



# The management of change in four manufacturing organizations

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degree of Doctor of Philosophy

submitted by

Malcolm L. MacIntosh BA (Hons) (Adelaide),  
MA (Flinders), MA Industrial Relations (Warwick).

**FACULTY OF ECONOMICS**

**UNIVERSITY OF ADELAIDE**

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This research for this thesis began at a time when the Australian system of industrial relations was undergoing considerable change. The thesis offered the opportunity to build on my involvement in a number of research projects. My involvement in these projects continually raised questions about why particular courses of actions were taken by managers. I returned to the data in 1994, with the encouragement of my supervisor, Assoc. Prof Tom Sheridan. His encouragement and continuing conviction that I could complete the work, sustained me through to its completion. I remain wholly responsible for any errors, omissions that remain in the text.

## ABSTRACT

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This thesis is concerned with the process of change and adaptation in four Australian manufacturing companies in the period 1989 to 1996. The thesis seeks to explain the reaction of these companies to the pressures for change, and particularly for the adoption of 'best practice' management prescriptions in the organization of work and human resource management. The operating hypothesis adopted is that the pattern of changes undertaken by manufacturing organizations are shaped by a variety of factors both external to and within the company, but that management beliefs and orientations are a key element in understanding the pace and extent of change. The research is pursued through detailed case studies designed to explore at length pressures for change and continuity in corporate decision-making.

A wide range of theoretical literature is examined as a precursor to the case studies. This begins with an examination of theories focussed on the evolution of contemporary economies and their production systems. The views of Braverman (1974) and Kerr et. al. (1960) are mirrored in contemporary discussion over the forms of production and work organization in manufacturing. A second group of theories focussed on the influence of national social and economic institutions on the organization of work was found to be a better basis for understanding the forms of manufacturing work organization emerging in advanced economies. However, the agency for these changes was seen as residing in strategic decision-making processes within the firm. The notion of management culture, reflecting the historical and structural milieu of senior managers, was identified as an important element in determining continuity in such decisions.

The thesis was then pursued through a detailed examination of the development of work and employment systems in four manufacturing organizations. A range of factors was examined in each case including the structure and operation of the company, and their development over time. In each case the continuity of management behaviour was traced to a configuration of factors associated with the internal organization and management of the companies.

## GLOSSARY OF ABBREVIATIONS

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ABPDP	Australian Best Practice Program (A program unit within the (then) Commonwealth Department of Industrial Relations, 1990-1993)
ACAC	Australian Conciliation and Arbitration Commission
ACCI	Australian Chambers of Commerce & Industry
ACTU	Australian Council of Trade Unions
AEU	AMWU is the colloquial title used by a unions which has emerged from a series of amalgamations between 1973 and 1994 beginning with the Amalgamated Engineering Union (AEU, 1973); and progressing through, the Amalgamated Metal Workers and Shipwrights Union (AMWSU, 1976-83); the Amalgamated Metals, Foundry & Shipwrights Union (AMFSU, 1983-1985); the Amalgamated Metal Workers Union (AMWU, 1985-91); the Metals and Engineering Workers Union (MEWU, 1991-93); the Automotive Metals and Engineering Union (AMEU, 1993-4); and since 1994 the Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union. The abbreviation AMWU is used throughout this text for simplicity.
AIA	Automobile Industry Authority
AIRC	Australian Industrial Relations Commission
AIGL	AIR International Group Ltd.
AMC	Australian Manufacturing Council
AWU/FIME	Australian Workers' Union and the Federation of Industrial and Manufacturing Workers Amalgamated Union (see ASE for background)



AMWU	Australian Manufacturing Workers' Union the description commonly applied to the union that grew out of the AEU through a series of amalgamations (see AEU for background).
ASE	The Australasian Society of Engineers (ASE) became, through a series of amalgamations the Federation of Industrial, Manufacturing & Engineering Employees (FIMEE, 1991-1993), the Australian Workers Union – Federation of Industrial Manufacturing & Engineering employees Amalgamated Union (AWU/FIME, 1993-1995), and in 1995 the Australian Workers Union (AWU).
BCA	Business Council of Australia
CAD	Computer Aided Design
CAI	Confederation of Australian Industry
CAM	Computer Aided Manufacturing
ETU	Electrical Trades Union
FAPM	Federation of Automotive Products Manufacturers
IAC	Industry Assistance Commission (formerly the Tariff Board until 1974)
IC	Industry Commission (formerly the Industry Assistance Commission)
IMVP	International Motor Vehicle Program (based at the Massachusetts Institute of Technology)
JIT	Just-in-Time supply of production components
MIT	Massachusetts Institute of Technology
NUW	National Union of Workers
SCU	The Steering Components production unit within Tubemakers Automotive

- SEP Structural Efficiency Principle (first introduced in the national wage decision of the Australian Industrial Relations Commission in 1988)
- SSA Steering Systems Australia (A business unit within AIR International Group Ltd.)

## CHAPTER 1    **WORKPLACE REFORM: CHANGE AND CONTINUITY IN AUSTRALIAN MANUFACTURING**

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This thesis examines the process of change and adaptation within four Australian manufacturing companies in the period 1989 to 1996. It explores the link between external pressures for change, management strategic choices and the policies and practices adopted for managing people in the workplace. It seeks to develop an understanding of the factors influencing managers' choices over production principles and related choices about work organization and employment relations.

Public debate over the economy in the period was focussed quite strongly on institutional and organisational change. The period was characterized by expressions of concern from politicians and industry leaders over the ability of the Australian manufacturing industry to survive in the face of intensifying international competition, and qualitative changes in product markets. The rhetoric surrounding this discussion linked the competitiveness of Australian manufacturing industry to the successful introduction of the proposed changes in institutions (Lansbury & Niland, 1995:83; Sheather, 1998: 132; Bell, 1993:127-165).

During the period, the manufacturing sector experienced qualitative changes in its competitive environment, and more particularly, what some researchers have labeled the "increasing integration of Australia into the world economy" (Bell & Head, 1994:13). Australian governments, in this period, initiated a range of measures aimed, inter alia, at improving the competitiveness of the manufacturing sector. These included reforms in the regime of industry protection (Bell, 1993, op. cit.), the decentralization of

industrial relations (Dabschek, 1995; Lansbury & Niland, 1995; Kitay, 1997; Wailes & Lansbury, 1997), direct support for restructuring of selected industries (Bell, loc. cit.), and administrative programs aimed at promoting improved management practice (Department of Industrial Relations, 1989; Rimmer et. al, 1996:7-12). While industry associations were not always in full agreement on aspects of public policy, the larger associations did pursue a concerted campaign for industrial relations and micro-economic reform from the early eighties (Lansbury and Niland, 1995: 67-8; Thornthwaite & Sheldon, 1996:179-192; Matthews, 1994).

Managers were confronted not only with changing market and institutional arrangements but also with a range of prescriptions and incentives for reform in their own organizations. These included proposals for quality management systems and notions of 'best practice' (Dertouzos et. al, 1989; Australian Manufacturing Council, 1989, 1990; Rimmer et. al., 1996). More specifically, in the manufacturing sector, there was the idea of "lean production" developed through international research on automobile manufacturing practice undertaken at Massachusetts Institute of Technology (Womack, Jones & Roos, 1990). This thesis provides an opportunity to understand the processes of change and adaptation at the enterprise level, and the way decision-makers interpreted 'best practice' proposals from government agencies and others.

## **THE POLITICAL & INSTITUTIONAL ENVIRONMENT**

### ***THE POLITICAL FRAMEWORK***

The events described in this study took place against a political and institutional environment that was overseen between 1983 and 1996 by a federal Labor government. The main events of the period have been well documented in the literature (Lansbury and Niland, 1995; Dabschek, 1995; Curtain, 1990, 1992; Curtain &

Mathews, 1990; Mitchell & Rimmer, 1990; Rimmer, 1994; Sloan, 1995). However, some aspects of this framework deserve particular mention.

A central feature of the economic and industrial policies of the Labor governments in the period was the existence of an agreement on prices and incomes with the Australian Council of Trade Unions (ACTU), known as the Accord (Bell, 1993: 130-133). This agreement provided a framework for a range of economic and institutional reforms, which the government pursued between 1983 and 1996 (Kitay & Lansbury, 1997: 26-29; Dabschek, 1995; Bell, 1993:130). It was the outcome of a long period of debate and discussion between leaders in the union movement and the Australian Labor Party (ALP), while the ALP was in opposition, before 1983 (Stilwell, 1986: 6-10; Ewer, Higgins & Stevens, 1987:96-99). The Accord was envisaged as a policy framework for a future Labor government, which would provide for control over prices and incomes, in exchange for government policies designed to improve employment and equity for the Australian workforce (Dabschek, 1995:20; Ewer et. al., 1987: 97). The immediate motivation for the Accord was the experience of the wages freeze introduced by the Fraser coalition government in 1992 as a means of fighting inflation. However, from its inception, the Accord went beyond prices and incomes, to include policy positions on taxation, industry development, migration, health and education. These, and other measures, constituted a comprehensive reform program aimed at "alleviating unemployment and redistributing income and wealth". The Accord also proposed positive intervention by government to improve the manufacturing sector (Statement of Accord, 1983).

Early in 1983 R.J. Hawke, a former ACTU Secretary, became, in succession, leader of the federal ALP, and then Prime Minister. Hawke's leadership style was based on an

appeal to consensual decision-making (Kelly, 1994: 271-73). He pressed the Accord as the basis for extended tripartite contacts between government, unions and the business community through a National Economic Summit in April 1993 (Dabschek, 1995:20; Kelly, 1994: 65-68). The formation of the Economic Planning Advisory Council (EPAC) in 1983 representing business, unions and government was a more permanent representation of his consensual approach to policy making. However, the underlying assumptions of the Accord, negotiated in 1983, were challenged by changing economic circumstances. From 1985, the Accord was subjected to progressive modification as the parties sought to accommodate their positions to changes in the economic environment. This process of re-negotiation provided the basis for maintaining the support of the trade union leaders for economic reform policies which, in the short term at least, were likely to reduce job security and earning capacity (Kelly, 1995: 62; Bell, 1993: 130). While the relationship was never without tensions, the area of commonality between the ACTU leadership and government policy-makers was a critical element underpinning this process of change (Kelly, 1994: 55-56). This environment was one in which discussion of economic policy increasingly revolved around the argument that the Australian economy needed to adapt to a changing international economic order

By 1986, the government had begun to articulate the need for micro-economic reform to complement the more conventional economic management mechanisms then focussed on conventional monetary and fiscal policies (Dabschek, 1995: 30-32). The notion of micro-economic reform used by the government at this time embraced the introduction of greater flexibility in labour markets, reductions in import protection, de-regulation of financial markets and commercialisation of selected government activities (Kelly: 1994: 387) In relation to labour markets the move reflected both international and local views about the operation of those markets. Early in 1986, a report

commissioned by the Organization for Economic cooperation and Development (OECD), advocated the introduction of greater labour market flexibility as a means of encouraging economic adaptation in member countries (OECD, 1986: 6). These recommendations were later supported in Australia by the tri-partite National Labour Consultative Council (NLCC, 1987). In 1986, the EPAC published a paper by two members of the Business Council of Australia, which drew attention to the pervasive, and in their argument, inefficient work practices in Australian industry (Kelman & Coates, 1986). This paper suggested that the continuation of a range of restrictive work practices in Australian industry was reducing flexibility and efficiency, and contributing to low levels of productivity. The theme was subsequently addressed at a conference convened by EPAC (Dabschek, 1995: 31), and was developed by the Business Council of Australia (BCA) in a series of publications that advocated radical changes in Australian industrial relations (BCA, 1989; Hilmer et. al., 1990, 1991, 1993). Their proposals for enterprise bargaining, and a reduction of union influence were influential in political discussion throughout this period.

### ***INSTITUTIONAL REFORM - THE ROLE OF THE AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION***

Because of its pre-eminent position in Australian wage determination, the Australian Industrial Relations Commission (AIRC), became the focus of arguments by the government and the ACTU, for the adoption of wage policies consistent with the economic agenda. As indicated, decisions of the Commission between 1983 and 1986 reflected the Accord preference, to restrict wage increases to cost of living related wage increases. However, in 1987, the Commission signalled its acceptance of the emerging support for micro-economic reform, when it introduced a two-tier wage structure in its 1987 national wage decision (ACAC, 1987). The first tier provided for general wage increases, while the second provided for wage increases based on enterprise negotiations. This second tier, called the 'Restructuring and Efficiency

Principle', provided for increases of up to 4% for specific changes likely to enhance productivity improvement (Dabschek, 1995: 32).

In 1988 the Commission further refined this approach to enterprise based productivity bargaining with its Structural Efficiency Principle (SEP), commonly referred to as award restructuring because of its emphasis on the review of the number and content of awards (ACAC, 1988). The principle, which was further developed in the 1989 national wage decision (AIRC, 1989), required that unions and employers undertake changes in seven areas. These included, the establishment of skill-based career paths; reduction of impediments to multi-skilling; flexible work arrangements; elimination of discriminatory provisions in awards; and a review of the number of respondents to awards. Attention to these matters was to be the basis for respondents to qualify for a second tier wage increase (Dabschek, 1995: 56-7).

While there is some evidence that these changes in Commission wage policy may have facilitated attention to local issues, the impact appears to have been equivocal. In a study of six companies, Lansbury and his colleagues concluded that the influence of the Commission was "...neither as extensive nor as inhibiting as argued by some ..." (Lansbury and Macdonald, 1992: 216). Another study suggested that the award restructuring principles were more likely to have been applied where they offered an opportunity to respond to changing product market pressures, or to deal with problems in labour management (Rimmer & Verevis, 1990: 106). These researchers noted a number of conditions for successful implementation of the Commission's principles, including management organization and skills. A further study noted that relatively slow progress had been made on implementing the new wage principles, though it was



optimistic about the overall commitment of companies to the process (Curtain et. al., 1992: 4).

From 1990, the reform agenda shifted, as the Accord parties moved to accept enterprise bargaining over productivity and related issues (Dabschek, 1995: 62, 70; Niland & Lansbury, 1995: 62-3). However, the AIRC proved more cautious, as was evident in its attitude to a proposal by government and ACTU representatives, at the 1991 National Wage hearings. The government supported the ACTU's proposal that the Commission should endorse enterprise-based agreements. However, the Commission rejected these submissions by the ACTU and the government regarding the approval of enterprise agreements, and the proposed wage increases. More importantly, in reaching its decision, the Commission referred to "uneven" progress of award restructuring, a judgement mirrored in the academic studies mentioned in the previous paragraph. Taken together these comments suggest that changes in employment relations at the enterprise level were not in any simple manner determined by the actions of the Accord parties or the Commission. The process of adjustment within the enterprise was a critical element to understanding the process of adaptation and change.

The Commission's decision in 1991 heralded a turning point in the development of industrial relations policies by the ALP government. It was criticised publicly by the (then) Treasurer, Paul Keating, and the President of the ACTU, Bill Kelty. After he became Prime Minister in December 1991, Keating introduced a series of amendments to the Industrial Relations Act, and in 1993 a more comprehensive overhaul of the Act in the form of the Industrial Relations Reform Act of 1993. Together, these changes constituted a decentralisation of decisions about industrial

relations matters, with enterprise agreements as one of the paths for industrial parties in setting the terms of employment (Dabschek, 1995: 70-72; Teicher & Svensen, 1998). Where unions and employers chose to bargain over working conditions at the enterprise level, the Commission was required to determine only whether those agreements met the requirements of a statutory 'no-disadvantage test' (Dabschek, 1994: 74-5, 110-111). This provision had the effect of limiting the Commission's role in determining working conditions.

In retrospect, it may be seen that there was a steady move towards decentralization of industrial relations. However, it is also evident from contemporary research, and the comments of the AIRC in 1991, that the process of workplace change was not simply determined by the decisions of the Commission, or actions of the Accord partners. Moreover, the urgency expressed by government, employer groups and ACTU officials over the need for reform, may not have been the determining forces for the changes that did take place within workplaces.

## **EMPLOYER STRATEGIES AND RESPONSES**

Employer responses to change can occur at two levels, that of employer associations, and at the level of the firm. While it is generally accepted that employer associations do not determine the actions of individual employers or managers, their activities are an important element in shaping the range of choices available to those employers.

### ***EMPLOYER ASSOCIATIONS***

Most employer associations undertake a number of functions. Some confine themselves to activities designed to shape the political and institutional framework within which employment relationships are regulated. Others also involve themselves in direct advice to managers in member companies (Deery & Plowman, 1991: 191).

While such technical advice may not directly involve policy choices, it can imply the preference for one kind of employment strategy as against another. The Australian Workplace Industrial Relations surveys of 1990 and 1995 attested to the importance of this area of employer association activity (Callus et. al., 1991; Morehead et. al., 1997). The 1990 survey also showed that a large number of managers exercised some discretion as to how the advice would be used, with 36% of respondents reporting that they modified that advice. A further 26% reported that they followed association advice in a narrow range of activities (Callus et. al., 1991: 83-4). However, the 1995 survey concluded that employers were using more advice from associations, particularly where they had an employment relations specialist (Morehead et. al., 1997:91). The later survey also noted that employers used a much wider source of advice including consultants, legal firms and government agencies. Much of this advice was of a technical or legal nature, such as advice relating to dismissals or occupational health and safety (1997:91).

