all sections."

C. What went wrong?

This focus in the evaluation process is not intended to apportion blame but, rather, is seen as a way to identify problem areas with a view to generating suitable improvements in future. The emphasis should be on "improving", not on "proving" that things went wrong.

It is possible to consider many reasons why things went wrong. These include:

The vision was too ambitious

The vision could have been formulated in such a way that it was not realistic or attainable.

Example:

The vision stressed a reduction in absenteeism of 50 per cent but only a 10 per cent reduction was achieved. This could mean that the original target was not adequately researched or that the time-frame to achieve it was too short.

The strategy was wrong

The action plan to support the vision may not have been appropriate.

Example:

There may have been insufficient consultation with workers, particularly those who are more frequently absent. The strategy may have stressed penalties and sanctions rather than incentives or rewards or, alternatively, may have placed insufficient emphasis on penalties.

The strategy may have stressed one-way communication (e.g. issuing circulars, placing notices on the notice board) rather than a two-way communication process to discuss the problem and agree on what action steps to take.

There wasn't enough support

This could mean there was no real support for the vision in the first place or not enough ongoing support to make the vision a reality.

If there was insufficient support in the first place, this suggests the vision was poorly formulated or the process of convincing others to gain their support was flawed. People may **say** they support something but their **actions** may be quite different. For example, people may say they understand that smoking is bad for their health, but continue to smoke. People may say they understand that absenteeism can affect the performance of the enterprise, but repeatedly absent themselves from work!

The lack of support may result from insufficient resources during the implementation and monitoring phase. For example, were staff resources allocated to monitor absenteeism daily and to counsel workers on their obligations to the enterprise?

There wasn't enough time

The change process usually relates to a time-frame and sometimes the vision can't be achieved in the allocated time. The content of the vision may be perfectly sound but the implementation period is just too short.

This mismatch between time and task may reflect:

- poor planning
- a lack of previous experience in making changes in a particular field

- a lack of support resources
- new circumstances leading to new priorities
- a change in key personnel

D. What did we learn?

The evaluation of the change process is not simply a matter of assessing whether quantitative goals and targets were achieved. It is also a matter of considering the actual processes involved to enable the enterprise to learn from its experience and make improvements in the future.

- Was there too little consultation?
- Was there too much reliance on assumptions rather than hard facts?
- Was there too much consultation and not enough action?
- Was the original vision rigidly adhered to or was there need for greater flexibility?
- Was open communication practised throughout the process?

Making changes in an enterprise is more often a process than an event. One change may lead to another, involving new needs, new visions, new plans, and new commitments to manage change for the benefit of the enterprise and its stakeholders.

8

Getting started: A case study

This chapter re-examines the five stages of the change cycle outlined in previous chapters and applies them to an enterprise interested in improving its overall performance through improved cooperation in the workplace.

A. The case

The Ajax Manufacturing Company is a producer of soft toys, mostly for export to industrialized countries. It employs 750 workers, mostly women, some of whom have been with the company for more than ten years.

There is no workers' union at Ajax, mainly because the workers have shown no real interest in forming one. There is no worker-management committee and management has kept workers informed through a public address system, by circular attached to workers' payslips, or by posting notices on the noticeboard. Information is provided on a "need-to-know basis", based on what management thinks is best.

All workers receive the minimum wage and above, and a year-end bonus is paid based on the number of years each worker has been with the company. The amount of the bonus is decided by management without any discussion with workers and is not related in any way to the output of individual workers.

During the last year or so, Ajax has faced increased competition from other companies within the country as well as from overseas. Its profits have fallen and its return on capital invested is a major concern. The management of Ajax considers its worsening situation is due to a combination of factors including the government's inflexible exchange rate policy which has reduced the competitiveness of exports.

Management also feels that its labour productivity is lower than its competitors. It assumes this is due to poor cooperation between different groups of workers in the factory, particularly between those in some sections where the workers are new and those where the same workers have been employed for several years.

The management is aware that some of its machinery is outdated but has been reluctant to make changes because workers will have to be dismissed. It is also worried about the experience of another company where workers were dismissed as a result of new technology and workers tried to burn down the factory in retaliation.

Work practices in Ajax have not changed for many years. Workers often take excessive rest and meal breaks and regular tardiness is not punished. Wastage in the use of raw materials appears to be increasing and the number of toys rejected at the final quality control point has also increased significantly.

Management is aware that if things continue as is, the company will fail and the factory will have to close. It wants things to change and now realizes it will have to do something.

