

HIGH ROAD TO WORK ORGANISATION

CASE STUDY

BORGWARNER



Involvement & Participation Association

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Abstract:

BorgWarner, a producer of parts for the automotive industry saw has seen partnership borne from economic problems encountered as far back as 1983. Prompting co-operation from, and a sharing of information with unions previously unseen within the company, a path of consultation was adhered to. Further problems in later years with threats of job losses due to lack of orders from trouble-hit customers prompted more compromise and new initiatives. The information sharing, coupled with employee involvement in company decision making are key to the partnership strategy. The development of this is long set to continue.

HI-RES Case Study: BORGWARNER

Sector

Automotive components

Key Words

Consultation; collective bargaining; co-operation; partnership; information sharing; employee participation

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1. Background Information

BorgWarner Torq Transfers is the UK subsidiary of BorgWarner Inc., based in Chicago. The Margam plant makes and supplies automotive components and systems such as 4-wheel drive transfer cases, synchroniser rings and systems, and flexible brake bands. It currently employs around 200 employees, although at its peak in the 1970s it employed 1,700. Since a few years after its inception in 1969, it has recognised the main engineering unions. The staff union, ASTMS, declined in membership during the 1980s, and no longer has a presence. Staff and shop floor alike are now represented by a single-union deal with the AEEU.

2. Drivers for Change

In its early years, the organisation of the Margam plant was extremely hierarchical, with some seven layers of management and supervision between the shop floor and the Directors. Managers managed everything, almost never seeking employee involvement in decision-making. Industrial relations were conducted in the Negotiating Committee between seven shop stewards and the managers in the classically British tradition: explicitly adversarial, with the territory between management's prerogative and employees' resistance - led by the very well-organised unions - fought over on a daily basis.

Events leading to Partnership part 1: 1983

There is no doubt that the partnership at BorgWarner was borne amid dire crisis, as economic fortunes in the volatile automotive industry conspired against them.

When in 1983 the anticipated penetration of BorgWarner products into European markets failed to materialise - Margam's raison-d'être in the eyes of Chicago HQ - a new MD arrived with a remit to introduce productivity improvements to maintain Margam's future or oversee the plant's closure over three years. The orders had dried up, the redundancy packages had been agreed and the plant went into closure mode. However, the 536 remaining employees demanded something be done to save the plant. This signalled a crossroads, and initiated a decisive break with the old adversarial relations in favour of a burgeoning partnership.

The crisis prompted unprecedented co-operation. This was very difficult for people on both sides to begin with and to work toward as on both sides there were key players steeped in tradition. But, as is often the case in the early stages of partnership relations, candid presentations from the MD who insisted on briefing the workforce set the context, explained for the first time the state of the business and its future prospects, with the implications for the workforce. This required patience as it was viewed with suspicion by the union initially who had become accustomed to secrecy. Such information was only forthcoming when the management team deemed fit to share it. The union accordingly tiptoed into the more collaborative working relationship, testing management's words against their actions. In fact, the new MD demonstrated the strength of his convictions. This included the arrangement of joint benchmarking visits.

Project Phoenix 536.

So named after the remaining employees, the plant saving plan demanded from BWTT employees technical ability, flexibility and trust-based industrial relations. The last objective was supported by a groundbreaking six-year pay deal split into two parts, with set salary increases for the first three years, and a commitment to negotiable further increases in the second period subject to performance. While under the obvious duress of potential plant closure, the deal stabilised industrial relations, and secured a wary commitment to the change programmes.

Events leading to partnership part 2: 1993-94.

Chicago HQ was impressed with the scale of change, the production systems introduced and the performance levels achieved at Margam. The US parent continued to bestow

upon Margam greater levels of autonomy and decision-making. In 1993, the plant added synchronisation systems and flexible brake-bands to its portfolio of products. However, business alliances with Saab and Volkswagen failed and the Margam workforce faced another crisis.

The managers began consulting with the unions 3-5 months prior to the final decision's deadline for the judgement on how best to respond to this problem. Intensive joint analysis over the consequences to the business took place in the main consultative forum existing at the time as well as in a set of joint cross-functional working parties.