Employer associations have continued to be an important adjunct to specialist advice within enterprises, particularly over technical and legal issues where managers would find it difficult to keep abreast of developments. Such advice does not determine policy directly, though it may reinforce a particular approach to managing people. Reliance on legal remedies, for example, may imply an approach to managing people that rests on a unitary conception of rights and obligations, and ignores the role or importance of unions. However, what is more significant is that a relatively significant number of employers either ignore or modify the advice of associations over such matters.

While employer associations may have no direct role in employer policy choices, their advisory functions may still shape employer expectations and assumptions. The lobbying activities of associations, while well established in the past, became more publicly observable during the period under discussion, particularly with the formation of the Business Council of Australia (BCA), which was formed at least partly in response to the economic policy framework which emerged under Labor (McEachern, 1986). The Labor government's overt attempts to build a consensual approach to economic and industrial change with employers during its early years, led to suggestions that the relationship between business and government could be explained in terms of the notion of corporatism (Trevor Matthews, 1994: 216). However, this view has been rejected as lacking analytic rigor and a clear understanding of the role of employer associations in the context of the Accord (McEachern, 1986, 1994; Singleton, 1996). In fact, the business community was not a party to the Accord, and the representation of employer interests was fragmented and on many issues their views were not identical (Singleton, 1996; Bell & Head, 1994: 16; Lansbury & Niland, 1995: op. cit). While business did benefit from the outcomes of the Accord, particularly in relation to the limitations that emerged on wages growth (Bell, 1993: 131), these benefits may be attributed to the government's acceptance of the need to limit wages in the interests of curbing inflation and promoting employment (Kelly, 1994: 60-61).

Employer Associations may also provide a conduit for ideas about management practices and techniques to managers in member companies. The activities of the Business Council of Australia (BCA) are important in this regard. The BCA was formed to provide a better representation of the interests of larger companies. It was formed partly as a response to the evident disunity of employer interests, in the face of the Labor government's economic policy initiatives, and its attempts to present them as an

outcome of consensual discussions of the relevant interest groups (McEachern, 1986). From the outset, it developed a strong public profile on the need for reform in employment relations. The BCA became the principal proponent of enterprise bargaining, investing heavily in academic advice to support its case for a radical overhaul of industrial legislation (BCA, 1989; Hilmer et. al., 1991; Hilmer et. al., 1993; Frenkel & Peetz, 1990). Its policy deliberations were publicly presented through its monthly *Business Council Bulletin* and its Annual Business Summits.

Another influential national association was the Australian Confederation of Chambers of Industry (ACCI), known as the Confederation of Australian Industry (CAI) until 1992 (Hamilton, 1993: 90). The ACCI was not as clearly focussed on building a case for reform until the early 1990s. At that time changes in its composition, which included incorporation of small business employer groups, led to the adoption of a stronger position in favour of the decentralisation of industrial relations. This included proposals for voluntary union representation and the severing of links between agreements and awards (Hamilton, 1994: 126).

While the BCA and the ACCI each supported the promise of greater decentralisation the principal manufacturing employer group, the Metal Trades Industry Association (MTIA), took a different approach to the issue. The MTIA covered about 95% of companies in the manufacturing and engineering industry (Thorntwaite, 1996: 176). The importance of the MTIA lies in its established and influential role in representing manufacturing companies in industrial matters and in political lobbying. The MTIA had a strong focus on the manufacturing and engineering sectors, and employed senior officers who commanded respect across the political and industrial spectrum. The Association was influential as an industry lobbyist and as an industrial relations

advocate (1996: 177-8). The MTIA severed its connection to the ACCI in 1987, partly because of dissatisfaction with the way the ACCI was responding to issues related to the Accord. Thornthwaite (1996) has documented the almost fortuitous role of the MTIA in pioneering the move from centralised wage fixation to the 'managed decentralism' of the period 1986-1990 (1996: 181-3, 194). Central to this was the development of the Metal Industry Compact from 1986 (MTIA, 1986). The Compact was an agreement between the MTIA and the Metal Trades Federation of Unions, representing the four principal unions in the industry, which set down the agreement of the parties over a number of procedural and substantive industrial relations issues (Thornthwaite, 1996: 178; MTIA, 1986). The Compact affirmed their joint preference for industry specific bargaining. However, it also mapped out a range of issues for attention at the enterprise level, including training and career development, superannuation, employee involvement, union rationalization within enterprises, and more flexible work arrangements (MTIA, 1986, 1987). Because of the Compact, and its influence on the Commission, the award restructuring process was conducted within a well structured, and predictable set of guidelines, endorsed at industry level by the MTIA and the Metal Trades Federation of Unions (MTFU). The 'Metals' approach to award restructuring was a valuable guide for a number of the companies examined in this thesis. In one of them, EMAIL (Chapter 7), its influence was quite evident in its Beverley plant, where union rationalisation and more flexible work arrangements were agreed as part of the award restructuring process.

The other main industry association relevant to this study is the Federation of Automotive Product Manufacturers (FAPM), which represented the interests of automotive components manufacturers. FAPM was primarily established as a lobby group concerned principally with tariffs and trade policy issues. However, in the period covered by this study, it broadened its perspective and its capacity to facilitate a

number of structural changes that were identified as critical to the industry's future development. These issues included promotion of improvements in quality management; support for more cooperative industrial relations practices; fostering technical developments in areas such as Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM); and support for the development of Electronic Data Interchange (EDI) between automotive assemblers and components manufacturers. By the end of the 1980s, FAPM had begun to express a broader view on the importance of employment relations issues (FAPM, 1991), and expressed general support for the employment relations policies of the Metal Trades Industry Association in particular. Those policies focussed on improvements in workplace organization, based on award restructuring principles, and industry level standards for employment arrangements. By the early nineties, however the full implications of changes in the global automotive industry were being expressed in FAPM communications. As an example, the 1990 Annual convention included a presentation by a senior Toyota manager that drew on the report of the International Motor Vehicle Program (IMVP) at Massachusetts Institute of Technology (FAPM, 1990; Womack et al, 1990). Another speaker at the Convention, the Director of the Automobile Industry Authority (AIA), showed figures illustrating the inefficiencies of existing supply structures. These and other presentations suggested that significant changes were necessary in the management of the industry.

A series of overseas missions and visits were sponsored by the FAPM and supported by the federal government. One of these was focussed on an examination of best practice management in the USA (1991). Such visits reflected a deep-seated commitment amongst senior FAPM members to the promotion of lean production principles and encouragement of best practice management generally (FAPM, 1996). The General Manager of AIR International, one of the companies examined in this

thesis, later attributed his enthusiastic commitment to lean production principles to this tour (Milton and De Koenig interviews, 1997). FAPM provided a focus for the interests of companies in the automotive components industry in its interactions with government agencies and automotive assemblers such as Ford, Holden, Toyota or Nissan. Its increasing focus on management issues during this period reflected the wider currents of change. While industry associations cannot determine corporate policy choices, they do provide a guide as to which choices are likely to yield results. This is consistent with Cole's (1989) observation that national employer associations in Japan and Sweden were instrumental in the spread of ideas about small group practices.

### ***RESPONSES AT THE ENTERPRISE LEVEL***

The 1990 Australian Workplace Industrial Relations Survey (AWIRS) noted that a universal feature of the organizations in the sample was the extent and diversity of change at the workplace level (Callus et. al., 1991: 185). The authors went on to state that:

Workplace visits indicated that while new technology remained an important source of restructuring and change, the current economic and policy environment was also producing a wide range of other organisational changes. These included changes in ownership, major restructuring of management, and a rapid turnover of senior management personnel. (1991: 185)

The 1995 AWIRS survey showed that organisational change was extensive, with 81% of managers reporting change in at least one of the four areas of organisational change examined. These were the introduction of new office technology; new plant and equipment; major organisational restructuring; and, changes in the way work was organised (Morehead et. al., 1997: 236-7). The most frequently reported area of change was that of organisational restructuring which included changes in the levels of management and formal organization. The 1995 survey suggested that change was most likely to have been experienced by large workplaces (1995: 237), and by



companies facing import competition (1995: 238). These results underline the observation by Rimmer et. al. (1996) that large companies lead in the implementation of 'best practice' management practices.

The activities of larger companies led some researchers to present very optimistic arguments about the acceptance and diffusion of new approaches to organization and management amongst both unions and management (Mathews, 1989; Stace and Dunphy, 1994; Dunphy & Griffith, 1998). In contrast to this optimism about the pace and direction of change there is a range of research which raises questions about its impact or indeed its diffuseness. The 1995 AWIRS survey suggested that work effort had intensified for many, particularly females and part-time workers, while satisfaction had generally declined (Morehead et. al, 1997: 293-4). This diversity in employment practice was discussed in a more recent study (ACIRRT, 1999), which presented a wholly different view about the transformation of organisational life, from that found in the management literature. The authors summarise their argument in the following manner:

Over the last two decades profound changes have occurred to working life in Australia ... Most people caught up in this change, ordinary people in shops, offices and factories, have carried the costs of change: things like longer hours of work, greater stress, more job insecurity, and stagnant or reduced earnings (1999:1)

In an analysis of the 1990 AWIRS on the relationship between work flexibility and employee autonomy Harley (1994) concluded that the survey provided little evidence of the adoption of greater levels of employee involvement and autonomy. His findings supported a 'neo-fordist' view of changes in work organization, in which worker autonomy was being reduced. These views of the survey evidence reinforce the earlier observation that managers have not followed identical routes to changes in work organization. They have not apparently conformed to a particular theoretical trajectory.

AWIRS results also go some way to explaining why the outcomes of change might not have matched expectations. The 1995 survey showed that the most frequently cited reason for change effecting employees, were those designed to improve productivity or efficiency (53%) (Morehead et. al., 1997: 256). However, responses to questions about obstacles to such changes cited the major obstacles to be financial or economic, and company and government policies (1997: 256). This suggests that managers were constrained to some degree by factors outside their immediate control when addressing changes within the workplace.

Case study research casts light on some of approaches taken by managers in particular companies. Much of that research has been undertaken with medium and large companies. Rimmer and his colleagues (1996) note that a number of such companies lead the implementation of 'best practice' management principles. They examined the experience of 42 companies that participated in the Australian Best Practice Demonstration Program (ABPDP), between 1991 and 1993, using a model of 'best practice' management principles that they developed from a review of the relevant literature (Rimmer et. al., 1996: 25).

Their review concluded that, while there was no universality in the experience of the companies involved in the program, they had all tended to make the best progress in 'management-initiated' areas of change. These included strategic plans, flatter organisational structures and continuous improvement activities. They observed less progress in the area of employee empowerment. The authors explained this pattern by reference to the notion of organisational learning, suggesting that a longer time scale would be needed for the organization to ingest the more complex social changes implied by some elements of 'best practice'. Further, they argued that continued

development of those principles would be dependent on 'small supportive elites', and that their loss of influence would lead to a return to older approaches to management. This latter point is important. It suggests that the processes of change and innovation in work systems was dependent as much on the will of a coterie decision-makers in the workplace, as on objective conditions and the force of logic. This raises the question of what does determine management choices.

### **THE PROMOTION OF 'BEST PRACTICE'**

The notion of best practice has its origins in American concern over the continuing economic challenges of the 1980s. A report by a panel of senior academics, based at Massachusetts Institute of Technology, advocated a wholesale change in the management of American companies (Dertouzos et. al. 1989). The report challenged the management strategies of American industrial companies, proposing the adoption of a series of "best practice" management principles. These principles reflected what they saw to be the advantages enjoyed by a handful of successful companies, many of which acknowledged the importance of ideas borrowed from their Japanese competitors.

Two 'best practice' ideas are discussed below. They are firstly, the notion 'best practice' as used in the Federal government's Australian Best Practice Demonstration Program (Rimmer et. Al., 1996: 11). The second is the notion of 'lean production' developed by researchers at the International Motor Vehicle Program (IMVP) at the Massachusetts Institute of Technology (Womack et. al., 1990). These two ideas were not the only ones discussed at the time, but they do illustrate the complexity and characteristics of such management ideas.

### ***GOVERNMENT LED CHANGE – THE AUSTRALIAN BEST PRACTICE DEMONSTRATION PROGRAM***

The Australian government sought to encourage industry decision makers to pursue productivity improvements through a series of administrative programs promoting new ways of working. This policy perspective reflected a belief by the partners in the Accord, the Federal government and the ACTU, that an important element in the structural change of the Australian economy was the need to change management practices and attitudes. The genesis of this idea can be traced to analyses of the problems facing labour governments in office, which were summarised in the following terms by three academic commentators (Ewer, Higgins & Stevens, 1987:137):

But it is clear from our earlier discussion of manufacturing decline that no adequate strategy for industrial regeneration could afford to confine itself to the public [policy] level; it is precisely in the 'private' world of corporate decision-making that some of the worst mis-allocations and non-allocations of resource occur; economists' assumptions of perfect rationality and optimisation at this level notwithstanding.

The authors go on to discuss the way in which unions addressed this issue. They recount how unions made specific demands on managers to adopt policies favouring longer term planning within industry and consultative and project committees within enterprises, to promote the reform of work practices. By the end of the 1980s, the ALP government had accepted that it should direct its attention to ways of inculcating management change (Rimmer et. al., 1996).

In 1991 the Australian Best Practice Demonstration Program (ABPDP) was established (Rimmer et.al., 1996:10-11). This program built on the work of the tripartite Australian Manufacturing Council (AMC). In an interim report released in 1989, entitled *The Global Challenge*, the AMC had advocated the need for Australian companies to adopt a 'new manufacturing culture' to improve what they described as severe weaknesses in quality and productivity (AMC, 1989). The elements of the new culture were further elaborated in the final report released the following year (AMC, 1990), which presented

a picture of the old and new workplace cultures as depicted in Table 1.1. As the table indicates, the framework proposed as the basis for the reformation and restructuring the manufacturing sector focussed quite clearly on management tools and processes, as well as on industrial relations.

**Table 1.1 The “Old” and the “New” workplace cultures**

	OLD	NEW
Management style	Hierarchical	flat structures, team oriented
Production cycle	long runs, for stock	flexible, just-in-time
Quality	post check & re-work	<ul style="list-style-type: none"> <li>• quality problems solved as they arise</li> <li>• employees take responsibility</li> </ul>
Skills	<ul style="list-style-type: none"> <li>• single skill/deskilling</li> <li>• no rewards for skill improvement</li> <li>• employees compartmentalised</li> </ul>	<ul style="list-style-type: none"> <li>• multi-skilling</li> <li>• skill development integral to production advantage</li> <li>• team motivation</li> </ul>
Source of improvements	Top down	bottom up and top down
Industrial Relations	<ul style="list-style-type: none"> <li>• many unions/demarcation</li> <li>• disputes</li> <li>• antagonism</li> </ul>	<ul style="list-style-type: none"> <li>• industry focussed unions</li> <li>• shared goals</li> </ul>

Source: Pappas Carter Evans & Koop/Telesis (1990) *The Global Challenge*, Australian Manufacturing Council

Parallel with these developments, a new administrative unit was established in the Department of Industrial Relations, which undertook the task of adopting and extending the 'best practice' principles expounded in the MIT publication *Made in America* (Dertouzos et. al, 1989), as an Australian version of those principles. In their Australian form, shown in Table 1.2, they reflected the political priorities and concerns of the government, with the addition of principles on equity, occupational health and safety and consultation to the list provided in the MIT model.

The adoption of these “equity” principles within the model is consistent with arguments later made by North American proponents of a transformed model of organisational life. Kochan and Osterman (1994) advocated a “mutual gains” approaches to business, arguing that equity and environmental issues needed to be included in any

definition of best practice, to ensure that the interests of all stakeholders in the productive system were addressed. Their views echo earlier work on Human Resource Management (Beer et. al., 1985) in which it was suggested that appropriate human resource policy choices at the enterprise level would yield benefits for the company, its employees and society as a whole (Beer et. al, 1985). The strong prescriptive element in these works is consistent with the general thinking underlying the development of the Australian principles of 'best practice'. They reflect a belief that social cohesion is dependent on strategic choices in employment relations at the enterprise level. What is doubtful about this approach is the expectation that managers will act in ways consistent with such a model and not in a more self-interested fashion.

These principles, as with those embodied in the Koop/Telesis report (AMC, 1990), were intended as a management model for Australian companies. However, there was little guidance as to how the principles could be applied. This relied by implication, as Nettle (1995: 42) argues, on the development of a new 'management culture'. However, the concept of the 'demonstration project' was used to provide some guidance as to how the principles might be applied in particular workplaces.

**Table 1.2: Australian Best Practice Development Program - Principles of Best Practice**

- A shared vision of world class performance;
- A strategic plan developed in consultation with the workforce ...;
- A commitment to change throughout the organization ...;
- Flatter organisational structures ...;
- A cooperative and participative industrial relations culture..;
- A commitment to continuous improvement and learning ...;
- Innovative human resource policies...;
- A focus on customers...;
- Closer relationships with suppliers;
- The pursuit of innovation in technology, products and processes;
- The use of performance measurement systems and benchmarking;
- The integration of environmental management into all operations;
- Involvement in external relationships ...;

Source: Australian *Best Practice* Demonstration Program-Draft, 1994

The ABPDP funded 43 'demonstration projects', which were later described as role models for other organizations implementing best practice (Rimmer et. al, 1996:iii). The participating companies were chosen through an application process in which they were asked to nominate specific activities, which would demonstrate best practice. Each company was required to make their proposal (Department of Industrial Relations, 1991: 2, heading 1):

... an integral part of a long term or strategic plan for achieving world class performance.