B. Assessing the existing situation

The Ajax Manufacturing Company is aware of the need for change but before it can decide **what** to change and **how much** it must carefully assess its existing situation. In doing so, it should distinguish between:

- external factors
- internal factors.

The **external factors** driving the need for change are:

- increased competition
- reduced exports due to unfavourable exchange rates

- increased prices of raw materials.

In assessing this situation, the management must rely on **facts**. It needs to know, for example:

- the profit levels of its competitors relative to its own
- the method of calculating profits to ensure consistency when making comparisons
- the extent to which exports have fallen and to which specific markets have been affected
- the actual increase in the cost of raw materials and the impact of this on prices and profits
- labour productivity in similar enterprises.

Based on an analysis of factual information Ajax can decide whether there is a **real** problem or not. And if there **is** a real problem, the enterprise must decide whether there is anything it can do about it.

Example:

The factual evidence may show that the inflexible exchange rate policy has indeed created problems for the company's exports. But the company may decide this is a government matter, beyond the company's influence.

There are various **internal** factors driving the need for change:

- poor cooperation between workers
- poor communication between management and workers
- low labour productivity
- inappropriate pay systems

- restrictive work practices
- outdated technology.

In assessing these possible factors, management must:

- collect facts
- consult with workers and supervisors.

It will need to collect facts to help verify whether **possible** problems are **real** problems. It could collect information concerning:

- the size and composition of its workforce in the various productive divisions and the output from each division (enabling labour productivity to be measured and compared over time, and with the situation in competing enterprises)
- arrival times of workers and the length of rest and meal breaks
- wastage rates of raw materials and finished products
- current pay levels per worker
- unit labour costs.

In consulting with workers and supervisors, management must decide the best way to obtain their opinions and the limitations of various approaches to obtaining information in the workplace. Information could be collected by:

- formal interviews
- informal conversations
- questionnaires
- suggestion boxes.

It must also be decided whether to obtain information:

- collectively or individually
- with or without the presence of supervisors
- with or without the assistance of external consultants.

In consulting with workers and supervisors the management of Ajax must be very clear on the **purpose** of such consultations. The purpose is simple: to assess the current situation to verify whether there is, in fact, a problem and, if so, its precise nature and dimensions.

C. Making plans

Once the Ajax Manufacturing Company has assessed its external and internal situation, a base has been established for making plans. Making plans involves:

- formulating a vision of what the company would like to achieve, including its objectives in relation to a time-frame (called "visioning")
- deciding what specific action must be taken to achieve the vision (called "action planning").

Based on its assessed problems, Ajax could formulate several visions and related plans. For example, to address its **external** problems, it may decide to formulate a vision to have government change its current exchange rate policy.

Vision

Within six months, the company, with the support of other enterprises, will have presented a detailed submission to the government justifying a change in exchange rate policy and recommending specific policy initiatives.

Action steps

- Step 1:* Appoint external consultants to develop terms of reference and guide the study.
- Step 2:* Create internal workgroup and appoint group leader.
- Step 3:* Enlist the support of other enterprises, relevant employer groups, and other persons (e.g. politicians).
- Step 4:* Collect information.
- Step 5:* Analyze information.
- Step 6:* Draft report for consideration by senior management.
- Step 7:* Conduct technical roundtable to discuss report.
- Step 8:* Finalize report.
- Step 9:* Submit report and recommendations to government.

If the management of Ajax Manufacturing, after assessing the exchange rate situation, decided there was no point in attempting to influence government because of limited prospects for success, it may decide to have an alternative vision.

Vision

Within six months, the Company will have accessed new supplies of raw materials to offset the low level of export earnings resulting from an overvalued currency.

Action Steps

- Step 1:* Collect information on current costs and usage of raw materials.
- Step 2:* Analyze information to determine likely areas for savings.
- Step 3:* Seek to renegotiate existing supply agreements.
- Step 4:* Identify alternative sources of supply both domestically and internationally.
- Step 5:* Decide whether to renegotiate existing agreement, take on new suppliers, or both.
- Step 6:* Renegotiate new supply agreements.

In drawing up its action plans, Ajax Manufacturing will also have to allocate responsibility to particular persons for the completion of each step and indicate deadlines.

For its **internal** problems there are various visions Ajax could formulate

Vision 1

Within three months the company, in consultation with workers, will have a joint consultative council, consisting of representatives of workers and management, agreed and operational.

