

# **HIGH ROAD TO WORK ORGANISATION**

## **CASE STUDY**

### **IDEAL CARADON**



**Peter Cressey**

**University of Bath**

**March 2002**

**Abstract:**

Ideal Caradon's turbulent past in terms of ownership and adversity provides useful examples as to the issues surrounding partnership. A company of two operations, that of boilers and radiators with a Chief Executive acting as a common denominator, Ideal has progressed down a path of mutual relations. Openness and trust exist between management and unions, with a view to defending and securing the company's survival through competition against external forces rather than suffer the effects of internal conflict.

# HI-RES Case Study: IDEAL CARADON

## Sector

Heating/Boilers.

## Key Words

Ownership issues; management/union relations through adversity; openness; trust; communication forums; security.

## Table of Contents

### HI-RES Case Study: IDEAL CARADON

Sector

Key Words

|   |          |
|---|----------|
| <b>1. Background Information</b>                | <b>1</b> |
| <b>2. Drivers for Change</b>                    | <b>1</b> |
| <b>3. Characteristics and Process of Change</b> | <b>2</b> |
| <b>4. Obstacles to Change</b>                   | <b>2</b> |
| <b>5. Risk Analysis</b>                         | <b>3</b> |
| <b>6. Benefits of Change</b>                    | <b>3</b> |
| <b>Conclusions</b>                              | <b>4</b> |

## 1. Background Information

Ideal Caradon manufacture water heaters, primarily of the domestic bathroom variety. They employ approximately 650 people, comprising of manufacturing staff, service engineers and a field sales force. In addition to this, the company employs 45 Research and Development (R & D) staff, pattern toolmakers, maintenance and engineering workers as well as office staff. The latter are made up from accounts and sales employees.

The majority of staff are male, as the foundry industry itself is very much 'male dominated'.

The company has had a chequered history of ownership and is now purely a heating business having had the boiler manufacturing aspect of their company sold off when they were recently bought by a conglomerate of banks. Ideal have UK sites in Mexborough (South Kirby) and Hull with European bases in Holland and Turkey. Manufacturing work at the site is arranged around teams, working shifts of 4 days a week for the majority of the year and 5 days a week at peak periods.

The predominant union in Ideal is the GMB (the initials are not an acronym, rather they are the conglomeration of many mergers that have taken place between various trade unions in the UK). In terms of Ideal Caradon, they represent the semi-skilled workforce and as such, the majority of the staff, being those of the manufacturing workforce.

## 2. Drivers for Change

Ideal admit to being a very cyclical business, especially given the nature of their products and the seasonal requirements of most customers. Having formed their own agency to deal with recruitment and employing from their own temporary workforce (where permanent contracts can be subsequently awarded), Ideal does not have problems with recruiting. Rather, it is the financial constraints of redundancies and retention of staff from outside the local geographical area that pose problems.

A large demand for products this year has prompted overtime working. Although there are targets to be met, which mean a potential extension of delivery times and possible loss of customers and/or orders, issues of pay and working conditions are, of course, of prime importance.

This led to an agreement between the union and the management to use annualised hours, where a set amount of working hours for the production staff was set out and adhered to.

Another key shift in working patterns was the move from incentive to non-incentive pay, which in effect gave the workforce a common system of remuneration for the year. Staff would now know what the minimum they could to earn this year and only by going onto shifts or overtime could it alter.

Historically, management and trade unions would not speak to one another, on occasion even using the media to communicate.

This adversity, coupled with issues such as the changes in ownership caused the company and the union to bond together and look for 'win-win' situations wherever possible.

The closure of the company's Greensand foundry in 1988 was also a traumatic and significant time in Ideal's history. A lot of people were lost from the site and during this period there was yet another change in ownership, exacerbating difficulties in work and attitude yet strengthening relations through adversity. As a result, weekly meetings were held with all the staff there.

This situation led to a period of openness by management and consequentially a respect from the workforce towards the honesty that was said to have been shown. According to Ideal, this was the only real time that the management and the unions actually came together. It was recognised that fighting among each other instead of the opposition was

the key and without that learning curve, they would not have survived to this day. It was therefore a case of having to work together with an ethos of non-conflict and deciding on a path of mutual trust.

