

HIGH ROAD TO WORK ORGANISATION

CASE STUDY

Labofa A/S



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Abstract

Labofa A/S manufactures office furniture and has 165 employees. The factory introduced autonomous groups in production at the end of 2000. The start was a local collective agreement. During a two-year period, managers and employees were prepared for the changes via a process-oriented preparation. The result of the complete preparation was that the autonomous groups functioned satisfactorily very quickly after they had made agreements with each other, and at a high level compared with other autonomous groups.

HI-RES Case Study: Labofa A/S

Sector

Manufacturer of office furniture.

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Abstract

'Good Practice' Case Study: Labofa A/S

Sector

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1. Background Information

Labofa A/S manufactures office furniture for the Danish and Scandinavian markets. Labofa A/S is a part of Skandinavisk Industri, which is owned by Skandinavisk Holding A/S. Skandinavisk Industri consists of Labofa and Munch in Denmark, Gispen in the Netherlands, President in England, and Labofa in Germany. Labofa A/S is situated in the city of Skælskør two hours' drive towards the southwest of Copenhagen. Within the past year, the factory has merged with another furniture factory, which has moved production and employees to Skælskør. Thus, today, the factory has 165 employees of whom 55 work in the production.

Like other factories, Labofa has been faced with demands of increased efficiency and effectiveness and adaptation to new market and competition conditions. As a consequence, Labofa has, for several years, been rationalising and trimming production. Over the past four years, moreover, goal-oriented employee development has been in focus. The result has been introduction of autonomous groups. The aim was to develop broader jobs with more tasks and, in that way, increase flexibility. After a preparatory phase of two years, autonomy was started at the factory with participation of all employees in production and warehouse.

2. Drivers for Change

As stated above, the driving forces were demands of increased efficiency and effectiveness. The production management was of the opinion that the demands could best be met, if the traditional rationalisation methods were coupled with employee involvement. The philosophy was that the employees made up a valuable resource that had not been put into action under the traditional management form. The production management assessed that there was a great deal of hidden knowledge and experience among the employees. The employee group - consisting of both men and women - mainly consists of unskilled workers, who, during many years of work at the factory, have acquired valuable knowledge of production of office furniture. Therefore, the goal

for the production management was to make the employees participate constructively in the effort of developing production and making it more efficient and effective.

The production management had confidence in the employees' resources, and believed that they could be utilised constructively, if they were developed in the right way. The shop stewards at the factory were convinced that the employees could contribute to a positive development, if they were given more responsibility and competence.

The result was that management and shop stewards in connection with a local collective bargaining agreed to introduce autonomous groups. Consequently, both managers and employees started a close discussion regarding what type of autonomy they wanted to introduce.

Therefore, production management and shop stewards visited a number of enterprises that had introduced autonomy or group production. These visits had great impact on the type of autonomy that was later introduced. The enterprise visits also had consequences for the process that was subsequently initiated at the factory. Thus, it was clear to everybody that introduction of autonomous groups required careful planning and a long change process for both managers and supervisors.

3. Characteristics and Process of Change

It has been characteristic for the change process that employees gradually have become prepared to take on a responsibility in relation to planning, execution, and control of the work. Even though the employees have profound knowledge and experience, it has been new to them to be consulted in the various decision-making processes. To a very high degree, it has been necessary for the employees to get accustomed to their new function, where more responsibility and competence has been transferred from the supervisors to the employees.

A working group consisting of the production manager, the supervisors, and the shop stewards governed the project of introducing autonomous groups.

As previously mentioned, management and shop stewards began by making an agreement concerning autonomous groups. Afterwards, they visited four enterprises that had all introduced autonomous groups. Experiences from these made management and shop stewards begin developing visions of how their autonomous groups were to be formed, and, not least, they found out what pitfalls they could risk to fall in in connection with different methods of introducing groups.

During preparations, all production employees and supervisors participated in a co-operation course at Roskilde folk high school. It was a five-day-course that had been shortened to last 2 ½ days. The course at the folk high school prepared them for working in groups. The employees received training in problem and conflict solution, and knowledge of what impedes and promotes good co-operation and communication at a workplace. Not least the social life had great significance for the continued work with the change process.

Subsequently, the working group initiated the work of drawing up visions and determining the framework for the way the autonomous groups were to function. The work was carried on at the enterprise and terminated with a framework agreement detailing visions and purpose.

The working group formulated that the aim was to develop

- greater productivity so that Labofa A/S becomes and maintains a position as a financially attractive enterprise in the office furniture business
- common targets that are clear and unambiguous
- good, open co-operation that creates even better co-operation between colleagues across occupational areas and management
- greater joy of working through an increasing degree of responsibility and competence being delegated to the employees. Furthermore, the employees of Labofa A/S were to

have better possibilities of personal development and of making use of their professional knowledge for the benefit of the enterprise

- a better workplace attracting and keeping qualified employees.

Both salaried and non-salaried workers were informed during the process. Seminars were arranged concerning autonomy and the expected changes for the employees. In the non-salaried group, several were against the changes because they could not overview the practical consequences of taking on the responsibility of their own production area. Through the process-oriented preparations, insight and readiness for the changes were established. In this process, the framework agreement had great importance, since employees discussed the content and its consequences during the process. Everybody were asked as to whether they had ideas and suggestions to changes and additions to the framework agreement.