Action steps

- Step 1:* Management announces it is facing various production and financial problems.
- Step 2:* Management announces its willingness to discuss these and other problems with workers.
- Step 3:* Management announces it will call a general meeting of all workers to discuss problems.
- Step 4:* Management invites workers in various departments to elect a representative to speak at the general meeting.
- Step 5:* A general meeting of all workers is held at which management and workers discuss their problems.
- Step 6:* A decision is made to form a joint consultative body.
- Step 7:* Working group of management and workers is formed to elaborate terms of reference and procedural arrangements for joint consultative arrangements.
- Step 8:* Workers elect their representatives.
- Step 9:* Management decides on its representatives.
- Step 10:* Workers and management have preliminary meeting to agree on agenda.
- Step 11:* The first meeting is held and outcomes agreed.

- Step 12:* Outcomes of the meeting are communicated to constituents.

Vision 2

Within 12 months, the company's labour productivity will have increased by 20 per cent.

Action steps

- Step 1:* Management explains to the joint consultative body the meaning and importance of labour productivity and provides current measures of productivity within the enterprise.
- Step 2:* Workers' representatives consult with workers on the low-productivity problem and discuss possible solutions.
- Step 3:* Management consults with supervisors and discusses possible solutions.
- Step 4:* Key problems are identified and agreed by consultative bodies.
- Step 5:* Problems are discussed by the joint consultative body assisted by external consultant, as required, and advice is given to management.
- Step 6:* Management discusses final outcome with the joint consultative body.
- Step 7:* A labour productivity improvement plan, including new rewards system, is endorsed.
- Step 8:* The labour productivity improvement plan is implemented and monitored by the joint consultative committee.
- Step 9:* The labour productivity plan is evaluated and reviewed.

From these examples, it is clear that a vision need not embrace all aspects of an enterprise's operations. The enterprise can have a vision for strengthening a work unit, for improving a process, for formulating a new policy, for introducing new structures and work arrangements, or for introducing new pay systems. The number of possible visions is limited only by the vision of the enterprise itself.

D. Convincing others

Formulating visions and developing detailed action plans does not mean they will automatically be accepted by Ajax stakeholders. This requires consideration of these questions:

- Who are the stakeholders?
- How will they react to the proposed change?
- How can they be convinced that the proposed change will be beneficial?

Stakeholders

The main stakeholders in Ajax Manufacturing are its

- owners
- managers
- workers
- customers
- suppliers.

The arguments to convince each stakeholder of the need for change will be different in each case. Each group can be expected to offer some resistance to the change process because of:

- lack of knowledge about the proposed change
- fear of the unknown
- aversion to risk-taking
- apathy and inertia.

For each group of stakeholders different approaches will be necessary to convince it of the need to change.

Owners

Owners are more likely to be convinced of the need to change if it will lead to:

- enterprise survival and greater stability
- increased profitability and efficiency
- enhanced public image
- increased competitiveness
- increased market share.

Owners will want to know that the proposed change has been well researched, that both the benefits and costs have been analyzed, and that known and possible risk factors have been considered.

Example:

Ajax has never employed disabled workers before. It has always thought that disabled workers are less productive than non-disabled workers and less reliable.

The owners may be convinced to change their mind if they are made aware of the financial benefits of employing disabled persons (e.g. financial incentives, taxation concessions) and of success stories for other toy manufacturers who can provide evidence that disabled workers are in fact more productive in certain jobs than non-disabled persons.

The owners may also be influenced and convinced by arguments that Ajax's public image as a caring and socially responsible employer will be improved if it employs some disabled workers.

Managers

Managers are more likely to be convinced of the need to change if it will lead to:

- increased personal benefits, both financial and non-financial
- increased responsibilities
- greater job security.

In some cases, the change may mean a reduction in the number of managers due to restructuring. In such cases, resistance to change may be significant and vocal, requiring that managers be offered a retrenchment package that is seen by them to be fair.

Example:

Ajax is keen to reduce production costs and realizes that over the years it has been paying its managers more and more, but without any significant improvement in performance.

The Company indicates it wants to change the bonus payments to managers from one based on a contractual right (e.g. 2 months' pay) to one related to company performance, meaning a bonus will only be paid if the company's profits are sufficient.

Managers can be expected to resist this change, but may be encouraged to accept it by:

- assurances of job security
- assurances that the new arrangements will not apply immediately
- the prospect of higher bonuses if performance improves
- being offered the possibility of acquiring shares in the company on preferential terms.

