

HIGH ROAD TO WORK ORGANISATION

CASE STUDY

Heineken



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Abstract

Organisational change at one of the largest breweries in the world was a difficult process with many obstacles and risks. Having believed that change was necessary, the management had put a lot of energy into motivating and involving the employees and in creating a flexible new organisational structure which did not involve forced redundancies. The case study describes the process of change, the problems confronting the company and the ways in which they managed to deal with these problems.

HI-RES Case Study: Heineken

Sector

Nace Code DA 15 Manufacturer of food products and beverages: a beer brewery

Key Words

Flexibility; sociotechnical change; team work; beer brewery

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1. Background Information

This industrial cluster is the second largest beer brewer in the world and produces 70.4 million hectolitres beer per year (Nace code DA.15, manufacturer of food products and beverages). It is the largest beer exporter in the world and has 100 breweries spread over 55 countries. It employs over 31,000 people. It is a multinational company and sells beer in 170 countries.

The production unit in Holland was built in the seventies and brews about 8.5 million hectolitres beer. It is the largest brewery outside the United States and employs approximately 2,000 people.

2. Drivers for Change

In the eighties the company felt that change was necessary. Reasons for this were a stagnating market, increasing international competition, decreasing brand loyalty and more product variety. In addition, developments in the labour market such as the increased level of education and lower acceptance of authority required new forms of organisation. Heineken was a modern company with good brands and a high level of employee loyalty. However, it was very hierarchical and bureaucratic, with many layers and rules. It had a low level of entrepreneurship and a low cost consciousness. These aspects had to be changed with the help of sociotechnical change and design principles.

3. Characteristics and Process of Change

The sociotechnical change was aimed at reducing the hierarchical levels and creating a less bureaucratic organisation with a high level of entrepreneurship and a high cost consciousness.

The first change emphasised the use of the strong brands and a reduction of costs. After that the change process was commenced; a framework was created that showed what the company would look like. The management team controlled this process. The company would be split up in five units: the two production units, two commercial units and one Distribution & Customer Service unit. After this, the management of the different units would control the change process. An external consultant was used to provide support.

A two day conference was held, at which the management worked further on the change approach. It was decided to make a rough design first and then work on a more detailed design. It was also decided that the management would work on the organisational renewal itself without starting up a project group. At the conference it was decided what topics could be discussed and what topics could not. Once the rough design had been drawn-up, assignments were allocated to departments with clear guidelines. In this way the departments and their borders were clear, as well as what the organisation should look like in the future. The team work concept was chosen to be further developed. The assignments were carried out by work groups consisting of employees of the involved departments and employees of the supporting departments. One or more members of the factory committees or unions participated in all work groups. By allowing them to participate, the openness of the dialogue was improved which speeded up their advice.

The rough structure was further developed by each production unit itself. The aim was to reduce the number of layers, to move supporting tasks to the line and to give future managers a more integral than functional role. A consequence of this was that there would be too many middle-managers. One of the conditions for the change however was to retain the same workforce with no redundancies. Employees at the medium management level were selected on many criteria (eg knowledge, education, experience, willingness to develop etc.) The selection of employees for the new functions was done top-down by means of selection teams consisting of the future chief and a representative from Human Resource Management. Middle-managers who could not be appointed in the new functions were supported by an education project to enable them to find a suitable job as soon as possible or to re-train them.

Having completed the rough design, a detailed structure was designed for which about 20 work groups were formed. These work groups aimed to further develop the departments and the teams.

In summary, the change process consisted of the following steps:

- Development of a new framework of the organisational structure.
- Development of the change approach.
- Development of the rough organisational structure.
- Development of the detailed organisational structure.

4. Obstacles to Change

The main obstacle was the unwillingness of the employees to change because of previous conflicts between employers and employees which had led to strikes.

In addition, the setting up of the work groups was often difficult because employees were afraid that they had no freedom to develop a new organisational structure. They thought that the management already had blueprints available and that their ideas would not be taken into account. Some employees immediately considered the managers to be incompetent because they were unable to provide answers to questions regarding the new structure.

The trust of the employees had to be gained which required extra effort to improve communication and therefore extra time.

5. Risk Analysis

The main risks / problems of the renewal process were:

- In such an organisational change process one of the risks is that some groups are ahead of other groups. This can be good if they draw the slower groups along with them, but there is also a risk that they may get too far ahead of the rest.
- Another risk is that with the concept of self management unrealistic expectations can arise about the new responsibilities. Because of enthusiasm some employees want to take care of everything themselves. This sometimes requires readjustments.
- The design of the rough structure was considered to involve too much talking and to be too abstract. The design of the detailed structure was considered as more concrete and therefore more interesting.
- Working with the same people as before the change sometimes led to the appointment of people who were not qualified for the job. The process of training these people was often more painful than if they had been made redundant.

6. Benefits of Change

The benefits of the change process consisted in the first place of a reduction of the hierarchical layers and an improved flexibility. Because of more autonomy the teams and the individual employees have more interesting work which leads to a higher quality of work and of work relations.

In less than a year, the work groups at the company had risen to the challenge set by the business. They achieved the OEE improvement target across no fewer than nine packaging lines, and by doing so also enabled a significantly increased export volume. Their success had instant, knock-on benefits for other parts of the business. And all this was carried out while reducing fixed costs significantly.

But perhaps the most satisfying outcome for everyone was the culture change at the company. The desire to accelerate change towards an achieving and self-managed team had been fulfilled - and at a speed that far exceeded expectations.

As evidence of this, management and shop floor together proposed and adopted a process of continuous improvement, and set themselves more, ambitious long-term goals - confident that the systems and the culture were ready to meet them.

Conclusions

The change at one of the largest beer breweries in the world was not an easy one. Many obstacles slowed down the process of change and continuous participation and motivation of all employees required energy from the management. As management believed in the renewal they were therefore able to keep the employees motivated. Together they managed to changing the organisational structure in a radical way without any forced redundancies.

This new structure enables the company to be flexible in adapting to changes in the environment and therefore keeps the company competitive.

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