While the application did not nominate any particular notion of best practice, it required both union and management commitment to be provided, and for there to be evidence of training and skills formation strategies. It also specified that the activities undertaken would be (Department of Industrial Relations: 1991: 2, heading 5):

'consistent with improving occupational health and safety and promoting equal employment opportunity.

As with the AMC Report of 1989 (p.16 above), the focus of the program was on a holistic process of change that could be seen as consistent with the ABPDP principles.

In a later summary of the experience of the 42 'best practice' demonstration programs Rimmer and his colleagues attempted to develop a model of the change processes observed. The variability in experience, which the authors documented, is consistent with the observations of Lansbury and Kitay (1997a: 243), and suggests that no company pursued any single model of principles in the actions they undertook.

### ***AN INDUSTRY LED VISION OF THE FUTURE – THE LEAN PRODUCTION MODEL***

The success of Japanese manufactures in world markets during the eighties stimulated a considerable debate on the effectiveness of the USA and later Britain and other countries in producing high quality manufactured producers for world markets. Characteristic elements of Japanese social and industrial organization were chosen as

practices, which would, if adopted, provide similar competitive advantages. For some the term "Japanisation" was applied to a collection of social and institutional aspects of the Japanese manufacturing system together with organizational practices and production techniques developed in Japan (Oliver and Wilkinson, 1988, 1992). These practices include unique features of industrial organization, employment systems, production techniques and human resource management. Stephen Wood (1991) prefers the term Toyotism to describe the more specific characteristics of production pioneered at Toyota and which, he argued, were wrongly generalised to generic qualities of Japanese production (1991:17). These characteristics revolve around the use of just-in-time (JIT) production and supply processes and quality management principles, and can be distinguished from the wider array of social and organizational characteristics associated with Japanese success.

Such discussions were given a singular focus in the research work undertaken by the International Motor Vehicle Program (IMVP) at the Massachusetts Institute of Technology (MIT), between 1985 and 1990, which provided a best practice manufacturing model for the industry globally (MacDuffie & Pil, 1995; Jones 1985; Womack et. al., 1990)<sup>1</sup>. The work puts particular emphasis on human resource practices and forms of work organization. The IMVP project, which was undertaken with the full cooperation of major automobile manufacturers around the world, produced a series of monographs on the operation and challenges facing the industry. These monographs, which were seldom published outside the forums of the participating government organizations and automotive manufacturers, provided a detailed examination of the way in which manufacturing organizations were evolving,

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<sup>1</sup> The characteristics of this research deserve mention. It involved researchers in every country in which there was a motor vehicle plant. More importantly however, it had the support and assistance of all the major motor manufacturers in the world and national industry associations, thus ensuring that its outcomes were likely to be persuasive.



and produced considerable evidence that the traditional principles of production organization, and the organization of work were being challenged by methods pioneered in Japanese automobile factories. These principles, referred to as 'lean production', a term coined by MIT researchers (Krafcik, 1988a; Krafcik & McDuffie, 1989), were embodied in a book written by the IMVP project administrators (Womack et. al., 1990). The book is cited frequently in discussions about manufacturing practice, and is effectively a statement of 'best practice' principles for manufacturers.

The 'lean production idea' provides a systemic view of automobile assembly plants. It locates the assembly process, the heart of the manufacturing process, within a series of other processes, notably product development, engineering and management of the supply chain for components (Womack et. al. 1990). The assembly process was characterized by three interdependent groups of variables. These were factory practice, work systems and HRM policies respectively. In their analysis, summarized in Table 1.1 below, factory practices reduce buffer stock and rework areas. This reduction in buffer stocks reduces costs. However, the absence of buffer stock places considerable pressure on production workers to ensure continuity in production. To do this production workers are expected to become skilled in resolving production problems as and where they occur. The capacity of the workforce to respond to these pressures is dictated by appropriate work systems, based on the formation of teams with shared collective responsibility for production decisions. This allows flexibility and higher degrees of competence at the production level. HRM policies underpin these developments with attention to skill development, motivation and commitment. It may be observed that the human resource practices associated with lean production can be equated with the use of "soft" approaches to human resource management (Storey, 1992c) in their emphasis on employee development, involvement and the treatment of

employees as an asset (MacDuffie, 1989; Appelbaum & Batt, 1994; Capelli et. al., 1997;102; MacDuffie & Pil, 1995, MacDuffie, 1995a).

The IMVP research was seen as advocating a new approach to manufacturing.

MacDuffie (1995a) suggested that diffusion of the practice of lean production from its origins in Toyota took place firstly within the Japanese industry, before being exported to the various Japanese transplants in North America and to the United Kingdom from the early 1980s. He also notes the importance of joint ventures, bench-marking studies and the “business press” in attesting to the legitimacy of the model as a future basis for manufacturing operations.

**Table 1.3: The Lean Fragile Production System**

<i>Factory Practice</i>	<i>Work systems</i>	<i>Human Resource Management</i>
Low inventory levels	Multi-skilling	Rigorous selection of production operators
Small work in progress	Team-working/job rotation	No barriers between management & employees
Frequent stock deliveries	Low proportion of Quality Inspectors	High commitment to training
Small re-work	Quality at source	Relationship of pay to factory performance
Economical factory layout	Maintenance by production operatives	
	Employee problem solving	team working and training for problem solving

Source: Adapted from Krafcik J.F. & MacDuffie, J.P., *Explaining High Performance Manufacturing: The International Automotive Assembly Plant Study*, IMVP International Policy Forum, May 1989.

The model presented in *The Machine that Changed the World* thus provides a benchmark for the receptivity of manufacturers around the world to change. Its influence in Australia was through peak employer bodies, such as the Federation of Automotive Product suppliers (FAPM) and the Automotive Industry Council (AIC), which promoted the findings of the study through seminars and overseas study tours. However, supply chain relationships between automotive manufacturers and their suppliers, can be of most direct importance in promoting the model in the automotive

components sector (Scarborough, 2000; Roper et. al., 1997). This study provided an opportunity to examine the influence of supply chain relationships in the adoption of lean production principles in three automotive components companies. In contrast there were no structural linkages to other areas of manufacturing. Best practice models outside this area were less specific, and more general in nature. The study of EMAIL provided an opportunity to examine the use and relevance of best practice models outside automotive manufacturing.

### ***THE IMPORTANCE OF BEST PRACTICE THEORIES***

This brief overview of two prominent 'best practice' prescriptions for organisational change demonstrates the pervasive influence of such ideas. In both instances the best practice model was 'sponsored' by government agencies. In the case of the 'lean production' model, it was also promoted by employer groups in the automotive components sector, as well as the automotive manufacturers themselves. While these models were not the only proposals for organisational renewal pressed on employers during this period (Total Quality Management was equally well publicised), they were, in each case explicitly drawn to the attention of one or another of the companies in this study by industry groups and government agencies.

### **CHANGE OR CONTINUITY IN THE MANAGEMENT OF THE WORKFORCE: AN OVERVIEW OF THE LITERATURE**

It is a truism that employment relations are a central concern for management. However, the way in which managers make choices over the nature of employment relationships is more problematic. The impact of management choices for workers, and the motives and freedom enjoyed by managers in making those choices are both the subject of ongoing academic debate.

### ***THE INFLUENCE OF HISTORICAL DEVELOPMENT***

At one level, there has been a long debate over the trajectory of change in employment relations and work organisation, a debate that embraces the nature of the social and economic system and the place of managers and workers within it. This debate began several decades ago and is marked by some important contradictory observations on the development of employment relations in advanced capitalist economies. One of these works, *Industrialism and Industrial Man* (Kerr et. al., 1973) provided a compelling picture of a benign process of economic development that they argued would be common in all successfully industrialising countries. The picture they painted was one in which managers, as members of an industrialising elite would organise employment and work relationships to create a workforce with the requisite skills, motivation and understanding to enable this path of economic development to continue. The outcomes they envisaged for workers in advanced economies were relatively favourable. They envisaged advances in education and skills, measures to improve the involvement and influence of workers over their work, and a system of industrial relations in which unions and employers would jointly determine the rules of the workplace and work community.

Against this view, Harry Braverman's *Labour and Monopoly Capital* (Braverman, 1974) proposed a far more pessimistic view of the development of the condition of workers. Braverman suggested that managers acted as the agents of capitalism, and that their objectives would be achieved through a de-skilling of work, and more stringent control over workers (1974: 68-71). He provided a plausible and persuasive argument that, in spite of rhetoric to the contrary, the intent and outcome of management actions would be to subject workers to greater regimentation and exploitation. Contemporary practices such as job enrichment were cited as examples of management practices

designed to quell possible revolt rather than provide any genuine reform of work organisation (1974: 35-37).

This debate has been echoed in recent discussion around the ideas of post-Fordism and neo-Fordism. The argument is one over the trajectory of change in work systems in traditional mass production, associated with Henry Ford's 'invention' of the mass production assembly system, and which were described in such a pessimistic manner by Braverman.<sup>2</sup> The discussion has revolved around the proposition that traditional mass production organisation in factories is continuing along a path of exploiting workers through an intensification of work, as managers seek greater economies and control over work processes (Gahan, 1991). In contrast is the idea that work is being 'transformed' as managers seek to build their competitive strategies around higher levels of skills and flexibility within the workforce (Mathews, 1989; Piore and Sabel, 1984; Kochan & Osterman, 1994; Capelli et. al., 1997). In this view employees are more likely to be treated as a valuable resource, their work organised on the basis of self-directing teams, and their skills developed to enable them to undertake a greater array of tasks and manage their own work processes more effectively.

### ***A CONTINGENT VIEW OF TRANSFORMATION***

A more qualified view of the 'transformation thesis' was provided by a seminal research study on changes in work organisation and employment relations in the USA (Kochan et. al., 1986). This study suggested that management strategies and values were important in determining the changes observed (Kochan et. al., 1986; 9-11; also see Kochan et. al., 1991). They argued that the change from traditional collective

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<sup>2</sup> It may be noted that research on Ford's production system by Lewchuk (1995), suggests that the 'invention' was more like an evolutionary process. It is also important to note Cusnato's (1985) discussion, which outlines the unique historical circumstances surrounding the evolution of the Toyota production system. The point has been made more directly by Fujimoto (1999).

bargaining arrangements to more diverse work arrangements, many initiated by management, signalled a fundamental shift in the nature of industrial relations. At the centre of their work was the observation that a number of companies had gone beyond the scope of traditional collective bargaining outcomes to offer work systems that embodied a wider range of human resource practices. They suggested that these companies were 'pacesetters' in employment arrangements (1991: 226-7):

By emphasizing high employee involvement and commitment and flexibility in the utilization of individual employees.

The experience of such companies was an important element in the development of theories of human resource management HRM, which emerged from the mid 1980s (Beer et. al., 1984; Fombrun et. al, 1984; Devanna et. al., 1981, 1984). These theories were characterized by a focus on linking business strategy with choices over human resource practice. While Kochan and his colleagues had observed the origins of this field of study, they cautioned against any expectation that a new and universal pattern of employment relations might be emerging, suggesting rather, that a number of scenarios might be possible depending on the choices of the institutional parties in the industrial relations system (Kochan et. al., 1986: 250-1).

Subsequently a number of empirical (Locke et. al, 1995; Lansbury & Niland, 1995; Kitay & Lansbury, 1997) and theoretical (Smith & Thompson, 1998) works have affirmed this more contingent view of transformation. In their study of work organization and employment relations in Australia, Lansbury and Kitay concluded that employers appeared to be pursuing a diverse range of approaches to employment relations. Further, they indicated that a range of factors was influencing this diversity. They acknowledged the importance of institutional factors in mediating the impact of global economic changes. However they concluded that (Lansbury & Kitay, 1997: 223-4):

...even where national institutions have been powerful over a long period of time, such as the arbitration system in Australia, there is a wide range of responses at the micro-level.

They placed greater stress on decisions at the enterprise level in explaining the diversity of responses they found.

An earlier historical study of Australian employment relations, covering the period from 1945 to the early nineties, reached similar conclusions (Wright, 1995). Wright concluded that the labour management strategies adopted by Australian employers did not fit any predetermined pattern and he rejected accounts of employment relations seen as 'necessary' matches to the business environment. He also suggested that institutional factors provided only broad parameters within which labour management strategies were developed. He suggested that variations in employer practice were best explained by factors unique to the firm itself. Wright's study concluded that there were six factors that influenced strategic labour management choices by Australian employers. These were, respectively, the size of the organization; ownership and corporate structure; industry characteristics; the degree of union organization; and the attitudes and beliefs of managers. Of particular importance is his observation that management beliefs and attitudes often played 'a pivotal role' in determining employment relations policies (1995: 219). This is consistent with Mintzberg's view that a strategy might be resisted for a variety of reasons, including conservatism, by those within an organization (Mintzberg, 1990: 185-6). More directly, a study of decisions relating to HRM in multi-divisional companies undertaken by Purcell & Ahlstrand (1994) affirmed the importance of senior management values in shaping decisions at divisional level (1994:168). The influence of values and attitudes may go some way to explaining the potential importance of ideas such as those found in HRM texts, and those dealing with organisational change (see Mabey, Salaman & Storey, 1998: 395-7; Dunphy & Griffith, 1998), and in such concepts as best practice, as they provide a means of informing managers of possible areas of choice.

The research reported here examines the factors influencing management choices over employment relations at an immediate level, and within a particular historical context. Debates over the historical evolution of work and employment systems are not entirely irrelevant to the present project, as an examination of management practice inevitably makes some assumptions about the overall place of managers in society. However, rather than examine that perspective this thesis will seek a greater understanding of the more immediate concerns and motivations which managers bring to their task.

### ***WHAT INFLUENCES MANAGEMENT DECISIONS?***

As discussed above Wright (1995) attributed primary influence on labour management strategies choices to factors internal to the specific firm. These included structural factors and what he referred to as the 'pivotal' importance of management attitudes and beliefs (Wright, 1995:219) in determining specific policies. This issue has been addressed in a number of studies.

In his analysis of the diffusion of small group practices in Sweden, Japan and the USA in the 1970s, Robert Cole (1989) offered some insights into the process of innovation in work organisation. He proposed that the most useful model for understanding the decision to adopt new or innovative approaches to work organisation was best understood through the use of a "loose-coupling" model rather than one which assumes that decisions are made rationally (1989:35-6). Cole observed that this model describes better the experience of adopting new work practices, about which he says (1989:36):

...what I often saw were ambiguity, uncertainty, ignorance, conflicting goals, and "solutions chasing problems". Managers don't know what they want until



they see what they can get; in this sense solutions are used to formulate problems.

He argued that the process of innovation was one characterized by uncertainty and ambiguity, which is generally only resolved over time, and through a process of learning (1989:39). Cole suggests that one way in which managers might resolve this ambiguity is with the use of packaged solutions. Such 'packages' helped managers to attain greater levels of control and certainty over the costs and outcomes of innovation. Other management writers have made similar comments about the use of consultants' packages. Pettigrew suggests that the popularity of Blake and Mouton's Managerial Grid in the 1960s can be explained through its ability to reduce the reliance of managers on consultants undertaking long and open ended organizational development processes (Pettigrew, 1985a: 7). More recently, Huczinski has suggested that there are a number of organisational benefits accruing to the managers using packages, or 'fads' as he describes them (Huczinski, 1993). These include the legitimisation of the position of the managers undertaking change.

Watson's (1994a) ethnographic account of management work in a British company, also suggested that the use of packaged ideas about management policy and practice reflected the managers' need to make sense of a complex world (1994a: 17). However, his account of management work went much further in exploring the underlying forces driving management choices. His approach to understanding management work is based on four general propositions. Firstly, he suggests that a fundamental characteristic of human beings is their search for meaning, which, in his argument, extends to the working lives of managers. Second, he refers to the principle of bounded rationality first espoused by Simon (1957) to explain how the culture of the group can provide the "principles, guidelines, norms, values and precedents" for making choices (Watson, 1994a: 20). Thirdly, he argues that culture is a means of sustaining identity and relationships, and finally he suggests that language, or

discourse more generally, is the means by which culture is formed. Culture is defined as (Watson 1987:83; quoted in Watson, 1994a: 21)

the system of meanings which are shared by members of a human grouping and which define what is good and bad, right and wrong and what are the appropriate ways for members of that group to think and behave.

This theoretical stance provides a more profound explanation for the way in which management choice is made. His theory provides a basis for understanding the probability that management cultures might exist, separate from, though related to the wider organization, and that this culture could act as a filter in determining which organizational innovations (if any) are relevant to the particular circumstances facing the organization (Johnson, 1997). The argument is an important advance on the dismissive view that consulting packages are merely fads (Huczinski, 1993), or that managers use packages for purely instrumental ends (Pettigrew, 1985.).

While this approach to explaining management choices is important, there are limitations to a purely cultural explanation in that the discourse that produces the culture does take place in a structured world. Organizations have unique characteristics, which contribute to, and even shape, the way in which those within them wish to act. In this study, the four organizations exhibit quite different characteristics, including differences in structure, ownership and size, and more particularly their management style.