Workers

Workers are more likely to be convinced of the need to change if it will lead to:

- increased benefits
- increased job satisfaction
- protection against retrenchment

- increased involvement in decision-making on issues which directly affect them
- a better working environment.

Some changes may involve a reduction in the number of workers. In such cases resistance to the proposed change may be less if workers are notified in advance of proposed retrenchments, if they are consulted in formulating a retrenchment plan, and if the financial compensation for retrenched workers is considered to be fair.

Example:

Ajax, based on detailed financial advice, decides that it must reduce its workforce by 100. Resistance can be expected but management can limit this resistance:

- by providing advance information to workers of the proposed retrenchment (e.g. 6 to 12 months)
- by formulating a plan in consultation with workers on alternatives to retrenchment. As Ajax has no trade union and no formal consultative procedures, a joint consultative body will need to be established for this purpose. It might discuss alternatives to retrenchment including:
 - reduced working hours
 - reduced overtime
 - elimination of overtime
 - early retirement
 - reduced pay
 - agreed temporary closure

- recruitment freeze
- transfer to another enterprise
- leave without pay.
- if it is still necessary to retrench some of the 100, a retrenchment plan will need to be formulated in consultation with workers. This will need to address such issues as:
 - who will be laid off first (e.g. last in, first out; older workers)?
 - will it be possible to volunteer (this runs the risk of the company losing its more able workers who have good prospects for employment elsewhere)?
 - what will the financial package contain? (Will it be the minimum required by law, or will the company offer additional payments?)

Customers

Customers are more likely to be convinced of the need to change if it will lead to:

- better services
- improved product quality
- lower prices, without reducing quality
- shorter time to fill orders.

Example:

Ajax identifies one of its problems as excessive diversification of products. It proposes to eliminate some product lines, which may lead to some negative responses from customers. Ajax could minimize the negative reaction from customers by:

- giving advance information on which products will be eliminated
- pledging improved quality for its remaining products
- indicating that greater efficiency will result with the possibility of lower prices to customers.

Suppliers

Suppliers are more likely to be convinced of the need to change if it

- results in more orders
- allows for longer delivery times
- provides for longer-term supply contracts.

Where a supplier's products are no longer required there is little the supplier can do to influence the customer's decision. The change will be more palatable to the supplier, however, if he or she knows of the reasons for the change, is given a chance to respond, and is given adequate notice of the changed arrangements.

Example:

Ajax reconsiders its supply arrangements and decides to renegotiate the terms of some contracts and not renew others.

For the renegotiation of contracts, the change will be easier for Ajax if it prepares carefully for the negotiations by:

- collecting information from other possible suppliers
- offering larger orders if supply prices are lowered
- considering new arrangements for payment to suppliers (e.g. same price, but payment in 6 months rather than 90 days).

For the non-renewal of some contracts, Ajax would maintain its business image if it:

- provided advance notice of its intention not to renew
- indicated its reasons for non-renewal (e.g. poor quality, slow delivery, high price).

E. Implementing change

In implementing change, the management of Ajax Manufacturing must ensure that:

- all parties affected by the change are informed and are actively involved in the change process
- the "new" and "old" arrangements are closely coordinated to ensure smooth transition
- obstacles to implementation are addressed quickly, openly, and fairly
- schedules are respected.

Involving the affected parties

Care should be taken to identify which parties will, in fact, be affected by the change.

Example:

Ajax decides to reduce its workforce by 100. This will involve specific consultations with those directly affected but should also involve consultations with *all* employees to provide reassurance and motivation, avoiding the negative impact of "me next" attitudes.

Example:

Ajax runs its canteen as a commercial contract with an external caterer. The retrenchment of 100 workers will have a negative impact on the caterer who should be informed about the retrenchment exercise, particularly about the dates when the retrenchment will take effect.

It must also be decided how to involve those parties affected. Should this be done passively (e.g. circulars, letters, notice boards, loudspeakers) or actively (e.g. consultations and discussions face-to-face)? The emphasis should be on active and direct interaction to clarify intentions and avoid misunderstandings.

Coordinating the "old" and the "new"

It is not always possible to make a total change overnight. Circumstances may require that new arrangements are introduced in stages thereby involving an old and a new system working in parallel.

Example:

The Ajax Company decides to introduce a new model of sewing machines in its machining section. There are 120 machines to be replaced but the supplier indicates that the new machines will be available in three batches of 40 each, delivered over a three-month period.

