

# HIGH ROAD TO WORK ORGANISATION

## CASE STUDY

### H & R JOHNSON



## Involvement & Participation Association

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### **Abstract:**

H&R Johnson ('H & R') manufactures ceramic tiles. They went through some considerable change management initiatives in the 1990s, such as cost cutting, improved productivity and a major investment programme, which led to production automation. Since the late 80s, the workforce has been cut from 2300 to 1500.

Despite these changes H&R were still faced with inefficiencies and inflexible working arrangements. The threat of closure as a manufacturing plant was apparent.

Prompting changes in working practices, continuous improvement and total quality focus was achieved with trade union support. The first agreement (the "Johnson Accord", in May 1991) was sent to each employee, and subsequently endorsed by ballot. A second agreement (the "Johnson Accord II") was endorsed the following year, and comprised a new pay deal, a simplified pay structure, and, importantly, improved consultative and collaborative employee relations.

Negotiations with the trade unions began in 1998, aiming to 'streamline' some of the HR practices. The details of the deals were painstakingly prepared, and the deal itself was carefully promoted throughout the organisation.

The challenge now is to make the new deal in terms of new practices and ethos work for those employees who remain.

# HI-RES Case Study: H & R JOHNSON

## Sector

Ceramics.

## Key Words

Working practices; trade union participation; accord; communication; efficiency; flexibility; credibility; company-specific.

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## 1. Background Information

H & R Johnson is a long established and major element of the ceramics industry. Based in Staffordshire since 1901 and a member of NORCROS group of companies since 1979, they are the largest manufacturer of ceramic wall and floor tiles in the UK. They have the dominant share of British market as well as growing export trade (20% of the company's sales).

## 2. Drivers for Change

At the turn of the previous decade this "comfortable" market leader had to respond to changing technological advances and fickle, fashion-led demands for differentiated products with an assortment of flexible work practices. It brought in new managerial blood, drawn mainly from the motor industry, including Ray Fletcher (once of Rover, now at Remploy) and David Dry, from the employee-owned Baxi Partnership. Both men were committed advocates of partnership-style industrial relations and although presented with the option of de-recognising the unions, they sought employee involvement in the changes to work practices needed.

Since the late 1980's, the company has been through a series of far reaching changes in production and working practices. Manifesting itself into the 'Johnson Accord', this is a complete recasting of terms, conditions and procedures governing relations with the workforce. It seeks to introduce a simplified payment system and grade structure but also performance appraisal for manual workers.

In the past, the ceramics industry has been characterised by relatively labour intense production methods involving heavy physical labour rather than high workforce skill levels. During the 20<sup>th</sup> century, the industry has seen a series of separate developments giving long periods of untroubled growth and market buoyancy. By the 1980s, the whole industry was faced with strong pressures for change: increased competition, decline in the UK construction industry and competition from international markets all put pressure on costs as well as product quality.

Changes in technology had already led to increasing automated production, removing large amounts of manual labour from key areas (stacking and handling, etc.).

The company could foresee future waves of technical changes as, for example, the way the tiles were produced. Also, there was shortening in product life cycles, which reflected to a greater degree the fashion consciousness of the market.

Johnson had been responding to these pressures for change for some time. Cost cutting, improved productivity and a major investment programme in the 1980s had led to production automation. Since the late 1980s, the workforce had been cut from 2300 to 1500 in three years.

The perception from the company was that more was needed in fields of working methods and practices. Although staff numbers and therefore labour costs had been reduced, the way in which work was organised and jobs were designed and carried out remained substantially unchanged. The payment system and structure was extremely complex and fragmented to the point where the company had an incomplete understanding of the make up of their labour costs.

The industry agreement, to which the company was party, imposed a daunting and rather antiquated set of procedural regulations on working practices and on terms and conditions of employment. It also produced a very time-consuming structure of industrial relations that involved the company first in industry-level negotiations and then local negotiations to agree the interpretation of the terms of the industry deal for the company's specific purposes. From the company's point of view, this was both costly and antithetical to the need for rapid changes in production methods and manning.

The company agreed that a logical starting point for tackling this would be a review of the payment system so enabling the company to get a closer grip on the pattern of working practices that underpinned and exacerbated the fragmented payment system.

As the review got under way, a more searching analysis of the company's relationship with its workforce began, prompted to some extent by the arrival of new senior members of the management. One of the issues that the company addressed early on in this process concerned its relationship with the trade unions (the company recognises the Ceramic and Allied Trades Union (CATU), the AEEU and the MSF as union membership and representation is high).