In emotionally charged meetings, the MD presented a clear, powerful, and indeed incontrovertible business case for a qualified version of 'LIFO', (Last-in-first-out principle). Reluctantly the union representatives agreed to support the management's argument.

Tensions were, unsurprisingly, running very high. For that year's pay round the union was expecting nothing to be offered. In fact, the MD wishing to placate the workforce, so suggesting a new dawn, and to help instil within the workforce a sense that the management wished sincerely to restore the levels of trust that had been established, but then damaged. He offered an above inflation pay rise with numerous fringe benefits, but added a two- year enshrined guarantee of no redundancies. This action incurred the wrath of the parent company.

The deal afforded the Margam management enough stability to approach the AEUU with the suggestion that both parties should seek to codify formally the new joint problem-solving arrangements. The AEUU readily agreed.

In 1994, work began. The talks took some 18 months in the main consultative forum and in joint working parties. A model of partnership working was presented by the IPA and discussed at length.

The talks eventually bore fruit with a document that was initially called the '10-point plan', but which became known as 'The Margam Way'. The first issue of the latter was ultimately produced jointly in April 1997, and was endorsed by a majority show of hands at a special union meeting.

Events leading to partnership part 2: 2000-2003.

The intense competition for automotive parts has given Margam plenty of headaches and challenges throughout its 32 years. Its dependence on large orders from the major car manufacturers leaves it vulnerable in such a cyclical product market.

The trials of Rover Group hit BWTT hard in 2000. When the company needed to lay off some employees - around 30 - it informed the union immediately. Meetings to consider suggestions to safeguard jobs took place, often four a week but in the end the 33 redundancies were achieved as agreed in 'The Margam Way', with the temporary employees going first then employees according to the agreed criterion. The process is considered to be the fairest system possible and while it is obviously hard for those leaving, the remaining workforce have not reacted badly, and the company makes an effort to remain in contact with those who have left should fortunes turn again.

The cancellation of a follow-on order from Land Rover precipitated another potential closure crisis in 2000. When the interviews for this case study were conducted, the mood was one of stoicism, 'here we go again', but also a determination from the managers, union and the majority on the shop floor to prove to Chicago that we have the right attitudes [for success]. Nobody ever gave up, from the top to the bottom.

The company arranged with the union for additional incentives to keep the workforce meeting customers' orders when defeatism might have reigned. The incentives included shift premiums, and adjustments to the attendance bonus - 'win-win' solutions. At last, BWTT Margam was rewarded. A sizeable order came through from the Korean car manufacturers Hyundai for a new KIA off road vehicle project, and one may be forthcoming from another company. The KIA order is good for the next five years, but is dependent upon Margam introducing new lean production methods, systems and

techniques in a relatively short period of time. The workforce is geared for new changes to their work schedules.

3. Characteristics and Process of Change

'Margam Way' is BorgWarner's partnership agreement. It has been amended and upgraded over the years to what is now a lengthy document, over 50 pages, and it remains a live document, by which is meant its terms are subject to regular reviews by a dedicated team with the remit to discover means of implementing continuous improvement processes. The last amended issue came out in February 1999.

The 'Margam Way' document was intended to be more about the way of discussing [employee relations], not the detail. This way of thinking and discussing is expressed in the opening section that sets out the philosophy behind the agreement.

Partnership at BorgWarner - present structures and processes.

BWTT Margam has its ubiquitous common mission a statement that commits all working for the firm to customer delight through continuous improvement. The statement aspires to create an environment of honesty, trust and consistency of purpose.

A distinctive feature of the way that BWTT operates at the Margam plant is the sheer volume of information on the state of the business in circulation. Successive managers since 1983 have recognised that to persuade people of the need for change there must be frank, open and honest sharing of information and no hidden agendas. It is a practice that the BWTT management is passionate about. Performance at company, departmental and team level, including the financial outcomes, are reviewed regularly in weekly briefing sessions. All employees especially the union representatives are entitled to view all of the company's financial records including long-range plan forecasts and activity costings (the cost and benefits of each production section), warts and all. In fact, the wages clerk was a union shop steward. Twice a year the two plant managers address the entire workforce on the state of the business. While there is some time set aside for questions and answers, a few shop floor employees intimated that it was not always long enough.