For the salaried workers, a seminar was arranged where they discussed the framework agreement. Especially the meaning and consequences for the salaried employees were discussed. The production layout was changed and adjusted in relation to the composition of the groups.

After the preliminary work had been terminated, all the autonomous groups made an agreement as to how they were to function in practice. This happened in connection with a two-day external seminar. All agreements were written down after a thorough discussion as to how the autonomous groups were to function internally in the groups and across the groups.

After the seminar, the groups began planning their work on the basis of production lists, as they had learned to organise production and manning. After the first year, three groups function well and two groups function less well. They are capable of assessing capacity and lending employees to other groups in need of extra help. They are not as good at giving colleagues time off in lieu of payment for overtime, if there are too many employees compared to production needs.

4. Obstacles to Change

The greatest obstacles have been to convince all supervisors, salaried workers, and other employees that autonomous groups would result in greater satisfaction, more flexibility, and increase efficiency and effectiveness. Therefore, it has been necessary to prepare everybody very thoroughly for the changes. Introduction of autonomous groups can result in negative experiences and results, if the production management does not understand that it is necessary to invest time and energy in preparing the entire staff for the changes. In this case, this understanding has been present, and work has been done in a process-oriented way the whole time, i.e. the obstacles encountered in the process were evaluated and included in the further work. The approach was that the changes were not going to proceed faster than it would be possible for all employees to keep up with the process and be ready to enter the autonomous groups.

During the process, obstacles have been cleared away, which could have worked against the function of the groups. As a result, the piece-work system was ended and a system with hourly wages and bonus was introduced. The result was more co-operation and flexibility between job functions in groups and across groups.

A large number of administrative procedures were changed in order to ease work in the groups. Among other things, it became possible for the employees to cancel finished products.

5. Risk Analysis

Many external circumstances will be a constant threat to the survival of the autonomous groups in the long term. Therefore, it is important for managers and employees to realise that new situations can arise, which can pose a threat to the autonomous groups. Often, a group has co-operation problems of a varying degree. In this case, two groups have

had problems. In one group, the co-operation problems required external assistance in order to solve a locked situation. Another group has a number of problems which managers are working to solve. Generally, however, the groups have solved the problems themselves or in co-operation with supervisors and shop stewards, before they turned into serious conflicts.

Another risk is that supervisors and employees return to their old 'roles' and forget to keep agreements. It happens to almost everybody in the first period after the changes - and also in this case - that a supervisor accidentally tells the employees how they are going to solve a task. Correspondingly, employees can forget that they are no longer to ask the supervisor if they are going to have a holiday, or what they are going to do if one group is too busy. For most it is difficult to get accustomed to the new procedures, and it takes some time.

There is a risk that the individual group will pay more attention to its own work area and work against co-operation across the groups. In the beginning, everybody was very eager to work together across the groups. Gradually, it became a bit more difficult to give off employees to other groups. Therefore, co-operation across the groups became an important theme, which is being worked on continually.

The process of developing the autonomous groups can stagnate if sufficient resources are not available to keep developing the groups, for example if there is a lack of project funds for further development of the groups and for education and training for production management. The lack of resources in these areas has had the result that the planned further development of the autonomous groups has been temporarily stopped, and that production management has not received the planned tools to handle the social processes in the groups.

The steering group had 11 members at the onset of the project and functioned well during the introduction of the autonomous groups. However, in connection with the day-to-day running of the enterprise, the group became too big, and, therefore, it was changed to consist of six members, i.e. the production manager, supervisors, and shop stewards.

6. Benefits of Change

The result of the thorough change process was that supervisors and employees were ready for the change. The surprising element for everybody was that the autonomous groups, in a relatively short time, had implemented all agreements entered into, partly between management and shop stewards and partly between the employees in the individual autonomous groups. They had quickly understood the principles of planning the production orders in detail, preparing a staff plan and correct in case of sickness or other types of absenteeism. They had quickly prepared lists of those who were to co-ordinate work in the group. The plan of organising a group workplace with boards and computer equipment was quickly carried out.

The preparatory work soon showed results in the form of greater flexibility. The main part of the employees was satisfied with the change, and relatively quickly they were ready to expand their responsibility and competence. Most employees were quick to take over the responsibility for production. Compared with other autonomous groups in enterprises that had not prepared such a thorough introduction, Labofa has succeeded in obtaining a good result fairly quickly after the introduction of the groups. Three out of five groups functioned quite well not long after the employees took over the responsibility for the groups' work areas. Two of the groups have had a need for continuous intervention by production management regarding the function and co-operation patterns of the groups.

An internal questionnaire study has shown that most employees are very satisfied with the changes and experience that their work is very gratifying and challenging. Therefore, they do not want to return to the way they worked previously.

Conclusions

This case exemplifies that it pays to work process-oriented and spend time on making agreements before changes are implemented. The agreements were clear and were accepted by supervisors and employees. Consequently, the groups fairly quickly took over responsibility for the groups' work areas. Today, three groups are functioning well, but in the case of the remaining two groups, production management has to work continuously with development of function and co-operation. Moreover, the case shows that it is important to set off project funds to maintain and further develop the autonomous groups after the thorough preparation and implementation. Otherwise, the function of the groups will suffer from the consequences.

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