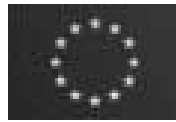


# HIGH ROAD TO WORK ORGANISATION

## CASE STUDY

### Fredricsons Trä



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#### **Abstract**

Fredricsons Trä, a wholesaler and importer of wood and wood-based products, has been selected for the Hi-Res project as it is an example of an enterprise in which the incidence of learning is higher than in other enterprises working in the same sector and with the same number of employees. This sector is characterised as a labour-intensive service sector where, normally, the incidence of learning strategies is low. At Fredricsons Trä, a process of change was started in connection with a change in ownership. Since 1992, the enterprise has cooperated with a psychologist/management consultant. The main objective of the changes has been to increase cooperation and understanding between different groups of staff and thereby to improve the competitiveness of the enterprise. Fredricsons Trä AB is one of a sample of enterprises drawn from ITPS's FLEX-2 survey that was made in 1998. The data is based on information obtained from telephone interviews, questionnaires and databases on some 4000 enterprises in 1990-97. In the year 2000, the data was supplemented with in-depth interviews with the managers of the enterprises. The operations of Fredricsons Trä are based to a great extent on learning strategies such as use of IT for internal and external communication, a decentralised work organisation, skills development at work and cooperation with other parties.

# HI-RES Case Study: Fredricsons Trä

## Sector

Wood

## Key Words

IT; Communication; Decentralisation; Skills Development; Co-operation

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### 'Good Practice' Case Study: Fredricsons Trä

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## 1. Background Information

Fredricsons Trä AB (NACE 515306) is a large-scale wholesaler and importer of wood products and wood-based products from all over the world. The company is located in Arlöv, just outside Malmö, in the south of Sweden. The enterprise distributes its imports to other enterprises. It also distributes doors and windows and Scandinavian floor products. In the year 2000, the enterprise had a turnover of some SEK 175 million per year and some 225 employees. The only processing work done by the enterprise is the special drying of various wood products in accordance with the wishes of its customers. The customers consist of joinery factories, the furniture industry, interior fittings factories and the retail trade in floor products in southern Sweden. The formal educational levels of the employees at the enterprise are low: only a few employees have a university background.

In 1988, Fredricsons Trä AB became member of the Andersson and Sjöberg group, which permitted the utilisation of well-established channels for cooperation. At the same point in time, George Persson was appointed as the new managing director. A reorganisation was considered necessary since, at that point in time, there were conflicts at the enterprise between different functions such as stores personnel, purchasers and salesmen. To meet the requirements of customers and to improve the profitability of the enterprise, it was recognised that better cooperation was needed between the different groups of employees. This was the reason why, in 1992, the enterprise started cooperating with a psychologist and organisation consultant. A long-term programme was started which included training programmes and seminars in order to increase understanding between the groups of personnel.

## 2. Drivers for Change

Keener competition and stricter customer requirements have been the main driving forces behind the changes that occurred both before and after 1997. The managing director, George Persson, and the organisation consultant, Eskil Svensson, were the driving forces behind the processes in which the work organisation was decentralised and is now organised on the basis of the groups of products distributed by the company. Apart from keener competition, there have also been practical reasons for the decentralisation of the work organisation, for example the interest in the working environment at the enterprise. The strategy is to take care of and develop existing personnel. "It is important that we have a good working environment at the company, both in respect of the physical and social environment, and that we keep up to date with developments so that our personnel feel appreciated," says George Persson. Other driving factors have been the certification of the enterprise in accordance with ISO 9002 and its participation in the EU Objective 4 programme, which has generated resources to implement programmes of human resource development.

## 3. Characteristics and Process of Change

### *Work organisation*

The organisation was changed in the 1990s and has developed from having been organised on the basis of functions to being organised on the basis of groups of products, in a type of flow organisation. During the period 1997-2000, the responsibilities and powers of the employees were considerably. One reason was the ISO 9002 certification, which is considered to have functioned as a catalyst for the decentralisation process.