The employees, primarily through the union channel, are involved in planning and administering the business at Margam. Union representatives are invited to attend senior management meetings where they are party to BWTT's business plans and have considerable input into putting the business plans together. The forum established under 'The Margam Way' now meets on an ad hoc basis and comprises the HR department, the two plant managers and the works committee of seven union representatives (the now full-time convenor and his six shop stewards).

In addition, 24 continuous improvement teams, what BWTT call 'process teams', have been established at the site to challenge the status quo and improve the processes in three areas:

Each team takes responsibility for a particular part of a process and makes the needed improvements in small-step changes.

The firm's collective bargaining over pay, once a protracted, debilitating and distressing process, now takes half an hour and fits into our teamwork philosophy. The comparison between the union's current and prior tactics is stark.

A central component is the recruitment and selection policy, which seeks to identify those candidates who might best fit the collaborative culture at BWTT. Each prospective candidate is subject to a set of questions tailored to the job profiles established in 'The Margam Way'. These include preferred team roles, problem solving and scenario handling as well as the technical requirements of the job. These are complemented with a battery of individual assessments and team games observed by managers. The induction then aims to inculcate the values of BWTT. Over a full day, a cross-functional set of employees including the union meet with the new recruits. This flatter structure allowed for broad-banded job profiles based on Hay points, which defined job requirements (including accountabilities) as well as behavioural competencies. These were supported with

personal development plans for each employee, designed to try to mould an effective 'Margam worker'.

4. Obstacles to Change

The union's officials are subject to considerably more antagonism from the shop floor than are BWTT's managers. When members were asked to comment on the role of the union, a curious pattern emerged: shop floor employees were quick to express disappointment even contempt for their officials and shop stewards but none indicated that there might be a groundswell of enthusiasm or energy for ousting the present representatives or demanding forcefully more militant policies. A petition for an external representative to be present at 1999's negotiations over redundancy terms prior to 2002 was rejected, as was a request for an emergency meeting to discuss the union's response. One union member had his suggestion for an operator to sit in on union-management meetings as an observer laughed at.

This too is a common attitude expressed by union members in partnership firms usually in the absence of calls for, or indeed, a general enthusiasm for more aggressive stances. Nobody at BWTT indicated where or from whom such a challenge might come from. A shop floor operative and a shop steward both suggested that if everyone is still being treated fairly and equally under partnership the few militants, with half-hearted calls to arms, would remain marginalised. This seems to be the case.

The American parent company does not, on the whole, view trade unions positively. Enduring conflicting relations with the UAW union in their home plants has scarred their experience. The Chicago HQ does not deny that its Margam subsidiary has some impressive systems, and operates in a very different work culture to that of North America, but they remain highly sceptical about the value of unions.

By and large the staff members, when they offered an opinion, in true phlegmatic fashion many had failed to notice a discernible difference between working lives now and working life in the adversarial 1970s, were agnostic or lukewarm in their support for partnership. This is a finding common to most partnership organisations. Partnership, it would seem, has its greatest impact on the key players: the union officials and the senior managers, group leaders and HR and it endows these key players with the authority to then seek commitment from their respective constituencies, who if they do not resist outright, can be expected to go along with the agreed change programme. For those on the shop floor its impact on their thinking and indeed their view of the company seems minimal.

5. Risk Analysis

In a presentation to attendees on an IPA visit to the Margam plant in 1999 the then MD expanded on the rationale behind partnership: Partnership will develop through open, honest and consistent participation (face-to-face, good news and bad). It maintains the involvement of people. Partnership creates know-how and understanding of business needs. It provides input and feedback from the base (from those who carry out and 'action' the business). Partnership minimises (although does not does not eliminate) conflicts, misunderstandings, suspicions of hidden agendas, false perceptions, and surprises.

6. Benefits of Change

The most notable impact of 'The Margam Way' has been its adaptability to change, and the resilience of the processes detailed in the text. There is no doubt in my mind that without the partnership this plant would have closed, the convenor declared. The attitudes and behaviours encapsulated in 'The Margam Way' have survived the tumultuous recent history of the plant. The plant is still operating and has plans to grow and that for many at Margam is testament enough.