From this discussion, it appears that decisions about the future pattern of employment relationships are influenced by a range of factors. At the societal level there are a range of factors which influence the strategic options of the enterprise. These include the nature of product markets, government policies and programs relating to employment relations, education and competition (Maurice et. al, 1984, 1986). At

another level the specific characteristics of the firm will be influential in determining management decisions. These characteristics, which are sometimes seen as elements in the overall culture of an organization, provide both the parameters for choice and the receptivity of managers to new ideas. Organizational structure and established patterns of managing the workforce provide a context for management decisions. Management attitudes and beliefs may be critical in determining the actual choices and priorities given by managers to employment policies.

## **THE RESEARCH SETTING**

This thesis is focussed on companies in two sectors of the manufacturing industry, automotive components and whitegoods. Each sector has characteristics that are potentially important in shaping the behaviour of companies within them.

### ***THE INDUSTRY SECTORS***

#### **Automotive components**

The operations of companies in the automotive components sector are influenced quite directly by the demands of their customers the automotive manufacturers. Three characteristics of the automobile industry are of importance to understanding the situation facing components companies in recent years.

The first of these is the global nature of the automobile industry. Dicken (1992) has described the industry in the following terms:

Organizationally the automobile industry is one of the most global of all manufacturing industries. It is an industry of giant corporations, many of which are increasingly organising their activities on internationally integrated lines (1992: 268).

He attributed this globalisation not only to the policies of the transnational companies involved, but to the impact of national trade policies on their activities. A variety of

economic protective measures was used over the years by successive Australian governments to encourage the development of automotive, and other manufacturing industries. These included quotas on imports, tariffs and local content criteria. From 1973, the first of what proved to be successive reductions in this protective apparatus began to occur (Anderson, 1987: 174). These culminated in the adoption of *The Passenger Motor Vehicle Manufacturing Plan* in 1984 (Industry Commission, 1998: 40). This plan, known as 'the Button Plan', after the Minister responsible for it, provided for a staged reduction of tariffs together with removal of import quotas and local content rules (Lansbury, 1994:3). The scheme was extended in 1991, with a planned reduction of tariffs to 15% in the year 2000 (Industry commission, 1998: 41). These changes were a step towards exposing Australian manufacturers to the regimes of an international market. For automotive components manufacturers the changing tariff regime was most obviously felt through the efforts of the domestic automotive manufacturers to adjust their production standards to those dictated by imported vehicles. As the President of the Federation of Automotive Products Suppliers (FAPM) put it his Annual Report for 1986-7 (FAPM, 1987: 1):

...adjustments to assistance mechanisms and in particular to local content arrangements puts our industry under intense pressure. A more uniform level of assistance to both the components sector and to motor vehicle manufacturers means that, to ensure the competitive advantage once assured by quotas and local content regulations, we are now mutually dependent on each others' attempts to improve our total industry competitiveness.

His recognition of the inter-dependence of automotive and components manufacturers was consistent with the second characteristic of the industry in this period, the relationship between buyers and suppliers within the industry.

The issue of interdependence was immediately interpreted as a pressure to improve cost and quality (FAPM Annual Report, 1987-8; Nasser, 1991). Quality was an issue inherent in the relationship between suppliers and assemblers in the industry, and the

improvement of quality standards became one of the key activities of the FAPM from this time (FAPM, Annual Reports, 1989 - 1996). However, the influence of the policies of vehicle manufacturers is quite critical for understanding the issue of quality. Through the establishment of quality systems and requirements, each of the Australian manufacturers was instrumental in promoting and reinforcing the need for a reduction in errors and for changes in the management of production processes. First amongst these was the Ford Q101 Quality standard, which became a *de facto* quality standard throughout industry. The Toyota supplier quality system subsequently introduced, was even more demanding than the Ford standard, and was more explicit about the need for management changes to accompany technical improvements (Interviews with M. Poulson, 1990; Gahrib, 1990). These systems placed considerable pressure on components manufacturers to improve management systems. While such changes were usually presented in terms of advice or assistance for the components firms, there was an implication that changes in management methods were seen by the automotive firms as a requirement of the supply relationship.

Another aspect of the supply relationship, which emerged at this time, was discussion of the Japanese practice of developing "tiered" supply relationships (Scales, 1991). In this system components manufacturers fell into tiers according to the nature of the product supplied and its level of technical sophistication. First tier firms are those which produce integrated components such as brake systems in which they invest considerably in original design. At the second tier level firms are seen to produce more standardised components, though with some customisation within the customers' specification. Third tier suppliers were those providing standardised components in high volumes. The level of return expected by a participant in this system would be higher at the first tier level than the third, while the relationship at the top level would also be more symbiotic. The Automotive Industry Authority, using material provided by

the IMVP, advocated that the Australian industry should move towards the tiered structure to make better use of the very different technical and production resources of Australian components suppliers (Scales, 1991).

The need for mutual dependence was also, however, intricately connected to a third characteristic of the automotive industry, the changing nature of its production systems that were described by the influential MIT study as the system of 'lean production' (Womack et. al., 1990). Traditionally the automobile industry has been synonymous with the development of mass production techniques, which some later writers have termed Fordism. These production systems, which developed in relatively closed national markets (Deyo, 1996:2), particularly the USA, were characterised by fixed moving production lines, narrowly skilled workers undertaking routine repetitive tasks, producing a high volume of standardised products (Dicken 1992: 282; Mathews, 1989; Lewchuk, 1987; Braverman, 1974). As explained above, substantive changes in the character of automobile production emerged in Japan in the post war years (Cusumano, 1985; Fujimoto, 1999). The production techniques, which evolved in this period, were subsequently the basis of the model developed by the MIT International Motor Vehicle Project (IMVP) research, and published in *The Machine that Changed the World* (Womack et. al., 1990). The new systems of production in the industry are characterised by flexible production based on the use of relatively skilled labour working with technologically sophisticated production equipment to produce high quality goods for niche markets. The system integrates all parts of the production system to ensure rapid product and process innovation (Womack et. al., 1990: 48-69; Dicken, 1992: 282; Deyo, 1996:2).

Deyo attributes the changes in production systems within the industry to the coincidence of a number of factors including technological innovations in production systems which enabled more flexible production methods to be developed, changes in market preferences and a segmentation of product markets globally (Deyo, 1996: 2). The new system creates a demand for integration of processes external to the automotive manufacturers, with closer collaboration and interaction between components suppliers and manufacturers essential to the objective of flexible production of consistently high quality goods (Deyo, op. cit. 6).

Together these two characteristics of the automotive manufacturers were to challenge the competitive and production strategies of Australian components manufacturers. The challenge was summarised by a President of the FAPM in his Annual Report in the following terms (FAPM, 1996: 6):

Globalisation is not just about exports but encompasses the strategic alignment of our businesses and industry with the global approach being adopted by the world's major car companies.

One of the researchers in the MIT project, Richard Lamming summarised the position facing the Australian automotive components sector as follows (Lamming, 1990: 3):

The size of the Australian vehicle market coupled with the wish on the part of the assemblers to mix models within their already small production levels, poses a problem of a lack of scale economies for the components manufacturer

Lamming summarised the characteristics of the Australian components sector as being (Lamming, 1990: 20):

- very small by global standards;
- crucially dependent on the purchasing and technology requirements of the Australian vehicle assembly industry;
- profoundly effected by government policies and subject to import tariffs and export credit schemes;
- subject to the global strategies of foreign-based and owned groups).

The Australian industry, in the mid-eighties was a highly concentrated one with a handful of large companies dominating an industry otherwise made up of a great many

medium and small manufacturers. Of the ten largest companies, which accounted for 62% of the value of products supplied to vehicle assemblers (FAPM, 1990b:10), only two were Australian owned (Lamming, 1990:20). In 1989, the proportion of their output exported was only 5%, indicating a very high level of dependence on local vehicle assemblers.

Many of these companies straddled several markets as suppliers to a range of larger manufacturers in other industries, while others were divisions of diversified companies, with interests in other manufacturing or related areas. Three automotive components manufacturers are examined in this thesis. Each company has other manufacturing interests, and components occupied a different position in their respective business strategies. Nevertheless, they shared the pressures from automotive manufacturers to comply with more stringent production requirements relating to quality, delivery and price.

Statements by industry leaders make it clear that there was a growing realization that the challenges flowing from reductions in protection went beyond single techniques such as quality accreditation. In 1991, for example, the President of FAPM referred to the need for the industry to manage change in his opening address to the Annual convention (FAPM National Convention, 1991):

We must all look to our organisations and people to assess our company's responsiveness to change. How flexible are we? Do we possess the right skills? What strategic thinking processes are built into our management?

This statement, echoed in subsequent Annual Reports of FAPM, proposes a more holistic view of the changes required for the industry. It poses a more ambiguous and uncharted course for managers. In this climate, consultants' proposals for lean



production and best practice models were all likely to be useful for managers as mental maps for the actions required to meet the challenges identified.

### **Whitegoods**

The Australian whitegoods industry grew rapidly in the immediate post war years as the population expanded and home building activity generated a high demand for household appliances. While American and British manufacturers had some presence in the industry, most of the manufacturing companies were Australian owned, often using licenses from overseas. This expansion led to a proliferation of manufacturers, whose number only decreased when the long boom began to abate (Electrical Industry Advisory Council, 1978:1; Rattigan, 1986; Maddock, 1987). Their numbers fell substantially over the years, from 35 in the early 1950s, to 21, in 1963 (Electrical Industry Advisory Council, 1978:1). In 1977, the Industry Assistance Commission (IAC) noted the presence of 16 companies in the industry (IAC, 1978). A more detailed breakdown of the progressive reduction of numbers in the industry is shown in Table 1.4, which was compiled by a former senior EMAIL manager in 1998 (Hanna, 1998: 182).

In spite of the numbers, the industry was highly concentrated with three or four firms dominating key markets. Until the late 1980s, both EMAIL and Simpson-Pope were included in this group. These dominant companies employed a variety of devices to reinforce their position including marketing arrangements based on administered prices that shielded them to a degree from the inherent inefficiencies of relatively low scale production for a limited domestic market (Dufty, 1972:17). Nevertheless, the IAC inquiry into the industry in 1977, suggested that the market was too small for the sixteen manufacturers then operating in it (Industry Assistance Commission, 1978).

**Table 1.4: Whitegoods industry: Number of producers in major markets**

Product	1960	1972	1978	1980	1986	1996
Refrigerators	16	8	7	5	2	3
Washing Machines	14	8	5	3	3	3
Air Conditioners	10	5	3	2	1	1

Source: John Hanna (1998), *Charting the way forward for manufacturing*, in Rodin Genoff & Roy Green, **Manufacturing Prosperity**, Federation Press.

The pressures facing domestic manufacturers became more acute in the seventies, as they were faced with competition from imported products. This issue had been given some attention by the competition regulator the Tariff Board (which became the Industry Assistance Commission in 1974) during successive tariff reviews. The industry had been given tariff protection in 1971. While this was reduced to 25% after 1974, the level of protection continued to remain high, until the reduction by the Labor government in its phased tariff reductions following the May 1988 Economic Statement (Industry Commission, 1998:8).

There were some differences in the stance taken by companies in the industry over government protection for the industry. In particular, the positions taken by the major domestic companies, EMAIL and the South Australian based Simpson-Pope were diametrically opposed on the issue of tariff protection. These were recorded in the Report by the Electrical Industry Advisory Council in 1978 (Electrical Industry Advisory Council, 1978). The EMAIL position, which was shared with other manufacturers, was to seek a continuation of the 25% tariff protection. The argument for retention of tariffs at about the existing 25% level was supported with references to the small size of the domestic market, the inroads already made by imported products, the significance of the components sector reliant on whitegoods manufacturers and the numbers of jobs and skilled jobs provided directly and indirectly by the industry. The position taken by

this group appears a mixture of special pleading and factual statement, and some companies, notably Phillips Industries and Hoover Ltd. with overseas parents, were less concerned about a uniform tariff level, than favourable treatment for particular products. This group took the view that the industry did need to change but it saw change as "...a competitive evolutionary process (Electrical Industry Advisory Council, 1978:29). By implication, these companies sought no more than a minor adjustment in the ruling market structure, in which they enjoyed some competitive advantages.

The views presented for Simpson by its senior managers were not supported widely within the manufacturing sector, in that they represented a rejection of the position commonly taken by Australian manufacturers at that time (Phillips, *Business Review Weekly*, September 1985:34). The company argued that tariffs should be progressively reduced, but with export incentives for the whole of the manufacturing sector. In its view technological improvements and product specialisation, together with a strong export orientation were the path to improvement for the local industry (Electrical Industry Advisory Council, 1978: 29-30). These assumptions were, at that time, inherent in Simpson's corporate strategies. Simpson's position suggests a commitment to alterations to the existing competitive regime, and a willingness to risk a wholly different market situation.

The majority of companies sought protection of some defined proportion of the local market, and for market forces to determine which companies would survive and grow in this (protected) market. In contrast, Simpson's vision was one of domestic companies achieving efficiency and economies of scale through participation in a global market. At a practical level, Simpson believed the absence of tariffs would discourage further entrants into the market. In contrast, most companies adopted

strategies, such as product licensing and marketing arrangements, to restrain further entrants.

As it transpired the superior resources of the diversified EMAIL proved to be too great for the smaller Simpson, which was merged into EMAIL as part of a series of takeover bids and counter bids between 1979 and 1986. In the years following EMAIL's takeover of Simpson in 1986 three further events shaped corporate thinking. First, the general reduction of tariffs after 1988 removed one of the pillars of EMAIL's production strategy, effectively exposing it more directly to overseas competition. This goes some way to explaining the enthusiastic endorsement of international competitiveness by senior executives of the company in 1989, and its pursuit of Best Practice management in succeeding years.

Secondly, the establishment of an Australian subsidiary of the successful New Zealand company, Fisher Paykel, introduced a further competitive element. Fisher Paykel entered with a purpose-designed factory, and a workforce whose conditions of employment and working arrangements were designed to complement the state of the art technology installed in the new plant. The business strategy articulated earlier by the (then) General Manager of the Simpson was to all intents and purposes adopted by the new entrant. While it may not have been a causal factor in EMAIL's restructuring plans for the whitegoods area, some executives did acknowledge that the greenfields situation of the new entrant was a considerable competitive advantage over the situation common in EMAIL plants. EMAIL worked with older equipment, in more crowded production facilities, and had less flexible work practices than were to be found in the new Fisher Paykel plant.

Finally in the early nineties, the diversified company Southcorp, formerly SA Brewing Company, took over the Australian operations of Hoover and consolidated them with other whitegoods plants it had acquired. This created a more effective 'third force' in the domestic market. It is of some note that the Managing Director of the Southcorp group had been a member of the EMAIL Board until his acceptance of the Southcorp position. He had also managed a large automotive components company, where he had earned a reputation for being highly effective in transforming a run down operation into a highly successful and internationally competitive components manufacturer (Interview with Ewan Kilpatrick, 1994).

As with the automotive components companies there were substantial external 'market' signals for the company to adopt different management strategies. However, the timing and nature of the company responses, particularly the ambitious participation in the Australian Best Practice Demonstration Program, points to the importance of the managers themselves in determining this response.

### *THE COMPANIES*

The research will investigate the approach taken by managers in each of these companies to the management of people in the production system. It will examine the way in which structural factors as well as the beliefs and attitudes of managers each influence decisions about employment relations.

The companies covered in this research exhibit different structural features, which will be addressed in the later analysis. The broad characteristics of the companies are summarised in Table 1.5, using the categories that Wright concluded were important in shaping management behaviour. The characteristics of each of these companies are examined in more detail in the remainder of the thesis. In particular, the cases will

examine the interaction of formal and structural arrangements with the perceptions and approaches of managers to the demands on them.

At MtM decision-making was focussed on the Executive and the Board. During the period of the research, a non-family General Manager was employed. His employment ended with disagreement over priorities between himself and the Board, which was made up of family members. The subsequent appointment of a family member as General Manager tightened family control over the day to day decision making process. Chapter 6 examines the way in which this manager balanced pressures for continuity from his family, and pressures for change emanating from customers and external institutions in the succeeding period.

**Table 1.5 Basic structural characteristics of sample companies in 1991**

Company	company size	Ownership	Structural form	HRM	Unionisation	Industry character
MtM	small	family	Functional organization	rests with General Manager	none until recently	dependent on auto. industry for 70% turnover
Tubemakers	large	public company Australian ownership	Divisional structure based on key markets	Divisional IR specialist	high density multi-unionism	primary product market is tubes; Auto components is section of Division which dominates primary product market
AIR International	large	public company Australian ownership	Diversified divisional structure	Divisional specialist	single union within a Division of AIR International	Division wholly dependent on auto. Industry.
EMAIL	large	public company Australian ownership	Diversified divisional structure	Corporate Manager & workplace specialists	Multiple unions with specific site concentration	Division leads domestic market in most product areas

Source: Compiled from company documents

Tubemakers was an established company with clear dominance in the local manufacture of steel tubing. Its activities in the automotive components sector were

built on its engineering and production skills and its ready supply of tubing. Automotive components production grew out of the company's steel tube plant in South Australia, and its senior management were primarily charged with responsibility for the tubing business. During the research period, Tubemakers corporate managers initiated a program of reform in structures and operating styles designed to make the company more competitive. Greater local autonomy brought with it responsibility for profitability in every activity. The decision to close the plants producing steering columns and other automotive components took place in this changing corporate and competitive environment. Chapter 4 examines the situation facing the company's automotive components group with a view to understanding the underlying logic of the decision to divest automotive components.