Before the reorganisation, the different functions (stores, sales and purchases) were strictly separate and cooperation between them was, in principle, non-existent. This had a negative effect on the possibility of the enterprise to provide good service for its customers. In the new organisation the stores personnel, purchasers and salesmen that are responsible for the same group of products work together without a stores manager over them. Purchasers and stores personnel have direct contact with each other and cooperate with customers. For example, the purchasers often make visits to suppliers

together with personnel from the stores. This procedure enables the enterprise to make the best use of the product knowledge possessed by its personnel. With the aid of a common database, all the personnel can follow the progress of products, which considerably improves the possibility of meeting customers' needs. Generally, the personnel in the groups have the responsibility for both the daily and the weekly planning.

Regular seminars are held with the aim of strengthening understanding and harmony between the personnel responsible for the different product groups. During these seminars, the personnel are divided into two teams on the basis of the "work-flow" so that the staff can hold discussions and reach joint decisions. Management emphasises that it is not solely the performance of each individual that counts but the collective performance of the enterprise in its entirety.

Fredricsons Trä AB also manages its own distribution. Also here there is extensive cooperation between stores, purchasing and sales. Since the drivers are the final link in the chain up to the customers, it is considered important that the drivers are also knowledgeable and meet the customers in a professional manner. There are two transport coordinators at the enterprise who do the overall planning, but it is up to the drivers to draw up the detailed plans for their journeys.

For Fredricsons Trä AB, the most important partners in cooperation are its customers and suppliers. For purposes of feedback and continuous development, the enterprise has introduced indicators. At present, cooperation is measured with the aid of a quality indicator "rejected orders". The sales staff report the grounds on which they were unable to accept an order and the name of customer that placed the order. It is important to live up to the policy of the enterprise and this indicator offers a method of identifying the products being requested by customers that the enterprise is unable to provide. Furthermore, the working climate at the workplace is measured every second year in order to obtain a picture of the working atmosphere.

### ***On the job training and learning***

The enterprise's strategy is to retain and develop its personnel. Great importance is attached to internal training in the enterprise as it takes a long time to acquire requisite professional knowledge. Furthermore, there are no vocational training schools that can offer the staff the professional training needed by the enterprise. The production of a human resource development strategy was also affected by the fact that, in 1997, Fredricsons Trä participated in the EU Objective 4 programme. The programme has the aim of improving the possibilities of learning in the organisation by linking the enterprise's operational development and work organisation with skills development programmes for the individuals working at the enterprise. Participation had the effect that the enterprise was helped with resources and could implement planned programmes earlier than intended.

As a direct consequence of the enterprise's participation in Objective 4, individual skills development programmes started to be drawn up in 2000 and a two-year skills development plan has been produced in which both external and internal training programmes are included. The objective is continuous skills improvement and organisational change with an even division of work, foresight, superior knowledge of logistics and products, and better knowledge of evaluation systems as a basis for continuous improvement. Measurements are made of the knowledge possessed by the staff in the various areas and then compared with the targets established by the enterprise. If there is a substantial fall in demand for a product, some of the staff who have specialised in that product must acquire knowledge of other products. The goal is to

harmonise the manning plans with the skills development plans. The internal training takes place during working hours, and external courses, which are held in the evenings, are paid for by the enterprise. Hitherto, training has been held in consultative support in logistics, the use of IT, business, management training and quality control, customer relations, product training, and training programmes for truck drivers. All employees have participated in one or more of the training programmes.

In addition to the extensive training activities, the enterprise has an "educational staircase" with three steps (basic, proficient or specialist) and seven levels. The educational staircase functions as a career path where each step has different criteria for the different levels in the staircase depending on the ability, product knowledge and service-mindedness of the employee. There are differences in the criteria for the sales staff and the stores staff. Many of the existing sales staff started as stores staff and have worked their way up the educational staircase and the skills development plans are of great importance to the enterprise since few people can be recruited directly externally since the work requires product knowledge "The level of skills of the employee is of importance for wage levels but there is no direct linkage". However, for an employee to earn maximum pay, specialist knowledge is necessary.