H & R Johnson asked themselves what they gained from recognising trade unions and what conversely they would stand to lose if they were to withdraw that recognition. The unions were seen as an integral and legitimate part of the fabric of the organisation with deep roots in the locality and the rest of the industry. An attack on the position of the unions, it was felt, would therefore be seen by employees as a hostile move against them and this might well engender a negative reaction against the company's plans for change. At the same time, the company calculated that there were gains in prospect if they could take the unions with them. In particular, the company stood to gain enhanced legitimacy and credibility for its plans in the eyes of the workforce if it could be seen to have gained some sort of endorsement, however passive, from the trade union.

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

As far as the *structure* of the company was concerned, the principal changes in the company comprised of the following:

- Withdrawal from the industry agreement (though not from the employers' association) and the creation instead of a company-specific deal.
- Movement towards 'single table' bargaining covering the whole company in the place of fragmented, separate negotiations involving eight other negotiating groups.
- Concentrating on dealing with in-company union representatives, rather than with 'outside' full time officials.

Changes in *style* were geared very much at breaking away from the long-standing and entrenched 'game of bluff' (basically the unions claims, the company's subsequent response, the union's counter-claim and eventual compromise) that had grown around the negotiating relationship between the company's management and the workforce's representatives. Johnson's management set out to demonstrate through a series of episodes that they were keen to build positive working relationships with union representatives, the area over which they would actually concede joint regulation through negotiation would be limited, as would the number of iterations that they would go through during negotiations.

In the company's eyes, this approach has not resulted in a marginalisation of trade unionism in H & R Johnson. Meetings and discussions might be less frequent and certainly less time consuming but they are seen as more businesslike and engaged with the core issues facing the company. They are, in other words, very much part of the change process.

Communication is seen as a central component of the new style of employee relations in the company. The volume of communication has increased dramatically since the management set out upon the new path. A multi-channel approach towards communication has been used with a heavy emphasis on face-to-face between staff and their local managers. This put the spotlight on the communication skills of first line managers. They have also made efforts to respond to the agenda of issues identified by staff as meriting greater communication (training opportunities is one example).

Changes in the *substantive* content of the employment relationship at H & R Johnson have been pursued vigorously with the initial review of the payment system acting as a spur for as wide ranging reform of terms and conditions of employment.

These changes were brought together in a framework called 'The Johnson Accord', an enabling agreement between the company and the trade unions. The radical nature of the changes carried through by the company can be illustrated by some of the key components of the accord:

- The consolidation of a wide range of supplementary and bonus payments into a much simplified pay structure.
- A major reduction in the number of different job categories and grades, with the target of moving over 18-month period to a structure comprising only two broad employee classifications.
- Manufacturing Employee and Commercial and management Employee and only two categories within each classification.
- The acceptance of full mobility and flexibility between these classifications and categories, subject only to skills capacity.
- The establishment of regular team briefings for all staff.
- The introduction of regular performance appraisals and development reviews for *all* employees.

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

#### **5. Risk Analysis**

The Accord is seen as a framework document, within which detailed discussion and negotiation will continue to take place in order to develop particular areas.

There will be the need for smarter production processes, with a corresponding increase in the skill levels and training requirements of the workforce. Second, the rate of diffusion of new technology will be high.

#### **6. Benefits of Change**

The company has succeeded both in introducing an important set of specific changes to working practices and payment systems, designed to support key business goals and in creating a framework of employee relations which has the following characteristics:

- It is *company-specific* and free from the influence of external, industry-wide arrangements.
- It is *efficient* in terms of management time.
- It provides the company with *credibility* in the eyes of the workforce through the involvement of union representatives in the design of changes.
- It provides a greatly enhanced degree of *communication* in a manner that enables the company to control the agenda of what is actually communicated
- Above all, it provides the company with far greater *flexibility* than hitherto and the ability to respond therefore rapidly to changes in demand or in production technology.

#### **Conclusions**

H & R Johnson, a leading competitor in its field, has had to respond to changing technological advances and attitudes in demands for differentiated products.

Cost cutting, improved productivity and production automation are examples of the company's long-term responses to shifts in the market. Downsizing the workforce was both necessary and prudent although productivity still suffered.

Further changes focused on working methods and practices and with a recognition and committed path of involvement from the unions, 'The Johnson Accord' was initiated, a framework which reflected the needs and individuality of the company, without being externally affected by the industry.

The structure and benefits of this agreement were seen in the simplified pay structure, the reduction in job categories and grades and the establishment of team briefings, performance appraisals and development reviews for the whole workforce.

As an agreement, both management and the employees see it as being efficient, credible, flexible and communicative. Communications is seen to be one of the paramount goals of the company.

The ceramics industry is fickle and prone to change due to perceptions and attitudes in product designs, fashions and style. Looking ahead, H & R Johnson is working on the assumption that the Accord, including the role that it contains for trade unions, will provide the support that it will need in tackling some of the major changes and challenges that it can foresee arising in the years ahead.

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