### **3. Characteristics and Process of Change**

As far as partnership itself is concerned, there were no structured meetings. Ideal admit that they never felt it necessary to formalise or put into writing an actual partnership agreement. Trust is the order of the day with verbal agreements and assurances being made.

Where major issues are to be dealt with, the company forms what it calls a 'mini TUC' (referring to the structure and policies of the Trade Union Congress in the UK). As well as the GMB, there is also the Associated Workers Union (AWU) that 'looks after the trades' and for problems arising from both these unions' members, these meetings would be held. However, from the company's point of view, they are technically a joint consultation committee.

In terms of characterising partnership, management is seen to very rarely go into consultation with a blank sheet of paper. Decisions may be altered marginally but very rarely to a large degree.

In contrast, the union generally let management know in advance, in terms of what is important to them and therefore, management decision-making could be said to be influenced by the union(s).

One example is the company's aforementioned annualised hours plan, an illustration of almost automatic building in of trade union influence into management decisions.

Ideal have specific structures and institutions in place for discussion and consultation. One of the most prominent is their individual board meetings. There is a minimum of monthly meetings with the shop stewards and this is a semi-informal open forum, where any subject can be discussed.

Confidential matters are treated as staying within the four walls of the meeting and there is a general atmosphere of trust.

### **4. Obstacles to Change**

As with problems with recruitment and retention of core staff, retaining management has also been a concern in the past, not, of course for the same reasons as that of the manufacturing workers but more for reasons of inflexibility and attitude. As the company moved towards empowerment, removing positions like 'supervisor', 'foreman' and the like, Ideal found that managers could not let go of the reins. Promoting a move from supervision to the newly named 'Support' positions, it was apparent that some were unable to make that transition. However, this was not solely the action of manager as both production staff and shop stewards that could not adjust and subsequently left the company.

Also, when the Greensand situation arose, alternative positions and status in working were rejected by some of the longer serving staff, warranting a move towards sub-contracting of the work. This ended negatively when the sub-contractors were unable to produce adequately the products in question.

As would be expected, a relationship between unions and management will have its critics, however this is not always from its members. Where the GMB maintains that constant information and the chance for members to air their views and problems will keep them satisfied, it is the non-members that will critique the 'cosy' relationships formed between union and management.

Previously, mention of an increase in production also illustrated problems in meeting demand. The company acknowledge this is stretching production capabilities and as a result is 'throwing labour at this problem', consequently operating inefficiently by it.

This in turn seems to be leading to staff working 'harder rather than smarter', coupled with uncertainty in working on a new product, order reductions through lost deadlines and perpetrated by language and terminology which is bad for morale and confidence. This is on a par with the difficulties in both perceptions and definitions of partnership.

Constant issues of changing ownership raise suspicion among staff on the shop floor, as this in turn can lead to changes in redundancy terms, pensions and other intrinsic benefits the workforce are seen to hold dear.

## **5. Risk Analysis**

Forums and meetings are not the only steps Ideal have taken to procure an atmosphere of mutual benefit. Ideal recently brought in Total Quality Management training, self-admittedly approaching it from the viewpoint of 'training the trainee or do (their) own training'.

Every person in the plant was sent on a course, the more senior staff tending to go on four-day courses on Total Quality Management to manage the business.

Training of the present Support teams was also initiated to combat the aforementioned departure of those staff that found it difficult to adjust to a more empowered ethos of working from a less hierarchical perspective. Unfortunately, for many it was either not enough or simply too little too late.

This is in line with other programmes that appear to be in place, in particular a path of coaching and counselling which is carried out in preference to and before any loss of jobs through inadequacy of work are taken. 'Sacking', therefore, would appear to be a final resort under these conditions.

An 'MTM' (Measured Time and Motion) study is in place at the time of writing. MTM is 'a predetermined motion time system' where all time taken to produce each of the portions that the various workers assemble are already predetermined according to the plant data that has been built up. It is, in essence, another means of work-study.

The MTM practitioner does not just study staff but, as the company argues, also educates them. The practice has been ongoing for a year and is currently being refreshed in an attempt to attack labour inefficiency.

Issues that Ideal are currently dealing with are those of resurrecting meetings for staff in which they have adequate time to talk to one another, communicating on local issues and to focus on injecting new ideas for and through new products.

Where the products had not changed for a long time, the staff are running out of ideas for improvement simply by looking and working on the same materials and products as they had done a year or even five years previously.

