

HIGH ROAD TO WORK ORGANISATION

CASE STUDY

Gargnäs Elteknik



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Abstract

After the financial crisis at Gargnäs Elteknik in 1989, resulting in burn-out for the managing director and owner of the enterprise, major changes were made to the methods of running and organising work. The managing director made radical changes to his way of working: the employees were given considerably greater responsibilities for making decisions and developing operations. Initially the enterprise engaged an external consultant to identify problems and solutions together with the personnel - in groups. The project groups drew up plans for improvements and assumed the responsibility to implement them. The result was a rapid growth in skills and energy in the entire enterprise, which strongly contributed to an increase in the enterprise's competitiveness, turnover and number of employees.

At the beginning of the 2000s, when there was an increase in competition in the sector as a result of its internationalisation, the enterprise entered a new difficult period with falling demand, personnel reductions and increase in absence due to sickness. Both this crisis and the earlier crisis appeared to have their origins in an imbalance between intentions and capacity: a very strong motivation to achieve results, without the requisite skills to achieve these results, resulted in a vicious circle. But even the latter crisis created new driving forces for change in activities. On this occasion it was a case of finding a role on the market that corresponds to the skills level of the enterprise and, at the same time, to strengthen the skills of the employees.

HI-RES Case Study: Gargnäs Elteknik in Gargnäs

Key Words

Work organisation; Leadership; Change process; Rapid growth; Lack of skills

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1. Background Information

Gargnäs Elteknik is one of the Nordic countries' leading manufacturers and suppliers of cables and electrical engineering products and supplies international industry in the fields of electronics, communications and industrial electronics. The enterprise has its own factories in Gargnäs and Skellefteå, and manufacturing units in Murmansk in Russia and in Riga in Latvia. It has 170 employees, its sales are SEK 180 million, and the proportion of its products that are exported amounts to some 50%.

2. Drivers for Change

During the first half of the 1990s, the enterprise's work organisation developed considerably. Important driving forces were low levels of profitability and shortcomings in quality as a result of poor planning and the concentration of responsibilities and powers to management. The factor that triggered off the change was a case of work-related burn-out for the managing director. This was caused by high levels of ambitions that were not matched by adequate knowledge of business management and business economics. With a critical audit report and with the support of an external consultant, the managing director led the work with change which was characterised by much greater participation on the part of the personnel than had previously been the case.

3. Characteristics and Process of Change

The process of change was started by the consultant interviewing the employees and helping to draw up an inventory of problems. The personnel were divided into groups with the task of identifying and discussing solutions to the different problems in the organisation. The work organisation was developed in project form which enabled more employees to share responsibilities and powers. One clear change was the increase in participation of all employees in the handling of problems at the enterprise. Frequent meetings were held, different aspects of the situation were communicated, and necessary measures were discussed to assure quality, to meet deadlines and to achieve financial objectives. The daily coffee breaks were turned into opportunities for the rapid solution of acute problems. A new culture of cooperation was created.

During the 1990s the enterprise grew rapidly. From having been about ten employees in the beginning, the enterprise had, at most, 200 employees (1999). But an increase in internationalisation made new requirements in respect of the skills of its employees which were difficult to meet. The volume of exports went from 0% to 50% in ten years. The enterprise proceeded from being a producer of cables to become a coordinator of production in several countries. One growing feature is its role as a trainer of personnel at factories abroad. From having originally been on the manufacture of cables, the core activity was transformed into transferring know-how on production to others.

4. Obstacles to Change

During the changes at the beginning of the 1990s, the problems were related to internal conditions. The need of a change in the internal division of work towards a greater degree of delegation of responsibilities and powers was obvious to all and met no great obstacles. Possibly internal communication could sometimes be too slow in relation to the high pace of development.

At the beginning of the 2000s, the obstacles to development are of another type. The possibilities to raise the employees to requisite international standards in respect of strategic purchasing and business development have proved to be limited. At the same time the geographical location of the enterprise in the north of Sweden constitutes a problem from the recruitment point of view. This situation has created new challenges for the process of change at the enterprise.

5. Risk Analysis

The rapid growth of the enterprise was interrupted in 2000. This was partly due to the economic recession which affected many sectors. Where Gargnäs Elteknik was concerned, the change came very rapidly. In a short space of time turnover fell from SEK 280 million to SEK 180 million per year. The necessary restructuring was accomplished by selling off some activities. The number of employees was reduced from 200 to 170. But the increase in competition, which was a result of internationalisation, was a negative surprise for the enterprise. Many of the problems that had been solved in the 1990s were suitable for the skills the personnel possessed. Many problems were solved due to the exceptional great engagement shown by the employees. But faced with the harder competition that the enterprise encountered later, enthusiasm was not enough. The levels of skills were quite simply too low. The result was a new crisis and with personal consequences this time also. Some of the employees were affected by work-related depressions. The parallels with the crisis of ten years before were striking. Due to their lack of requisite knowledge, the situation of the otherwise capable and ambitious key persons has become untenable. The differences between the past and present is that, in the past, the managing director was affected due to his inability to organise internal activities. Now members of staff are being affected due to their inability to meet high external demands.

6. Benefits of Change

To exaggerate somewhat, it can be said that the main benefit of the changes implemented at the beginning of the 1990s was that the enterprise survived. Without the in-depth analysis, the development of communications and forms of working, and the review of the divisions of work between management and the personnel, the financial problems in the enterprise would have continued and probably led to closure.

The rapid growth of the enterprise - from a turnover of SEK 4 million in 1989 to SEK 280 million in 1999 was possible by establishing new production facilities and through the energy that was created in the organisation with the enthusiasm of all the employees. Efficiency increased, quality and profitability were improved. Turnover per employee increased from SEK 0.4 million in 1989 and SEK 3 million in 1999.

For the personnel, the changes made in the 1990s involved personal development and increased confidence. Many were also given greater freedom of action in their work and an increase in their responsibilities for contacts with suppliers and customers. As a whole the organisation became more of a learning organisation. Faced with the need for changes that the enterprise has met in recent years, the open communications and culture of cooperation were great assets.

Conclusions

1989-1999

Awareness of the crisis in 1989 was essential for the process of change.

The insight into the potential of the employees to participate in solving problems was of decisive importance.

The will to draw conclusions from the analysis and to engage personnel in the necessary changes.

The attitude on the part of the employees to assume more responsibilities and powers was of great importance.

The ability of the managing director to reconsider his role and style of management.

The right to make mistakes - essential for a learning organisation.

Changes in the content of work, greater requirements in respect of qualifications, greater variation.

2000-

Lessons learned from the successes of the 1990s have laid the foundation of a culture at the enterprise that is of great value for the future.

One of the most important lessons learned that has held true is the importance of customer contacts for those responsible for performance where customers are concerned. This has led to greater knowledge of the fundamental relationships in activities and to an increase in communications capacity and, in recent years, also to improvements in language skills.

New external requirements and a new role on the market has confronted the enterprise and its personnel with new requirements in respect of their skills. Attempts to meet these new requirements offer considerable opportunities for development for those concerned but, at the same time, contain frustration and have in some cases even constituted a pressure for transformation that has been greater than what can be described as healthy. New demands that are only met by a great engagement in one's work engagement can lead to personal crises.

External requirements have arrived faster than the pace of the enterprise's training activities has been able to meet, and possibly some requirements are higher than the actual development potential of some employees.

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