AIR International Group Ltd., was the automotive components division of a relatively new company, which has its origins in investment driven acquisitions by a West Australian wholesaling chain. Each acquisition was given considerable autonomy in what may be seen as a classic example of a diversified company operating in several quite different markets. As a result, AIR International enjoyed considerable autonomy over the development of its activities. Its acquisition of the remnants of the Tubemakers steering column business in 1991 was based on a commitment to rebuild that business over the long term, using production methods consistent with the emerging ideas of best practice in industry. Chapter 5 examines the development of this business unit, and the relative importance of structural factors as against a clear management ethos in the process of developing the steering column business.

Chapter 7 examines the growth of EMAIL and the company's experience with a major change program in its Major Appliance Group (MAG) from 1990. The MAG was formed

in the 1970s, after the company had established its position as the leading domestic appliance manufacturer through a process of acquiring many of its competitors. The MAG continued to be the most important of the company's divisions until 1995. The EMAIL study documents the effect of changes in the locus of decision-making, and the influence of strategic control mechanisms over decisions about working arrangements at plant level. More specifically, it examines the ways in which the perspectives and priorities of some of the most senior managers might have been shaped by their participation in the development of the company. The chapter gives particular attention to the process of change in one plant within the MAG with a view to examining the degree to which the company adopted 'best practice' principles

## **THE RESEARCH PROBLEM**

This study examines the way in which four Australian manufacturing organizations adapted to a variety of pressures for change in the period between 1986 and 1996. The manufacturing sector faced increasing competition, as the Australian economy was progressively exposed to the international economy, through reductions in protective tariffs regimes. The Australian government sought to exercise leadership in a process of microeconomic reform, which was pursued within the framework of its Accord with the ACTU. The decentralization of industrial relations began with decisions of the AIRC in 1986, and continued with the introduction of legislation to facilitate enterprise based bargaining arrangements. At the same time, government agencies adapted and promoted notions of 'best practice management', aimed at providing Australian employers with a model for adapting their organizations to the changing competitive environment (supra: 17- 21). Within industry more specific models of change emerged, which included the promotion of the notion of 'lean production', as a model for the transformation of manufacturing enterprises (supra: 21- 25) . These proposals appear to have much in common with optimistic accounts of the evolution of contemporary economic systems in their focus on a 'transformation' of employment



relations (supra: 25-6). They place a strong emphasis on changes to employment relations which accord greater value to the contribution of employees, characterised by team working arrangements, employee involvement and skills development practices within enterprises. They envisage the emergence of a framework of common interests or 'mutual gains' for employees and managers (Kochan et. al., 1994).

While there is some evidence that considerable organizational change did take place in Australian organizations during the period, it is not apparent from those studies that external pressures or 'best practice' models were instrumental in leading change. It is also apparent that there were varieties of organizational response rather than a particular approach being adopted. The thesis seeks to understand more clearly the factors that influenced managers' decisions about the need for internal change in employment relations and work organization, and how they dealt with those changes. Wright's (1995) framework, based on a study of the labour management strategies of Australian employers in the post war years, provided an initial framework for understanding these issues. The research reported in the following chapters is focussed on clarifying the relative importance of internal characteristics, and more particularly the importance of management attitudes and values in shaping their responses to external change. It begins with an examination of the relevant literature in the following chapter.

## CHAPTER 2 THE MANAGEMENT OF WORK AND EMPLOYMENT RELATIONS: A LITERATURE REVIEW

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This review examines academic literature related to several themes associated with the general thesis outlined at the end of the last chapter. Section 1 examines literature relating to the historical paths of development of production and work systems in industrialized countries. This discussion examines the relevance of theories of convergence and divergence to the study. Such discussions have been at the heart of sociological discussions about the development of contemporary economic and social systems, and have influenced judgments about the immediate changes that might be expected in production and work organization.

In section 2, attention turns to the way national economic social and economic structures shape the organization of work and employment relations. This literature points to the continuing influence of national institutions and regulatory frameworks, in determining the precise paths available to managers in changing work systems. In Section 3, attention is given to factors specific to the enterprise and to management choices over human resource issues. This section begins with an examination of a range of approaches to strategic management, and their implications for choices the management of people. Three issues emerge from this discussion. These are, the limitations of strategic human resource management theories, the importance of a holistic approach to understanding enterprise level choices, and the importance of addressing the way idiosyncratic characteristics of the enterprise emerge and relate to strategic choices.

Section 4 turns to a closer examination of processual approaches to strategic decision-making as a basis for understanding the way in which decisions about human resource issues, including working arrangements, develop and contribute to the competitive position of the enterprise. This is followed by a review of the way in which managers make sense of their work, and how they develop common understanding of the sources of action that are appropriate.

In section 5, selected best practice theories are examined against the background of the previous discussion. The review in this section is aimed at assessing the coherence, theoretical rigour and relevance of 'best practice' theories as a guide to management decision-making. The Chapter concludes, in section 6, with some general criteria for examining the cases in the following chapters.

## **SECTION 1            CONVERGENCE IN THE SOCIAL ORGANIZATION                                  OF PRODUCTION SYSTEMS**

The notion of convergence in the form of modern social and economic structures has been a feature of discussions in the social sciences. It is possible to identify two general orientations to research about the convergence of production systems and their characteristics (Gahan 1991: 159). On the one hand a pessimistic tradition has emerged building on Marx's analysis of the development of capitalism, which suggested increasing exploitation of workers, and a degradation of work. The other more optimistic tradition is epitomized by the work of Clark Kerr and his colleagues in the early sixties, and their theory of industrial society (Kerr, Harbison, Dunlop & Myers, 1973). Each has different implications for the way managers are expected to behave in relation to changing economic and technological conditions.

*The pessimistic tradition*

Marx's theory on the development of capitalist forms of production, has been one source for ideas about the way in which social systems were likely to develop (Hyman, 1975). Marxian ideas informed the work of Harry Braverman (1974), who focussed attention on the development of production systems in the contemporary world. Braverman's argument characterizes the 'pessimistic' tradition of scholarship, which followed from Marx's views on the development of capitalism. Braverman argues that managers, as agents of capitalist development, sought to control the mental and physical functions of workers involved in the production process. The pre-eminent forms which management control took were, in Braverman's analysis, the principles of scientific management as propounded by Frederick Winslow Taylor (1974: 85-120). He argued that the effect of the development of capitalist society under the aegis of scientific management would be a degradation of the position of workers, with de-skilling of the workforce and reduced security at work. His pessimistic view of the future of work, and workers' powerlessness to reverse the process of historical development, were underpinned by cynicism over attempts to humanise work. He dismissed human relations practices in the following terms (1974: 39):

The reforms that are being proposed today are by no means new ones, and have been popular with certain corporations ... and certain management theorists for a generation. They represent a style of management rather than a genuine change in the position of the worker. They are characterized by a studious pretence of worker "participation", a gracious liberality in allowing the worker to adjust a machine, replace a light bulb, move from one fractional job to another, and to have the illusion of making decisions by choosing among fixed and limited alternatives designed by management ...

Following Braverman, a long line of theoretical work known as labour process theory, pursued the working out of these basic ideas (Vicki Smith, 1994). The notion of Taylorism, as the paradigm of production systems in modern industrialised economies, has been the central preoccupation of labour process theory, and, as Wood observes (1989:10),

... proponents of labour process theory are rightly cautious about over-reacting to any seemingly new organizational and technological initiatives and not getting caught in the trap of managerial hype.

Writers in the labour process tradition faced their most significant challenge, with the emergence of what has been called the 'new production concepts' in the manufacturing industry (Kern & Schumann, 1980; Gahan, 1991). What emerged in response to experimentation with new forms of work organization in manufacturing enterprises in a variety of places was a critical view of the new production concepts, which focussed on its continuity with Taylorism. The term neo-Taylorism has been used to describe this continuity in the underlying nature of the productive system. Writers in this tradition suggest that the new methods of production such as team working and 'lean production' mask continuing degradation of work (Fucini & Fucini, 1990; Garrahan & Stewart, 1991, 1992; Graham, 1993, 1995; Parker & Slaughter, 1988, 1993; Babson, 1993, 1995, 1996; Gahan, 1991; Sewell & Wilkinson, 1992; Wilson & Ewer, 1996; Lewchuk & Robertson, 1997; Rinehart et. al., 1997). This line of inquiry has continuities with Braverman's view about the human relations practices, which were quoted above (Braverman, 1974: 39). Labour process theory thus provides a picture of all-powerful managers using scientific management techniques as instruments of control over the workforce. The production systems that grew around these principles, the so-called Fordist model of production, have been used as the paradigmatic description of mass production methods.

However, later labour process writers have acknowledged that the situation outlined by Braverman might represent a polarized view of the overall development of the labour process (Littler & Salaman, 1988: 265; Wilkinson, 1983: 15; Wood, 1982, 1989: 10-11; Reed, 1990). Others have questioned the very definition of the paradigmatic production systems built around the principles espoused by Taylor, the Fordist model

of production (the discussion by the contributors in Freyssenet et. al., 1998 expands this argument).

Wood and Kelly (1982), caution against a simplistic view of management actions. They suggest that, worker resistance remains a powerful limitation to management strategy; that managers may not be focussed exclusively on the labour control issues; and that it is questionable whether managers act as a homogeneous group (Wood, 1982: 88-89). Reed's critique of the approach taken by labour process theories to the study of management decision making is also apposite. He describes their approach as tending to be 'formalistic and rationalistic' (1990: 82), and that they are based on a determinist view of the relationship between capitalist development and the way in which organizations are run. He proposes a theoretical stance in which management behaviour is seen to be more fragile, and managers more likely to use a variety of practices in order to retain some control over situations that are shaped by a wide range of technological and human motivations (ibid.). Bray, in an earlier attempt to understand management choices, within the context of a Marxist perspective, also suggested a need for further empirical work in order to understand the complexity of management choices in capitalist enterprises (Bray, 1986: 144-6).

Together these critiques of the pessimistic predictions of the labour process school suggest that management strategies and activities effecting work process and employment relations must be seen in a more critical manner. They suggest a need to examine the nature of management strategic decision-making.

### ***The optimistic tradition***

Optimists about the future evolution of work systems include a diverse range of writers. Those writing from this stance subscribe to the view that there is a logic to the

development of work and employment systems, and that work organization is converging towards a model in which the position of workers will be more favourable than predicted by Marx or his successors.

The classical statement of this view is to be found in the work of Kerr and his colleagues (Kerr, Harbison, Dunlop and Myers, 1973). In their book *Industrialism and Industrial Man*, they argued that there was an underlying logic to the process of industrial development, which would, over time, lead to a convergence of industrialised nations towards a new form of industrial society, which they called *pluralistic industrialism*. The common characteristics of this new form of society would be found in their social and economic institutions. Their analysis suggested that the unfolding of modern social structures was driven by economic and technological developments, and that the agency of change would be "industrializing elites", which included the managers of industrial enterprises. Employment relations, under pluralistic industrialism, would be based on a web of rules created by the interaction of institutional actors, to govern the workplace and the work community (Dunlop, 1958, 1971). Dunlop's explanation of industrial relations under pluralistic industrialism suggested that the web of rules would be shaped in each industrial sector, by market and technological constraints, and by what he termed the 'power context'. This latter term was used to cover political power, the relative power of the industrial 'actors', and the law. This intellectual framework has been widely attacked for its conservatism, ethno-centric approach to development, excessively functionalist argument, over-generalisation, and for ignoring the influence of institutional or cultural factors which create different experiences at the national or regional level (Hyman 1994:2; Christel Lane, 1989; Locke et. al. 1995: xvi; Goldthorpe, 1984). However, the idea of convergence continues to influence discussion about the nature of industrial society, their institutions and productive systems.

One variant on the theme is that associated with the work of Piore and Sabel (1984), whose much quoted analysis of the development of advanced economies suggested that a 'second industrial divide' was emerging, as a result of the crisis facing western economies. They described this crisis as a disjunction in the otherwise linear development of the system of productive organization that emerged in the 19<sup>th</sup> century. The crisis itself resulted, in their view, from a confluence of factors. Successive economic disruptions from the 1960s, followed by a breakdown in public confidence in the forms of industrial regulation, and from misguided attempts by governments and industrial parties to reform economic institutions (1984: 165-169). The symptoms of these were stagflation and associated difficulties in economic management; student rebellions and industrial disruptions in the later sixties; and, industrial regulation, which limited technological innovation and development. They argued that the changes experienced in the early eighties represented an "historical divide", in which governments and other institutional actors would be forced to make one of two choices, as to the future organization of industrial production. These were described as, on the one hand, an extension of mass production accompanied by greater levels of governmental regulations. On the other hand the historical divide could lead to what they term "flexible specialization", characterized by a return to craft forms of work organization using flexible machinery, in small, networked organizations, undergoing continual innovation.

The flexible specialization thesis, which they developed, has provided one stream for envisioning the future of productive organization. However, as the authors note in their conclusion, the choice as to whether such systems would be widely adopted is a political one, involving labour and the mobilization of communities to re-shape the political agenda towards more supportive government programs (1984: 307-8). Their



essentially utopian vision is not one that is aimed at management practice, so much as political ideas and strategies. Nonetheless, the idea of flexible specialization as a production technique, has exercised some influence on the thinking of companies grappling with changing market preferences (Locke et. al., 1995: xxii).

A more evolutionary perspective on the development of production systems was contained in Ronald Dore's equally well-known study of British and Japanese work places (Dore, 1973). While Dore did not subscribe to the vision contained in *Industrialism and Industrial Man*, he provided a prospect for the evolution of production systems based on Japanese experience (Locke et. al., xvii). His model of the future was Japan, rather than the more common attention to the US or Britain. He explained this as the 'late developer' effect, wherein nations undertaking industrial development relatively recently (late in historical terms), could avoid the institutional constraints and limits to adaptation present in those countries first undertaking development (Dore, 1989:426; 1973: 12). In his 1989 reconsideration of the original analysis, Dore addressed the way in which the Japanese example was being transferred to other countries. While he defended the general thesis his analysis of contrary trends demonstrates a more contingent view of the speed of evolution. He suggested, for example, that some techniques pioneered in Japan, such as just-in-time (JIT) inventory management, had been relatively easy to adopt than personnel practices which were more closely associated with the presence of a Japanese subsidiary in the host nation (1989:436). He also suggested that the evolutionary path towards cooperative employment relations systems was likely to be facilitated where unions had a stable role in wage bargaining and macroeconomic policy (1989: 437). The Australian situation in the period 1986-1996 was one in which the Accord provided for such stability in the role of unions. Dore's thesis would therefore suggest that the Australian situation would be one favouring the cooperative organization-oriented forms of

employment he suggested represented the future. However, as indicated in chapter 1 (supra: 15; ACIRRT, 1999) there appears to have been a diversity of approaches to change amongst Australian employers in this period.

In a study of production and work organization in European motor vehicle engine plants, Mueller (Mueller, 1992; Mueller & Purcell, 1992) argued that there was a convergence of work forms, and more particularly the adoption of forms of functional labour flexibility. He accounted for this convergence by reference to the more sophisticated production technologies then emerging, more dynamic product markets, the emergence of a larger European product market, and the example of Japanese production concepts. His analysis again focussed attention on the importance of Japanese production systems as a model, and the importance of managers' strategic choices, in the face of intense external change. These two themes, that of strategic choice, and the importance of the Japanese example, recur continuously in the literature dedicated to examining the adoption of 'new production concepts'.

Kern and Schumann, in their study of work organization in German industry, proposed that there would be a 're-professionalization' of work in the manufacturing industry (Kern and Schumann, 1980, 1984; and discussed in Sandberg et. al. ed., 1992: 285-6). In their analysis, this would occur because workers' skills would need to be upgraded, to enable them to use the more advanced production technologies. Another implication of this trend, was for the emergence of a polarised workforce with some winners and many losers, rather than the emergence of a homogeneous workforce made up of newly skilled workers (Sandberg et. al., 1992: 285). Their conclusion has been challenged by other empirical investigations (Aurer and Reigler, 1990; Jurgens

et. al, 1993), but the influence of technology continues to provide examples of both de-skilling and skills enhancement.

Mathews (1989) took an extremely optimistic view about the prospects for a transformation of work. He attacked what he termed the conventional wisdom that alienating work is the price to be paid for prosperity. He stated (1989: 1):

But a new world of work is emerging. Competitive pressures and technological innovation are now triggering changes that could have far-reaching implications. Behind closed gates and doors, an unprecedented level of restructuring is in train. Fundamental changes to work organization and industrial relations are being contemplated.

In this vision, the organization of work within advanced economies would enable workers to exercise greater autonomy over work processes and outcomes, and skill enhancement would become more important. Central to Mathew's argument is the influence of computerization, which was seen as effective only because new forms of work organization enabled its potential to be better utilised. The new world of work was one inextricably linked to the use of micro-processors in production and white collar work environments (1989:57-60).