## **6. Benefits of Change**

The medium of individual board meetings has helped the company and the union in terms of decisions being made that formerly may have demanded a vote from the (union) members.

The benefits of this structure are that not only are they seen to be enjoyable but consequently there is a high turn out and the participants are genuinely interested. Therefore the input is increased and there is more scope for debate and resolution.

Shop Steward and representatives' meetings are also beneficial logistically in the sense that it is very difficult to talk to all 650 staff members at once in a reasonable manner, whereas discussions with representatives every month are much easier and more open.

With reference to the staff that found adjustment to empowerment difficult, if not impossible, as a contrast those who did stay and find themselves repositioned in the hierarchical infrastructure are said to be comfortable within the partnership arrangements. Of those that did stay, which is the 'vast majority', they have shown a definite flair for working together and feel that they have now some input. This is also

advantageous for them as they are obtaining information they would previously have not had access to. Empowerment therefore is not (in this instance) about relinquishing authority or status but gaining access to information and contributing to the partnership process through discussion, if not consultation.

Partnership is seen within the company as promoting honesty and openness from each party. There is a sense of developing trust as exemplified by the move from incentive to non-incentive pay or from standard hours to annualised hours.

Within this there is seen to be the benefit of a lack of confrontation and a 95% agreement in the decision making process. Understanding of the business, understanding of the decision making process and a feeling from the staff that they have been involved and therefore can support the decisions that are made are all results of the process.

Not having an actual written partnership agreement is seen to work particularly well for both Ideal and the unions.

## **Conclusions**

In an industry which is constantly under pressure from mergers, acquisitions and competition from both the UK and abroad, Ideal as a company seem lucky to have survived at all, at least in their present incarnation. Being a cyclical business, they are themselves sometimes victim to the paradoxical nature of supply and demand, finding that an increase in orders can be problematic in as much as the demand can, in effect, be too high. High demand can lead to pressure of production within a given time-scale, in turn resulting in a possible delay in delivery and consequentially lost or cancelled orders.

Although initiating training programmes for staff that felt uncomfortable with internal changes in working structure and status, some employees including managers who could not adjust to losing their authoritative positions, did indeed depart the company. However, for those who stayed, it is felt that they not only contribute more, but also benefit from the partnership process that Ideal is currently trying to promote.

One key factor in the process is the relationship with GMB, the principle union for the company and the representative body for the 'semi-skilled' manufacturing and thus core workforce. Agreements such as annualised hours, moves to incentive pay and a readily agreed two-year pay deal highlight the discussion and mutually beneficial nature of the union-management association.

The relationship between the management and union parties evolved from a long history of adversity, brought about by mutual distrust and non-communication except, in some cases, through third parties. Much of this was alleviated by a bond which formed through some particularly fraught and unsettled times, including the closure of the Greensand site and the inclusion of another change in ownership.

Ideal are also seeking to resurrect previous forums, which fell by the wayside, in an attempt to further the process of communication. In addition to these, MTM studies and TQM programmes have been instigated. Both these concepts are an attempt to train and educate staff, in line with the training given to the aforementioned employees who resigned due to internal structure changes and a policy of coaching and counselling for staff for which it is deemed necessary.

Shying away from terminology such as 'rules', Ideal and GMB see partnership as providing openness and honesty from each party. Trust, flexibility, guidelines, lack of confrontation, understanding, involvement, communication and input are all key words that characterise the partnership process within Ideal.

The future will be an ongoing process of these concepts, coupled with seeking resolution on issues of ownership and alleviation of the insecurity that it causes. Ownership and subsequently job security is important for moral and production. Ideal want success by taking the challenge to meet the demands and generating change from within, rather than being at the mercy of external changes from buy-outs and ownership issues.

In other words, proprietorial issues form the basis of changes that are required for the future. Information concerning identification and longevity of ownership are suggested for easing tension and mistrust from staff in terms of employment, pay and benefits security.

Management see a successful business by taking the challenge to meet the demands and generating change from within rather than acting on external influences as key requirements.

---

### **Publication Details**

**Published by:** University of Bath

**Publication date:** 2002

**Journal:**

**URL:** -

**Revised:** -

**Notes:** -

© 2002. University of Bath. All rights reserved.