A specific benefit came with the resolution of issues surrounding team supervision in production. For years the company had sought a form of self-managed teams, but had met with wariness and resistance from the production workers who had seen what had

happened to the foremen, and who worried about who should supervise, and the implications of their new status 'vis a vis' the rest of the team and their union membership. Complete devolution of authority had not worked - we had 10 people bossing everyone around, instead of one - and nor did 'detached' team facilitators, whose position resembled too closely the foremen of old. Following 'The Margam Way' enshrining joint collaboration into the collective agreements governing the plant, the union and the management examined possible solutions in successive joint cross-functional working parties. We sought ideas, and tried to let them [the production staff] make the decisions, recalled a group leader in production. BWTT agreed to appoint leaders from within the team rather than have them outside the team. Each team leader on each line now co-ordinates production on that line, overseeing the team-managed rota for jobs and ensuring that orders are met in full on time (the right part in the right quantity and the right quality to the right customer on the right due date). The team leaders also conduct the weekly team briefings and monthly quality briefings. For the convenor the system is now hugely successful, the best thing to have happened at the company. He, and many respondents for this case study, attributed the change of outcome to the improved union-management relations following 'Margam Way'. The agreement had set in stone commitments to working flexibly for success, and to seeing a joint solution.

A further example is the negotiations over a crippling overtime culture, perceived as a right by the union members, but a debilitating drain on resources for the managers. The convenor described the process of consultation: Management explained that the overtime pay was killing the company, with figures, and they asked, 'how can we do it?' A cross-functional meeting was set up to examine it, and it was very constructive.

In cold hard figures terms, BorgWarner's turnover in 1993, shortly before 'The Margam Way', was £20m, but with dying products and just those 183 remaining employees. In 1997, these figures had risen to £35m, with 330 employees and growing products. Now, the workforce is back to around 200, but with the KIA order volumes are set to quadruple, and extra recruitment may be possible in the coming years. The first people to be contacted will be those who took redundancy.

On quality internal rejects fell by 50% between 1997 and 1999, supply-chain rejects by 75%, warranty costs were reduced by 80%, and the number of accidents by a half.

Outside the agreed redundancy programmes employee turnover is as near too negligible as possible, at just 0.5%. Attendance, encouraged by the attendance bonus, is around 98%.

After a number of years fine tuning its communication processes, especially how to get timely information to its night shift teams, the plant achieved Investors in People accreditation in 2000.

The environmental audit has been a triumph for the plant, with plenty of suggestions forthcoming from the staff, and for the business, the ergonomic use of resources and reductions in spillage has cut its running costs significantly. Another outcome is that the plant is brighter, cleaner and happier place in which to work... The yard now looks fabulous.

The award of the KIA project ensures the plants survival for the next five years.

Conclusions

For those in Margam, at the sharp-end in a plant facing extremely difficult commercial trials, the partnership arrangements agreed in 1997 - but which began much earlier in 1983 - have been one of the decisive business strategies that has helped to keep the plant operating, and its people in employment.

That the agreement has survived in the face of such challenging circumstances can be explained by the enduring robustness of attitude and behaviour from the key players on both the management and the union sides. All parties have retained a determination to act in a collaborative, joint problem-solving manner, and importantly all parties have

worked to secure gains for both the business and its staff from any change programmes. This has been facilitated by a consistency in personnel driving the partnership - the managers have each been at the plant for over 15 years, and the union's succession process for its convenor has maintained consistency of purpose since 1983 - but the innovations in 1997's 'The Margam Way' have made a telling contribution. The sensible, realistic text set out clearly the aspirations of all parties, and set parameters around BWTT employees' behaviours beyond which nobody would be tolerated to venture. It is true that these strictures have caused resentments among some within both the union and the cadre of managers. But the business benefits cited above, and the survival of the plant, vindicates the approach. The next five years look secure for BorgWarner at Margam.

It is hoped that the story told here can offer practitioners and analysts alike insights into the process of establishing, developing and then sustaining and improving partnership at work.

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