Dawson also subscribed to the view that advanced production processes were leading to changes on work organization (Dawson, 1994). He argued that (1994:27)

The constituent elements of much of the work structuring currently underway in industry represent a movement towards the development of multi-skilled, self-regulatory workgroups who liaise with teamwork supervisors/facilitators on the shop floor.

Arguing from evidence of such new arrangements, Dawson extended these studies into a homogeneous trend. Variations in the content and impact of such new arrangements were given little attention by Mathews or Dawson, who both appear to sweep Swedish work organization experiments at Volvo, into the same category as

quite different workgroups emerging in Welsh transplants, or those observed in Toyota's Japanese plants (Berggren, 1992; Oliver & Wilkinson, 1992; Womack et. al., 1990).

A similar proposition was pursued in the work of Florida and Kenney (1993), who proposed a theory of *innovation-mediated production* to describe what they saw to be an emerging paradigm of production (Florida & Kenney, 1993: 14-15). They described the central characteristic of this new production paradigm as "the harnessing of workers' intelligence and knowledge of production" (1993: 15). They argued that future production systems would rely less on manual labour, and more on intellectual ability, and that this would underpin more rapid technological innovation in products and processes. They went on to argue that workers knowledge would be organized collectively rather than individually. They hypothesized a breakdown in the distinction between research and development activities, factory activities, and continuous improvement in products and processes. While eschewing the use of Japan as a model, they argued that the new paradigm had first begun to develop in Japanese companies, and that it was being diffused and further developed in their overseas subsidiaries. Their work presents a formidable range of research in U.S. transplants, but uses this to extrapolate selected features of work and factory organization into the new model. Criticisms of the impact of new forms of work organization are explained as part of the evolutionary tension between the old and the emergent forms of work and production organization (1993: 299-300).

The notion of 'lean production systems' developed by the International Motor Vehicle Program (IMVP) at the Massachusetts Institute of Technology was the most persuasive example of the post-Fordist view of production systems (Jones, 1985;

Womack et. al, 1990). This work, described in chapter 1 (supra: 21-25), represented a significant statement of the tendencies in production and work systems at the heart of the manufacturing sector. It used the experience of Japanese automotive manufacturers, and Toyota in particular, in developing novel approaches to the production of cars, to describe what they termed the 'lean production' model of manufacturing (Krafcik, 1988a, Krafcik & McDuffie, 1989). In their summary of the outcomes of the IMVP research, the authors located the genesis of the lean production method in the responses of Toyota managers and engineers (and more particularly one production engineer and the General Manager), to the economic and market circumstances facing the Japanese industry in the fifties (Womack et. al., 1990: 48-51). The system they describe has become a synonym for a new paradigm of manufacturing systems. While the works previously cited have each made some contribution to the debate about the supposed origins and forms of the new paradigm, *the Machine that Changed the World* has been the starting point for a most of the discussions about new production systems in the automobile and more generally the manufacturing sectors (Demes, 1992: 474; Katz, 1997:4). As indicated in the book's *Preface*, the research was supported by automobile manufacturers and their national governments, and was global in scope, with visits to plants of every automobile manufacturer. The resulting book argued that the industry needed to adopt different production and work methods to survive (Womack et. al. 1990). It stood in contrast to the gloomier predictions by the same research group in a previous publication (Altshuler et. al., 1984).

### **Summary**

The pessimistic views summarized above, each rest their arguments on the logic of capitalist development originally propounded by Marx, but interpreted by Braverman. The labour process writers have tended to focus on the relative powerlessness of workers, and on ways in which resistance to management initiatives might be

developed. However some writers in this tradition have proposed a more sensitive analysis of management strategies which takes into account both the position of managers within the system of capitalism, and the internal constraints faced by managers themselves (Burawoy, 1979; Reed, 1990).

Post-Fordist writers share a belief in the vision of a more integrated and humanistic production system that, they expect, will replace the Taylorist past under the appropriate conditions. Many writing in this tradition have proposed the so-called Japanese model as the source of a new paradigm of production and work organization (Elger & Smith, 1994; Oliver & Wilkinson, 1992). Wood affirms that the post-Fordist arguments about the new approach to production are synonymous with an idealised view of both the Japanese production system, and the mass production, or Fordist system it is supposed to replace (1993:535-6). He follows other researchers who have suggested that the whole Fordist debate is misleading (Williams et. al, 1987, Clarke, 1992). Their proposals generally suffer from three weaknesses.

Firstly, they gave little attention to the agency of change, and often assume that management will react according to some implicit logic associated with either the market or the capitalist system. This suggests greater attention needs to be accorded to the range of factors that influence management decisions about production and work systems. Secondly, and associated with the question of why managers choose a particular production strategy, there is a tendency to refer to a particular national production model, notably the Japanese experience, as an exemplar of the direction of convergence. This is as true of pessimists, as for optimists, though for different reasons. The so-called 'best practice' models of organization, production and work organization, have relied strongly on a selective understanding of the Japanese

experience (Dertouzos et. al., 1989; Womack et. al., 1990). Critiques of these models have been offered by a range of authors defending particular national approaches to work organization (Berggren, 1991, 1993; Roth, 1995). The question as to whether the Japanese model, or any other, can be adopted elsewhere (Wilms et. al. 1994; Dohse et. al., 1988) is an important issue for arguments about convergence and management choice (Freysenet et. al., 1998). Finally, in the works cited there is little acknowledgement about possibility of divergence, an issue examined in the next section, which will examine a range of evidence about the contingent variables which might influence the development of production work and employment systems.

## **SECTION 2            THE INFLUENCE OF NATIONAL SYSTEMS OF EMPLOYMENT RELATIONS**

The pessimistic views associated with arguments about the continuing relevance of Fordism, and the more optimistic assessment contained in notions of post-Fordism, have attracted a considerable critical literature. This literature provides evidence of a more contingent view of the development of production systems and work organization in advanced economies. In this literature the determinants of forms of work organization are found in the characteristics of contemporary national social and economic systems.

### ***Societal effects***

In a significant study of education, business organizations and industrial relations in France and Germany, Maurice and his colleagues produced a compelling body of research that challenged the convergence thesis as presented by Kerr and his colleagues (supra: 53; Maurice et. al., 1984, 1986). They concluded, from their study, that the interaction of educational, organizational and industrial relations in each country is uniquely a reflection of each country's history and social structure. They argued against the notion that individual attributes, such as industrial relations or education, could be singled out from their context and compared. Against this more

established and functional view of employment relations, they offered the view that companies in any national setting would both express, and reproduce the social relations of the country in question. In their words (1984: 262):

Thus the nature of the enterprise and its industrial relations cannot be studied independent of other basic social relations, which like the educational or organizational relations express the different dimensions of social control and of the relations between social classes.

Differences in industrial relations between countries was seen as the product of the identities which the actors within that system gained from their educational system, and from the way organizations used those educational attributes. In this sense, educational and organizational practices deeply embedded in the national social system, determine the characteristics of employment relationships. In their analysis technology and other factors played a secondary role (1986:239). Their conclusions were supported by Christel Lane's comparison of business organization in Germany, Britain and France, in which the differences between similar organizations in different countries, was explained in terms of national cultures. These national cultures were defined as inextricably intertwined with economic and political structures (Lane, 1989).

This work has interesting implications for the study of innovation in work organization, as may be illustrated by reference to the German experience. Seigfried Roth suggested that the strong tradition of high skills in the German workforce is potentially a buffer to the spread of Taylorist forms of work organization (Roth, 1995: 2). He argued that the continuous thread of demand for work humanisation in Germany was a reflection of the demand for a broadening of the scope of work roles and the discretion exercised by individual workers (1995: 3). Maurice et. al reinforced this view with their observation that German workers tended to be paid for their ability, independently of status or position, in contra-distinction to the French situation (Maurice et. al., 1984:



259-60). As a result there was, in their view, less management resistance to multi-skilling as it allowed workers to fully use their abilities in the workplace (1984: 260).

Dore's study, discussed above, made some similar points, without detracting from the overall thesis that the trends in Japan might be a precursor for similar developments elsewhere (Dore, 1973: 370). His discussion of the educational differences between Britain and Japan, for example, attested to more deeply embedded patterns of socialisation and professional development, which influenced the skills available in the workplaces of each country (1973: 41-51).

The Swedish experience with innovative forms of work organization has also been explained as a consequence of particular historical and institutional characteristics. (Berggren, 1992; 1998). However, it has been suggested more recently that the Swedish model may be breaking down in the face of changes in the place of the Swedish economy in the international economy (Pontusson & Swenson, 1996). Some authors have suggested that this has had an impact on the level of management commitment to the innovations in production and work organization (Ellegard, 1996). Others suggest that the Swedish innovations might be more resilient (Ellegard, 1996, Thompson & Per Soderblad, 1994). What emerges is a more contingent picture of choices over work and production organization in Sweden. Pontusson, (1990), suggested that the choices made by Volvo managers, for example, could be explained against a background of the outcomes of the Swedish political economy (1990:332). Ellegard, on the other hand, developed an intriguing argument, which attributed immediate decisions about both the adoption and cessation of new forms of production at Volvo, to informal networks of managers (Ellegard 1996: 132-3). This view has been reinforced by Sandberg's discussion of the same events (Sandberg, 1995: 13-14).

While attributing the immediate decisions to this informal network, Ellegard acknowledged that a range of social and institutional conditions unique to Sweden ultimately facilitated such innovation. It may therefore be concluded from this overview of the exceptional case of Sweden that, while social and political organization may be critical pre-requisites to innovation, management choices are not pre-determined, and may reflect organizational characteristics and situations facing them at a given moment.

The discussion so far has emphasized the importance of national peculiarities. This suggests that nations will continue to diverge from a single approach to production organization, in spite of uniform pressures to change emanating from global economic forces. This raises the question as to the nature of, what are sometimes referred to as, the paramount forces of globalisation and international competition on corporate behaviour. Hall and his colleagues argue that such views reflect an inadequate conceptualisation of the national and the international economy (Hall et. al., 2000). Bray and Murray also observe, in their editorial introduction to a collection of papers on *Globalisation and Labour Regulation*, that (Bray & Murray, 2000: 168):

...globalisation is not a monolithic juggernaut leading inexorably to common adjustments across different national regimes.

Smith and Meiskins follow a similar path, in their critique of works advocating either convergent or divergent national trajectories for the adoption of 'new production concepts' (Smith & Mieskins, 1995a). They develop what they term a *structural contingency* approach to the issue (1995a: 252). They argued (1995a) that the nature of work organization in any particular country is influenced by the interaction between what they term *system effects*, related to the structure of the international economy; *societal effects*, related to institutional and other national characteristics; and a *dominance effect*, which reflects the position of a country in the international economy.

## Chapter 2 Literature review

The *systems effects* relate, in their exposition, to the fact that national economies are interdependent with the international economy, and that there is a hierarchy of development between nations. This hierarchy is defined by national endowments, historical experience (timing), and other idiosyncratic features, which constitute the societal effects (1995a: 257-8). In their argument, some nations will exercise a position of dominance in the development of particular production systems. This is a position originally mapped out by contributors to the societal effects thesis, and reinforced by comparisons of productivity in similar industries in the United Kingdom and Germany (Sorge & Warner, 1986; Sorge and Maurice, 1990; Daly et. al., 1985; Steedman & Wagner, 1987, 1989).

The importance of their argument for the present analysis lies in two issues they address. Firstly, the authors identify the economic origins of 'best practice'. In their assessment, best practice relates to the ability of a dominant society to develop a system of production in an industry prone to internationalised competition. The origins of the use of Japanese production experience as a best practice model would, in this view, reflect the ability of the Japanese to build a unique system of production organization, giving it inherent advantage in international competition. This view of production specialization is similar to views advanced by Sorge and Maurice (1990), contributors to the 'societal effects' view of production organization. These authors suggested that the prevalence of companies with distinctive patterns of strategy, technical, organizational and human resource characteristics might be related to the development of distinctive human resource patterns associated with particular product market sectors (Sorge & Maurice, 1990).

Following Smith and Mieskins (1995a, 1995b), the argument about the adoption of 'new production concepts' must rest on activities at several levels, that of the economic system, the organization and the actions of critical professionals. This suggests firstly, some attention to both the institutional obstacles to organizational adaptation, and to decision-making processes and power networks within organizations. Secondly, they suggest ways in which these practices are transferred. They refer to the operation of transnational companies in production and management consulting, but attach the most significant influence to the position of engineers within the production system (Smith & Mieskins, 1995a: 257-8; 1995b).

### ***Strategic choice in industrial relations systems***

In a seminal study, Kochan and his colleagues (Kochan, Katz & McKersie, 1986), suggested that U.S. industrial relations was undergoing a "transformation", as novel approaches to human resource management, embodying greater levels of employee involvement and flexible work practices, began to challenge traditional collective bargaining practices (1986: 226). Drawing strongly on both historical and behavioural evidence, they described the (then) contemporary period as one of transformation, driven by economic and structural changes facing American industry. In that period they suggested that economic imperatives dictated strategic choices over employment relations by the main parties to the established industrial relations system, namely, governments, unions and employees. Their study concluded that (1986:227):

... we see the current moment as one of those historic periods of transformation in which existing institutional structures have been challenged and opened up to experimentation in ways that allow considerable choice in how to reconstruct and modify them to best serve the interests of workers, employers, and society in general.

The study has attracted particular attention for what has been seen as its attention to the strategic choices of government, unions and employers in determining the future pattern of the American industrial relations system. The authors observed that the

pattern of industrial relations established in the USA in the thirties, the so-called 'New Deal' model of employment relations, had been undermined by strategic decisions taken by management and employers in the eighties. These changes were first observed in the strategic choices made by managers in non-unionised firms, over the way in which employment relationships would be structured. Such changes, which reflected changes in the economic, social and technological environment facing American companies in the seventies, led to the replacement of the 'New Deal' patterns of employment relations with behaviourally informed human resource management practices (Kochan, McKersie & Capelli, 1984:23; Kochan et. al. 1986: 13, 62).

Three general conclusions emerged from their study. Firstly, they identified three factors shaping the strategic adjustment of firm level employment relations. These were, the history and development of contemporary structures of industrial relations; business strategies; and the values and attitudes of managers towards unionism. Secondly, they argued that the attitudes and values of managers towards unions were one of the strongest factors in bringing about a change in employment relations practices. These were characterized by a move towards behaviourally informed human resource management practices. In their analysis it was in non-union firms that these practices first emerged. This conclusion has less relevance to the Australian situation where union membership tends to be at least nominally strong across the whole of the manufacturing sector. Thirdly, they observed changes in bargaining structures, emerging with a shift towards more strategic determination of employment relations, and the replacement of labour relations specialist advice with a greater reliance on behavioural science techniques. This argument has some relevance to the situation facing Australian companies after the decentralization of Australian industrial relations from the early 1990s.

The focus of their arguments lay in the importance of management initiatives, though they attracted some criticism for their failure to explain why a company adopts the kind of strategy they described (Strauss, 1988: 450). In their analysis, union strategies were undermined by changes in the structure of the labour market, by their declining membership, and by weakness in bargaining relationships. The authors saw public policy as relatively unchanging during the period of their discussion. This situation was not reflected in the Australian situation where between 1983 and 1996 there was considerable activism on the part of successive governments over the legislative framework of industrial relations.

Apart from a range of criticisms, including the absence of a comparative perspective and vagueness about the notion of management strategy, the book remains influential for its re-direction of attention to the potential for management initiative to shape changes in employment relations (Burton, 1988; Deery et. al. 1997: 1.20-1.22). It is also testifies to the importance of institutional and historical influences on those choices. It acknowledges a degree of contingency in the employment relations practices of particular enterprises (Edwards, 1994: 19-21). While the study was focussed on the United States, the 'strategic choice' perspective has become part of the academic dialogue on industrial relations. Its limitation as a model for the Australian situation is clearly associated with the different institutional and political environment. However the stress placed by Australian policy makers in government and industry associations on management initiatives underlines the importance of the observation that management initiative is critical in shaping employment relations during periods of significant economic restructuring (Streeck, 1989).

The relevance of the strategic choice perspective, as a general explanation for changes in industrialized countries, was examined in a comparative study, which included Thomas Kochan amongst its authors (Locke, Kochan & Piore, 1995). This study sought to examine the extent to which employment relations had been 'transformed' by examining the common factors contributing to changes in a range of selected employment practices in 11 advanced economies, including Australia (Locke et. al., 1995). The research was conceived as an attempt to overcome, what the authors saw to be, a preoccupation with the trends in employment relations within particular countries (Lock et. al., 1995: xvii). The specific objectives were expressed in the following manner (1995:xxvii):

The [research] framework was designed to address whether a focus on the competitive strategies of firms or one that emphasises the role of public policy and legal institutional arrangements ... best explains recent shifts in employment relations.

The study focused on four areas of "common" employment practice, viz, work organization, compensation, skill formation and staffing (including employment security). However a further issue, that of firm governance, was defined very specifically as the representation of employee interests and human resource considerations at the top strategic level of corporations (Locke and Kochan, 1995: 371-372; Kitay, 1997: 5). In contrast, another of the researchers involved in the project defined the term more broadly to include such issues as, employee and/or union involvement in decision-making; the relationship with investors and financial markets; as well as internal structures and relationships, including the role and status of HR professionals (Sisson, 1995: 49). Sisson's definition is far more helpful in explaining the constraints on management choices. However the idea of governance in this research does little to explain why senior decision makers would integrate human resource decisions into other areas of business. The issue, which relates institutional and strategic considerations at the enterprise level is one to which we will return, as it

offers an avenue for explaining variations in employment practice which have not been fully explored. It is a concept that has the potential to take discussion of management choices beyond considerations of market strategy, or management voluntarism.