Ajax decides to install 20 new machines at a time. This means that for several months some workers will be using the new machines and some the old.

The management of the change process in this case will involve:

- a training plan to ensure that all workers in this section are trained to use the new machines
- a quality control system to ensure that quality is maintained while workers are learning to use the new machines.

Addressing obstacles

While implementing change it is expected that obstacles will arise which were not anticipated in the initial stages. These will have to be dealt with by various means, including:

- informing and educating
- persuading and motivating
- negotiating and compromising.

Example:

Ajax Manufacturing consults with its workforce about introducing a new pay system in which wages above the minimum level will be related to actual performance. Workers who initially favoured the new arrangements are now resisting because the new pay levels are not as high as anticipated.

Management must regain the support of workers by:

- re-explaining the new arrangements as simply as possible
- reminding workers of the difference between short-term benefits (which may be small) and long-term benefits (which may be greater)
- renegotiating the arrangements if worker resistance to change continues.

Example:

In its effort to increase labour productivity, Ajax Manufacturing agrees to offer increased benefits if workers start work on time and do not exceed the agreed time for rest periods and meal breaks.

After a couple of months workers begin to revert to their old habits of starting late, taking extended rest and meal-breaks, and stopping work before the official time.

The agreement to pay additional benefits in return for the elimination of restrictive work practices is in danger of collapsing. The obstacle is the traditional and customary habits of workers. Management must consolidate the agreed change by:

- consulting with workers and reminding them of what was agreed

- discussing problems experienced by individuals and work groups in complying with the new arrangements
- informing workers about the financial benefits of the new arrangements
- commencing disciplinary proceedings in accordance with agreed procedures, against individuals who disregard agreed work rules.

Respecting schedules

Visions and action plans, by their very nature, are time-specific. But implementing visions and plans requires a full appreciation of time as a resource. The Ajax management should be aware of these characteristics:

- We never have enough, but we have all there is.
- We can't manage time, but we can manage ourselves to make the best use of the time we have.
- Time cannot be stored or retrieved.

These statements serve to remind Ajax of the importance of time management in implementing change. Too often we say "I ran out of time" or "I lost track of the time".

In implementing change Ajax should set realistic time-frames, monitor its progress in both technical and time-specific dimensions, and be prepared to adjust its time perspective if it becomes clear that it cannot effectively implement change within the original time-frame.

But time slippage should not be used as an excuse by Ajax for failing to achieve its goals. Time management is self-management. As with other resources, Ajax must make the best use of its available time and monitor the change process to meet the deadlines which are an integral part of its visions and action plans.

F. Evaluating results

Once change has been implemented Ajax Manufacturing will have to evaluate results. It will have to compare planned results (as stated in the vision) with those actually achieved.

Evaluation can focus on different elements of the change process, and Ajax will need to decide whether to concentrate its evaluation efforts on:

- strategy
- process
- participants
- outputs.

Evaluation can also address different responses to the change process. This requires a consideration of:

- reaction to change
- performance improvement resulting from change
- the ultimate impact of the change on the enterprise.

A **reaction evaluation** is relatively simple and involves asking stakeholders either as individuals or in groups how they feel about the changes introduced and their related processes and procedures. This can be done by interviews, questionnaires, and informal consultations.

Example:

Ajax Manufacturing asks its workers in the machining section to give their opinions on the new sewing machines.

The company asks workers to comment on the new pay system.

A **performance evaluation** is more complicated and is a more scientific approach to assessing whether change has actually improved the work performance of an individual worker or a work group. Indicators would be used to assess whether work performance has improved in relation to time and quality standards.

Example:

Ajax Manufacturing measures the daily, weekly, and monthly outputs of the workers using the new sewing machines and concludes that output per worker has increased by 20 per cent. Accordingly, the performance evaluation is positive and this may be used to support the opinions of the same group of workers obtained through the reaction evaluation process.

An **impact evaluation** is even more complex and attempts to assess what change has done in relation to the problems the enterprise sought to resolve.

Example:

Ajax Manufacturing is on the verge of financial collapse. It introduces a series of initiatives designed to improve workplace consultations and labour productivity. These prove to be successful but after one year, the company's financial position is still precarious.

The **reaction** to the change may be favourable, **performance** through increased labour productivity may be better, but the overall **impact** on the enterprise is negligible because it still faces the same problems as before. This suggests that the initial problem diagnosis was less than optimum. The change process solved some problems but these were not enough to have a real impact on the company's fortunes.