### ***Information technology***

The enterprise's policy on technology and IT is to follow the trends. However, leading the field is considered to be far too costly and it prefers to learn from, and take advantage of, the experience of other enterprises.

Although the enterprise does not pursue any research of its own, it tries to be well to the fore where technological developments are concerned. The computer equipment is relatively new; there are common databases, networks and Internet at the enterprise, and all personnel have access to the common data system. The systems, the network and the Internet are integrated to a certain extent. Moreover, electronic trading was introduced in the year 2000. The enterprise does not expect to improve its profits in the short term as a result of electronic trading but rather regards it as a service to its customers. Many of the enterprise's customers are small and medium-size enterprises that have difficulties in finding the time to place their orders during the day. The enterprise expects electronic trading to be profitable in the long term.

The enterprise's ambition is that all its personnel shall be given the computer training they need, either from the supplier of computer systems or in another way. All personnel have been offered the first step in obtaining a computer licence, a lesson on how to handle e-mail.

## **4. Obstacles to Change**

One of the problems during the process of change has been that some members of the staff did not want to be involved in some of the changes or, quite simply, did not fit into the new organisation. In these cases, the enterprise has tried to find solutions to the problems so that everyone is satisfied. Some personnel have had to leave the enterprise. Management points out that all work with change must have a long-term focus and that they have come a long way since the change process first started in 1988.

Management has also recognised that, since the level of formal education in the enterprise is low, some changes have taken a longer time than necessary. In some functions there is really a need for a higher average level of education than that which

exists today. This is particularly true in the logistics field, but can also be found in other functions.

Cooperation is considered important in order to learn from each other and to take advantage of each other's skills. Obstacles to cooperation within the enterprise are often due to a lack of time. This will be more apparent if the enterprise continues to grow. If it is not possible to see "profit" from cooperation, some of the short-term activities, which could have great significance in the long term, could be rejected.

## 5. Risk Analysis

Today the volume of work is increasing and the enterprise is growing further. Between 1997 and 2000, the enterprise expanded by ten persons. When the workload increases, there is a risk that the skills development process will slow down, which could be detrimental to the development of the enterprise. Although the overall personnel turnover is low, there is still need for further skills development, especially of the new generation of employees at the enterprise. "It is important to take good care of the staff and to retain them," says George Persson, "It is difficult to find staff who are knowledgeable about our products since there are no tailor-made training programmes".

## 6. Benefits of Change

The benefit gained from the changes in work organisation and the implementation of the skills development plan is that the workload is now more evenly distributed, although it has increased at the same time. Knowledge of logistics has increased and today, according to management, the employees "think to a greater extent in terms of skills development". The responsibilities and powers of the staff have also increased considerably, mainly due to the introduction of the ISO 9002 system. In addition, the general atmosphere at the workplace has improved due to the changes and the decentralisation of responsibilities. Through its seminars and training programmes for all its employees, the enterprise has succeeded in creating a strong team spirit, understanding and acceptance between the groups which has also improved relations with customers and suppliers.

## Conclusions

Fredricsons Trä started its process of change as a consequence of keener competition and requirements in respect of profitability. A further reason was that problems in cooperation had been identified among different groups at the enterprise. The operations of the enterprise have been reorganised from having been strictly divided into functions to working in accordance with a type of flow organisation where all personnel responsible for a certain product, regardless of their function, cooperate to meet the needs of the customers.

A great deal of what has been achieved is due to the efforts of George Persson. With his previous experience from the field of sport and his work in different societies, he realised that, in order to develop, the enterprise needed first and foremost to improve the staff's knowledge of each other's working routines and thereby create understanding. The initial training programmes and the cooperation with the psychologist have probably been of decisive importance for the processes of change that have taken place.

The conclusion is that the ability of management to lead and run the enterprise has been of great significance for its development. It has permitted a long-term strategy to be created which is based on team spirit and an understanding of the production flow at the enterprise. This has helped to improve efficiency in production. The enterprise shows that it is possible to develop strategies for learning even in a labour-intensive industry sector where, in general, the incidence of development initiatives of this type is low.

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