The overall conclusion of the study was that (Locke et. al., 1995:378):

... there is indeed a transformation [of employment practices] under way, albeit it does not conform neatly to the predictions of either the strategic choice model or the institutional school of thought.

The authors acknowledged that transformations in the Australian case were facilitated by decentralization of the industrial relations system leaving individual employers to undertake reforms suited to their particular circumstances (1995: 361). A later Australian study by members of the research team reinforced this point but was far more circumspect about the degree of transformation that can be attributed to the decentralization of industrial relations (Lansbury & Kitay, 1997: 223). That study described the pattern of employment relations emerging in Australia is one of "diverse modernism" in which there were considerable differences in the work practices used by different enterprises even in the same industry (Lansbury & Kitay, 1997: 243).

Lansbury & Kitay (1997) explained the variation in patterns of employment relations as resulting from a number of factors. These included, institutional arrangements (1995: 365); industry characteristics; technological change; the existence of greenfield sites; differences in the strength of international competition in various sectors of the economy; and the prior existence of cooperative union-management arrangements (1995:367). They tended to discount the importance of enterprise governance as a determining factor (1995: 372). While the book is inevitably pitched at a very general level of analysis, the reader is left with the impression that the authors were impressed by management actions as a key explanation for the adaptive process.



Apart from the MIT study, there was ample evidence that there was a divergence in the nature of work organization and employment relations practices both across OECD countries, and within Australia (Lock et. al 1995:373; Locke, 1995: 9; Curtain and Mathews, 1990). Curtain and Mathews (1990) identified two patterns of workplace reform in Australia in the late 80s, which they referred to as "cost reduction" and "productivity enhancement" respectively (Curtain & Mathews, 1990: 19-23). While they inferred that choice between the two approaches was one open to managers, they did affirm that market factors could also be a factor (1990: 19). They suggested that companies producing low value-added goods and services, and involved in price competition, were more likely to adopt a cost-minimization approach (1990: 34). This view was consistent with the views of management strategy writers who will be discussed below (Schuler, 1987; Miles & Snow, 1978). Paul Adler went further in his assessment of the implications of the joint manufacturing venture between General Motors and Toyota, known as the New United Motors Manufacturing Inc. (NUMMI). He concluded that levels of automation, and whether product markets were cost driven or driven by quality, were both important factors in determining the kind of work organization adopted (Adler, 1993: 181-2). More significantly, he proposed that the level of technology that was economically viable in the manufacture of automobiles, limited the likelihood that work organization would move beyond what he described as 'democratic Taylorism'. Even there, he suggests, political and institutional characteristics of American industrial relations were likely to limit the development of really innovative work organization (1993: 181-2).

### **SUMMARY**

Convergence of employment relations practices is thus seen to be problematic, in spite of some common trends in decentralisation, declining unionism and in a concern for

flexibility and workforce skills (Locke, 1995). Taken together these studies attest to the importance of a range of national institutional and product market factors influencing the forms of employment relations and work organization. However, the explanations took two forms, a multi-factor or contingency view, as against an explanation in terms of a unique national configuration.

A contingency view was most evident in the strategic choice perspective on industrial relations systems. In the Australian situation, a wide range of factors was shown to shape decisions about new work arrangements, though there was no definitive arrangement of the relative influence of these factors. In contrast to this multi-factor approach, Sorge and Maurice (1990) offered the view that national patterns of work and production organization might reflect the unique productive base of each country (Sorge & Maurice, 1990: 144). These authors acknowledged the overlap between contingency views and their own arguments, but argue that the societal factors they discuss shape the way in which work organization is structured in different countries. They distinguish their position from a deterministic account of this relationship by arguing that it is the way workers interpret and apply these societal factors which is of importance (Maurice et. al., 1986: 216-7). Elsewhere they refer to this as 'subjective fit', which they define as a process in which decisions about the strategic alignment of markets and patterns of education, organization and industrial relations are socially constructed (Sorge & Maurice, 1990: 167). These authors emphasise the interactionist perspective they associate with their own theorization (1990: 170). This perspective opens again the possibility that managers' decisions may be a critical element in determining strategic choices rather than a determined outcome being necessary. In the next section, attention is turned to a discussion of factors influencing management choice over work arrangements.

### **SECTION 3      ENTERPRISE LEVEL CHOICES**

This section examines management decision-making processes and assumptions, as they relate to work organization and employment relations. The section is focused on the relationship between strategic business policy and the way in which managers approach employment relations and work organization.

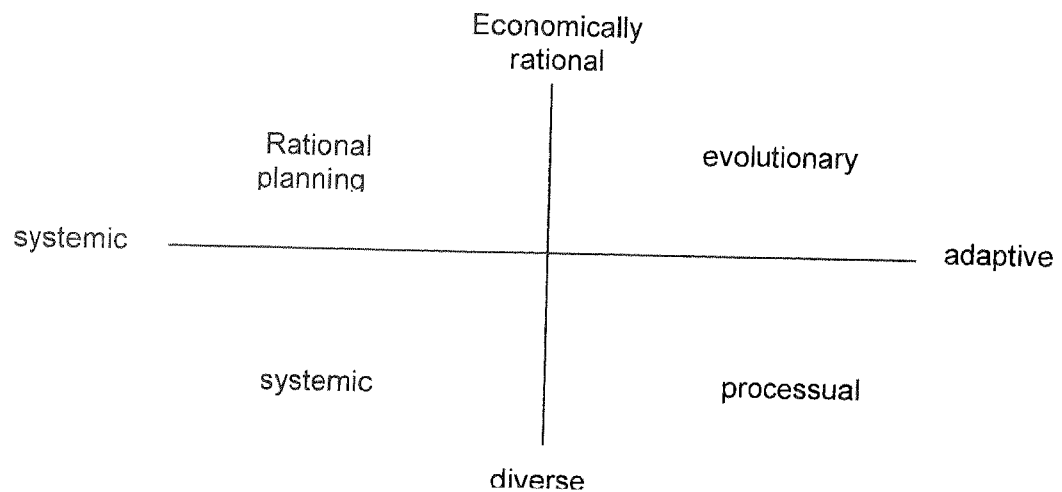
#### ***STRATEGIC HUMAN RESOURCE MANAGEMENT***

The relatively new field of human resource management is characterized by the notion that human resource practices will, or should, reflect the strategic needs of the enterprise (Storey, 1992, 1995; Boxall, 1992). Interest in strategic HRM can be traced to changes on product markets and technologies in advanced economies, which forced many companies operating in global markets to re-assess traditional approaches to the management of people (Legge, 1995:77; Kochan et. al., 1984). While this literature has been summarized in some detail by others (Legge, 1995; Blyton & Turnbull, 1992), it is instructive for the present purpose to distinguish three approaches to the ideas that there is, or should be, a strategic linkage between human resource management choices, and the business needs of the organization. These are, respectively, the systemic, rational planning and resource-based perspectives on the link between strategic decision-making and choices in human resource management.

As Boxall observes the notion of strategic human resource management, which is a central characteristic of the development of the HRM literature, compounds the complexity of two fields of inquiry (Boxall, 1992: 61). Whittington's classification of the characteristics of strategic management theories provides a means of understanding the underlying assumptions of a number of approaches to strategic HRM (Whittington, 1993). He distinguishes four approaches to strategic management on the basis of two

characteristic dimensions of these theories. These are, respectively, the process and objectives associated with each theory. The resulting classification is reproduced in figure 2.1.

**Figure 2.1 Whittington's framework for understanding theories of strategic management**



Source: Whittington, R. (1993). *What is strategy - and does it matter?* London, Routledge.

### **Are systemic views sustainable?**

Systemic views are evident in the view that societal characteristics and the interests of powerful groups within the community may determine enterprise choices. The discussion of the influence of institutional and societal influences on the adoption of particular approaches to production and work organization, in the previous section, raised the issue of the degree to which such influences were determinist. Whittington's review of strategic management theories identified a relatively large literature in which the importance of a range of national social or political influences on management decisions is asserted (Whittington, 1993:28-39). He concluded that one implication of this perspective was the need to take a more "sociologically sensitive" view of strategy (op. cit. 39). Locke and his colleagues reached similar conclusions from their review of the evidence for convergence in work systems, suggesting that the concept of national

industrial relations systems itself might be too rigid to explain the considerable variation in employment systems within each of the nation states they studied (Locke et. al., 1995: 380-1).

More significantly, there is some reluctance amongst proponents of the societal perspective to adopt a determinist approach, in preference to a more interactionist perspective. They suggest that the actors themselves might determine the way in which they accommodate to national patterns of industrial relations, organization and education.

### **Planned approaches to HRM**

The planned approach is one that proposes a systematic and logical approach to practices promoting singular economic outcomes. A number of works stand out in this perspective. One of the earliest statement of the overall thesis that there was, or ought to be, a strategic fit between business policy and human resource management policies was that of Beer et. al. (1985). This work, designed as a course text proposes a 'stakeholder' perspective on organizational decision-making, in which the role of the General Manager is to balance these interests in the overall interests of the firm. While there is a great deal of prescription in the argument (Storey, 1995:5) the authors propose that the 'General manager' should be making human resource management policy choices, to provide outcomes designed to meet the demands of stakeholders and the environment within which the enterprise operates (Beer et. al., 1985).

Others have examined the strategic link between HRM practices and business policy (Devanna et. al., 1981; Kochan & Barocci, 1985; Dyer, 1985; Schuler and Jackson, 1987; Boxall, 1992; Storey, 1992, 1995; Guest 1991; Purcell 1995). The theories include approaches that have sought to link human resource management practices

and policies to stages in the product life cycle (Kochan & Barocci, 1985), organisational structure (Devanna et. al., 1981), and generic competitive strategies (Schuler & Jackson, 1987). Each has assumed that there is a contingent fit between human resource choices and the business characteristics chosen. In his extensive review of these theories, Boxall (1992a, 1992b) commented that there were some virtues, from an analytic perspective, in the approach taken by Schuler in particular (1992b: 75). The general argument which Schuler and his associates pursued was that the success of a given corporate strategy was dependent on specific 'employee role behaviours', and that these would be achieved through the adoption of a pattern of human resource practices designed to encourage such behaviours (Schuler, 1987; Schuler & Jackson, 1987a, 1987b; Jackson et. al., 1989). They adopted Porter's (1980, 1985) definitions of generic strategies, namely innovation, quality enhancement or cost reduction, as the basis for their research.

Nevertheless, Boxall's evaluation of Jackson's research was that it was based on an overly rationalistic view of strategy, difficulties in understanding the chain in causation in the patterns they observed, and the inherent limitations of Porter's generic strategies as a basis for explanation (1992a: 21-29; 1992b: 67-68). In spite of the considerable theoretical sophistication of the study (Jackson et. al, 1989), the results were equivocal (1989: 779), though there was some correlation between innovation strategies and selected personnel practices.

Two studies of American steel 'minimills' illustrate the difficulties in determining the chain of causation between product market strategies and work organization. Minimills have emerged as the fastest growing, and most successful sector of the steel industry (Smith 1995; Arthur 1992). In an early study of this sector Arthur linked the industrial

relations practices of mini-mills with what he identified as their chosen business strategy, using Porter's generic strategies as the basis of his classification. His study differentiated cost based and qualitative competitive strategies within the mini-mill sector. He demonstrated a correlation between these competitive strategies and industrial relations practices which he termed "traditional collective bargaining" and "commitment maximizing" respectively. In this study an explanation for success was offered by the ability of managers to align human resource practices with customer market requirements. Arthur's study illustrated the application of a 'fit' approach to strategic HRM, and particularly that developed by Schuler et. al. (1987).

In a later study, Smith qualified Arthur's findings after examining the same 'minimill' sector, and went beyond Arthur's study to examine the processes by which competitive strategies and internal labour market practices were linked. Smith suggests that there was interdependence between strategic choice and industrial relationships. She suggested that the impact of green-fields sites, lack of antagonistic industrial relations, and the use of advanced production technologies allowed management to develop cooperative approaches to work organization within the plant. These in turn enabled the plants to develop responsive product market strategies, which in turn were reliant on the flexible work practices established. She describes this as a virtuous circle of product market and organisational strategies. Her analysis demonstrates the advantage of a broader perspective on the research problem than one that seeks simply to demonstrate (or disprove) a particular hypothesis.

In a similar manner Kochan and Barocci (1985) proposed that human resource management choices should be linked to phases of the product life cycle. Again, the approach was to suggest a rational process of linking strategy and personnel

practices. In this case, the strategic theory, namely product life cycles, is itself a concept that might prove difficult to apply.

Sisson has challenged what he terms the 'rational and ordered' approach to business planning, and more particularly the linkage between HRM and business policies (1994: 10). He questions the implication that strategy is something undertaken by senior managers at discrete intervals, in a formally rational manner, and poses three objections to the rationalist view. Firstly, he suggests that organizations may lack any coherent strategic plan, and may well "muddle through". Secondly, he invites consideration of the degree to which senior managers are likely to accept the cogency of HRM theories. He suggests that managers at senior levels may assume that managing managers is more important than managing the larger workforce, or that they might prefer to rely on time honoured 'Taylorist' methods means of action. They might also adopt a cost control approach when faced with highly competitive situations. Finally he raises the issue of the freedom of managers to act, claiming that HRM writers do not acknowledge the constraints experienced by managers in acting in this voluntarist manner (1994: 11). In an empirical investigation into the relationships which they hypothesized, Jackson and Schuler acknowledged limitation on the freedom of managers to follow the systematic approach to choices in HRM practice, which they propose (Jackson & Schuler, 1988: 783-3).

Purcell and Ahlstrand (1994) have raised an important organizational issue in relation to these theories. They argue that theorisation about links between strategy and HRM ignore the complexities created by the multi-divisional form of organization. They suggest that HRM decisions about employment relations are third order decisions, made in the context of decisions about the long term direction of the enterprise (first



order decisions), and decisions on structure and operational arrangements (second order decisions). Moreover, they identify a range of factors, including financial control mechanisms used to coordinate the parts of the multi-divisional firm, which constrain the adoption of a preferred HRM strategy (Purcell & Ahlstrand, 1994: 80). Their recognition of the role of central offices in limiting the freedom of divisional managers through financial control mechanisms is an important reminder that corporate structure and control mechanisms may shape HRM as much as market needs (Goold & Campbell, 1987). However, they go on to suggest that HRM choices are ultimately shaped by corporate 'management style', a term they use to describe the underlying assumptions managers make about human resources and industrial relations (Purcell & Ahlstrand, 1994: 167-176).

The idea that there might be a direct link between chosen strategies and human resource practice ignores both management perceptions that such linkages are 'necessary', and their ability to pursue them. Moreover they ignore the more complex organisational context within which managers make choices. Another body of work, with its roots in evolutionary economics has proposed that strategic advantage may be defined by the way the firms' internal resources, including its people. This approach has the potential to explain dissimilar behaviour by companies in the same industry.

### **The resource-based theory of the firm**

Resource based theories of the firm have their origins in a strand of economic theorising which has attempted to construct alternatives to the orthodox or neo-classical economic view of the behaviour of the firm (Whittington, 1993: 16; Conner, 1991, 1996; Peteraf, 1993). Writers on strategy have sought to correct the pre-occupation of classical strategy writing with the external environment of the firm, by focusing attention on the influence of unique configurations of internal characteristics,

to provide competitive advantage (See Minzberg, 1990; Boxall, 1996: 65). Barney, for example, argues for a theory which gives attention to (1991: 100), "... the impact of idiosyncratic firm attributes on a firm's competitive position", as distinct from one which focuses on the external opportunities and threats faced by a firm in its competitive environment.

For strategy writers and evolutionary economists alike the perspective acknowledges the importance of the internal routines (Nelson and Winter, 1982), resources (Barney, 1991), capabilities (Collis, 1994) or intangible resources (Hall, 1993) of the firm in meeting competitive challenges. It is, in this view, the internal resources of the firm that create what Barney has termed its strategic competitive advantage. Internal characteristics distinguish one firm from another contrary to the assumption of firm homogeneity in classical economic theories (Barney, 1991: 102-3). In his detailed exposition of the idea, Barney suggests ways in which internal resources might be the basis of sustained competitive advantage. These conditions are that the resources should be, valuable, rare, and incapable of being imitated or substitutable (1991: 12). Barney's definition of strategic competitive advantage (SCA) in this context is a strategy, which gives the firm an advantage over its rivals because it cannot be duplicated (1991: 102-3).

The resource-based perspective has been given widespread attention by writers in HRM. Some have adopted the idea literally (Capelli & Crocker-Hefter, 1995; Mueller, 1996), while others have argued that firms might build strength through use of particular human resource practices (Whipp, 1991). One difference that emerges between these treatments of the idea, however, is abandonment of the underlying assumption of economic rationality, which continues to pervade much of the economic,

and strategy literature. In its place some writers place emphasis on the 'emergent' nature of strategic resources. Pettigrew and Whipp (1991) illustrate this approach, whereas Capelli and Crocker-Hefter (1995) illustrate the more rationalist view that managers might create the internal advantages through deliberative actions.

MacDuffie's recent work on 'human resource bundles' is also consistent with this latter use of the idea (MacDuffie, 1995b).

In an extensive review of the relationship between strategy and resource based views of the firm, Boxall observes (Boxall, 1996: 66):

At the most elementary level the resource-based view of the firm provides a conceptual basis, if we needed one, for asserting that key human resources are sources of competitive advantage.

However, he finds similar problems with the RBT literature as with other theories of strategic HRM. In particular, he observes that they tend to create an 'elegant alignment' between management practices and strategic objectives, rather than deal with the nature of employment relations, and in particular the plurality of interests involved in establishing them (1996: 68). In relation to Barney's work he observes that 'causal ambiguity' in particular implies something which managers might not be able to manage because it is beyond their understanding (1996: 67). While he is not critical of the other two characteristics, social complexity and historical situation, it must be observed that both raise questions about the path by which either could be the subject of purposive management action. By implication a process view of the development of these advantages, such as that developed by Pettigrew and Whipp (1991), might be more appropriate than one which suggests they can be created by a process of rational and purposive action. Indeed Barney (1991: 113) does appear to suggest that informal decision-making processes, which he attributes to Minzberg (1978) and others (Burgelman, 1983), may be a source of competitive advantage to the extent that they are difficult to imitate.

### **SUMMARY**

Systemic views of strategy, which were implied in the discussion undertaken in Section 2, above, propose a link between firm specific choices and broader societal and social institutions. While this view can lead to a determinist view of strategic decisions at the level of the enterprise, this is a position rejected by most proponents of this position. Contingency and interactionist arguments were both advanced as a way of describing the processes of adjusting the broader pressures to enterprise circumstances.

Two other approaches to strategic choice at the enterprise level were also reviewed, both based on a more economically rational view of the decision-making process. In the 'strategic planning' approach it has tended to be assumed that managers can construct a relationship between the competitive needs and human resource strategies in logical manner. There are clear limitations to this view of a 'fit' being possible. To a large degree such studies suffer from the assumptions underlying the view of strategy as a logical process.

The other view of strategy, the resource-based view, was associated with evolutionary theories of the firm in which competitive advantage is based on unique internal characteristics of the firm. These theories suggested that that the internal arrangements of a company are as important in considering the development of strategies. However, there is a tendency for resource-based theories to be seen as determining competitive strategy, when it might be more accurate to suggest that strategy emerges from this internal complex. Recent studies of 'human resource bundles' have taken that path, and suggested ideal types of human resource strategies for achieving competitiveness. However, the role of managers is ambiguous. Do they create these conditions, or do they use them to maintain competitive

advantage? The next section begins with a review of work associated with the processual view of strategic decision-making. It then proceeds to an examination of literature relating to the cognitive influences on framing of these processes.

#### **SECTION 4      DEVELOPING AGREEMENT ON STRATEGIC CHOICES**

This section begins with a review of the idea of processual decision-making. This approach to choice offers a framework for acknowledging the unique characteristics of particular enterprises, through social processes that foster the building of common perceptions of those in the organization as to how they can best meet organizational challenges. This leads to a closer review of the way managers develop a common understanding of their environment. The section concludes with comments on an appropriate model for examining organisational change and adaptation.

##### **The 'processual' approach**

It is pertinent to note remarks by Jackson et. al. (1989) at the conclusion of their study, in relation to the process by which adaptation of personnel practices takes place. They concluded that (1989: 782):

Over time, through a process of trial and error, organizations evolve practices that fit their particular situation. The assumption that a practice which is ineffective in one type of organization might actually be highly effective in another type of organization is at odds with the many scientific studies of personnel practices, where the implicit assumption often made is that the objective of research is to evaluate the relative effectiveness, in general, of one type of practice over any other.

The authors based their research on the assumption that there was no one best way to manage human resources. They recommended 'context rich research' to improve understanding of the ways in which organizational characteristics and environments shape human resource practice. The authors admitted to a systemic view of organizations, in which they change over time. However, they also assumed that managers operated with a consistent logic in choosing human resource practices,

based on those practices most likely to elicit desired employee attitudes and behaviour (1989:728). Their position is analogous to the assumption of the profit maximization in economics.

An alternative to this approach is inherent in the processual perspective, where the notion of trial and error was developed most cogently by authors who see the process of strategic choice, either in terms of incremental decision making (Mintzberg, 1978) or through intra-organisational processes (Pettigrew & Whipp, 1991). The seeds of the 'processual' approach to decision making may be found in work by Burns (Burns, 1962; Burns and Stalker 1961, 1994), and later, by Child (1972, 1973, 1997). This work focussed on political processes within the organization to explain management choices. Child referred to the exercise of power over decisions by "dominant coalitions (1972: 14-16) and Burns (1962) to the micro-politics of organizations. Similar ideas are evident in the work of Pettigrew (1973, 1985, 1991), whose recent modelling of strategic choice provides a basis for discussion of organizational adaptation and change.

A study of innovative work organization experiments in two Volvo corporation plants by Ellegard (1996) adds weight to this approach. Ellegard suggested that both societal and corporate factors influenced innovation within the Volvo Corporation. However, while he acknowledges the importance of a cluster of societal factors, including the skills of the workers involved, labour market conditions and the education system, he attributes the decision to implement new forms of work organization to networks of committed individuals within the company, rather than any coherent strategic choice. More particularly, he argues, it was the apparently informal contacts between a group of engineers and managers, and the active support of the General Manager, which

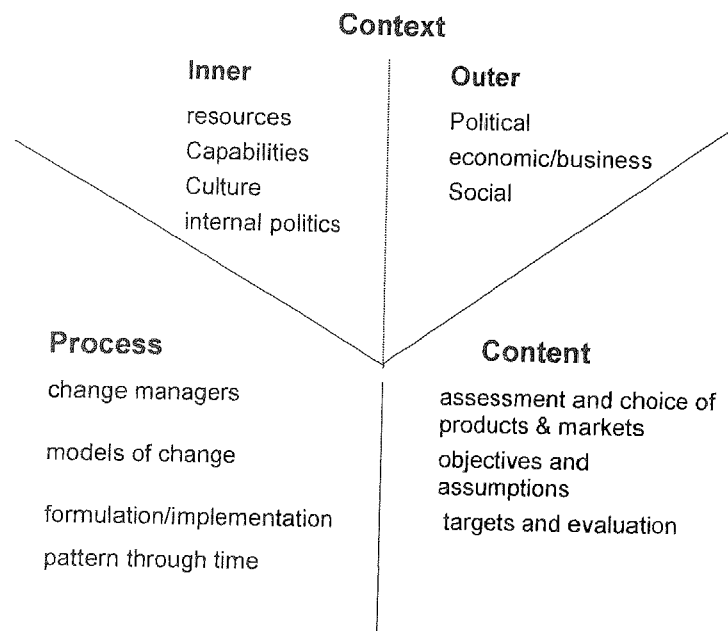
determined the innovations (Sandberg, 1995: 4-5). The closing of these innovative experiments may also attest to the operation of political networks within the formal hierarchy, with a new orthodoxy becoming dominant in Volvo as discussions of a possible merger with Renault advanced (1995: 16). This research reinforces arguments advanced by a number of writers advocating a processual approach to strategic decision-making in which internal processes of adjustment and interactions are acknowledged (Pettigrew & Whipp, 1991; Dawson, 1994).

Dawson's (1994) study of organizational change sought to clarify some of the underlying concepts associated with the processual view. These are the temporal dimension, the acknowledgment of social and political contexts, and an attempt to understand the politics of managing change. Dawson's study is more closely aligned to changes in work organization. His choice of cases in which work organization was a central objective is consistent with his view that (1994: 25):

The constituent elements of much of the work restructuring currently under way in industry represent a movement towards the development of multi-skilled, self regulatory workgroups who liaise with teamwork supervisors/facilitators on the shop floor.

As indicated in chapter 1, there is some doubt that the experience of new forms of work organization is universal. One of the objectives of the present study is to attempt a better understanding of the factors shaping the adoption or rejection of such forms of work organization. Dawson's approach, while providing a clear exposition of a processual perspective is far more narrowly focused than the competitive study undertaken by Pettigrew and Whipp (1991). Their model, illustrated in figure 2.2, provides a useful way of conceptualising the main areas of interaction and actions, which need to be considered in this study.

**Figure 2.2 Understanding strategic change: Three essential dimensions**



Source: Adapted from A. Pettigrew & R. Whipp, (1991), *Managing change for competitive success*, Blackwell Business. at p. 26

In their study this framework served as a device for organising research materials and issues rather than being a hypothesis (Hendry & Pettigrew, 1990: 34-26). Based on this approach, Pettigrew and Whipp undertook a longitudinal study of the strategic adjustment of ten companies across four mature industries in Britain, including the automobile industry, during the period 1985-1989 (Pettigrew & Whipp, 1991: 6). The research identified a consistent pattern of five factors in the process of managing strategic change in the better performing companies (1991: 104-6). Those were; environmental assessment; leading change; the link between strategic and operational change; human resources assets or liabilities and coherence between the areas of decision. The authors were careful to distinguish their findings from best practice models, arguing that the capacity to manage change around these factors is “.... not easily generated nor sustained” (1991: 7). Their study demonstrated the importance of an approach that integrated decisions about people management in the process of competitive adjustment. The authors described the process of adjustment as organizational learning, which they defined as (1991: 212):



... how those within firms collectively change their knowledge, values and shared mental models of the company and its markets.

This idea builds on the work of a number of institutional economists as well as echoing the discussion of the resource-based view of the firm which has recently received attention from both strategy writers (Conner, 1996; Peteraf, 1993 ) and HRM writers (Wright et. al., 1994; Boxall, 1996). As Pettigrew and Whipp (1991:213) suggest it is the:

... ability to shed outmoded knowledge, techniques and beliefs as well as learn and deploy new ones which enable firms to carry out strategies (1991:213).

This places HRM policies at the centre of the firm's ability to adapt and adopt new techniques and systems, and suggests a somewhat different approach to the area from the conventional functional support activity often attributed to human resource management.

### ***COGNITIVE THEORIES***

Chapter one introduced the notion that management was a sense-making activity, drawing on work by Watson (1994a). In this view, management actions are shaped by shared experiences and values, which provide a frame of reference for making sense of the world in which they work (Watson, 1994b: 896). The idea of sense-making behaviour was given voice in Weick's approach to explaining management behaviour.

Weick pictured organizations as (Weick, 1979:12):

.... the inventions of people, inventions superimposed on flows of experience and momentarily imposing some order on these streams.

Weick's proposition that management is a sense-making activity was taken up by Watson and others (Johnson, 1990; Pettigrew, 1991:33), and is important in Smircich's work on leadership (Smircich & Morgan, 1982). Sense-making activities are relevant to this study in two ways. Firstly, they help to explain the receptivity of managers to new

ideas about their management methods. Secondly, they provide a means of understanding the underlying assumptions that inform management choices.

Weik (1979) introduced the notion of 'consensual validation' (1979: 6), to describe the process whereby common understandings are developed between members of the management group. It has been suggested that such collective beliefs (Pettigrew 1991:115; Whipp, 1989) or management paradigms (Johnson, 1990) are likely to influence the ability of an organization to undertake change in relation to its environment. In Weik's words (1979: 7):

'an ambivalent stance toward past wisdom makes adaptive sense'

The notion of sense-making and consensual validation is similar to the explanation of decision-making contained in the work of Herbert Simon and his colleagues. They use the notion of 'bounded rationality' to describe the fact that decision-makers are inherently limited in their ability to comprehend, or properly interpret all of the facts relevant to a decision (Simon, 1957; March & Simon, 1958; Cyert & March, 1992). The concept suggests that decision-makers may not always make an economically rational choice because of the difficulties they have in obtaining the kind of information relevant to a decision, or even because they interpret the information which is available incorrectly (Whittington, 1993: 23).

Another term often used in these discussions is the notion of frames of reference. In industrial relations writing, the idea was used distinctively by Alan Fox to describe the positions adopted by actors in the British industrial relations system (Fox, 1974). The idea in that context was associated with his analysis of the development of the employment contract and collective bargaining in the United Kingdom. However, the idea has been adopted and used in a more descriptive manner by a variety of writers in

the same tradition since. Purcell (1987), and more recently, Martyn Wright (2000), has used the term to categorize patterns of management orientations to employment relations. However, Pettigrew and Whipp use this notion in a very broad manner when they describe the way the 'interior forces of the firm - the inner context' shape strategic decisions. In their view the inner context of the firm includes (1991:31)

Not only overt, immediate commercial and financial objectives but also the accumulated, less obvious knowledge and success formulae of the decision makers. These frames of reference are in part derived from the internal life of the firm, including the historical development of its structure, culture and politics."

Purcell & Ahlstrand (1994) reached a similar conclusion that it was management style and philosophy, which determined the human resource choices within multi-divisional corporations (Purcell & Ahlstrand, 1994). Their use of this term is again consistent with the idea of frames of reference. Similarly Thomas (1994) attests to the importance of 'worldviews' in the conception, choice and implementation of new production technologies in manufacturing plants. He concluded his study with the observation that (1994: 203):

... these case studies demonstrate that it is not enough to claim that technology is the simple product of social or strategic choice; it is essential also to ask how technological alternatives are themselves framed, how the worldviews of different organizational actors shape the range of possibilities considered, and more important, how differences among worldviews influence the outcomes of change.

He suggests that for ideas such as lean production to be adopted, there might need to be changes in organizational structure, and the 'worldviews' of those who are to be affected by the new systems. His "power-process" perspective on organizations is consistent with the notion of micro-politics used by Burns (1962).

As indicated there are a number of competing terms and concepts used to describe this notion of shared values shaping ideas. Johnson uses the term 'management paradigms' to describe the shared perspectives of members. He argues that such

paradigms are rooted in past events and relationships within the organization, and that they limit an organization to incremental or adaptive change. While he builds on the sense-making idea, he expands Weick's 'consensual validation' to include a range of supporting systems within the organization which, he argues, help preserve the existence of a set of assumptions informing the way the organization works (Johnson, 1990: 239). In his definition, the 'management paradigm' is effectively part of a web of factors including organizational structure, power structures, and the rituals, symbols and myths, which express the shared beliefs of organizational members. It is thus a more pervasive phenomenon than a set of shared values, and is more consistent with the characterization of organizational cultures (Schein, 1992; Alvesson, 1993). The notion of culture adds nothing in itself to a more precise definition of what Johnson was referring to in his 'management paradigms', as the notion of culture in organisational settings is itself subject to considerable debate (Alvesson, 1993; Mabey & Salaman, 1995; Mabey, Salaman & Storey, 1998). However, Alvesson (1993) has argued that the notion of culture can be useful as a means of enhancing our understanding of aspects of organisational life. To be useful in this analytic sense, he argues for a view of culture that goes beyond symbols to embrace the material aspects of organisational life (1993: 66-67). He defines cultural understanding in this sense as not being restricted to abstract symbols but also (1993:71)

Be sufficiently broad as to grasp the values, beliefs, and assumptions associated with the material and social practices of the organization.

The idea can be used in this sense to better understand the behaviour and preoccupations of particular groups within organizations. In the present research the notion of management culture might thus be a means of articulating the shared motivations and experiences influencing managers in decisions about work and production organization.

In this study a central theme is the ability, willingness or openness of managers to new ideas – models or paradigms – of production, and the associated human resource practices. Cognitive theories suggest that managers may be embedded in their past experiences sufficiently to ignore the new ideas. The conditions under which this might occur include the degree of historical strength of the cognitive assumptions in question.

### ***SUMMARY***

The processual perspective on strategic decision-making opens the opportunity to consider the way in which enterprises adjust to changing circumstances through internal processes of negotiation and accommodation. Cognitive theories reinforce the potential for this view to cast clearer light on the way in which managers make decisions about the ways in which their organizations might adapt and change. The review suggests that the notion of management culture, grounded in substantive aspects of organisational life and history, provides an organising concept for bringing together collective experiences that shape decision-making processes.

## **SECTION 5      A TEXT FOR CHANGE? BEST PRACTICE MODELS**

It was suggested above that a range of external factors might shape management choices. This section examines the nature of some specific sets ideas about the management of production systems, which have been seen as influencing management choices in production and work organization.

The notion of 'best practice' has emerged in the language of consultants, government advisory agencies and management practitioners in recent years. These ideas tend to go beyond the notion of 'fad' as used by Huczynski (1993), to encompass a range of propositions linked together into a coherent argument, presented as a descriptive

model about the way manufacturing enterprises 'ought' to operate. It is, in effect, a reasoned polemic about management practice, which bear a similar relationship to academic research studies on management as political polemic relates to theories of political structure and behaviour. Best practice prescribe the factors which, it is argued, managers should undertake in order to provide their enterprise with a competitive edge. Such theories reflect the optimistic convergence presumption outlined in section 1, above (pp. 52-60). Incorporation of human resource assumptions and prescriptions into these models of management effectiveness has been particularly evident. The work of Peters and Waterman (1984) was one of the earliest to give the management of people equal importance with other management activities. The 'lean production' notion developed by the MIT project placed work organization and human resource management at the centre of the way successful companies were expected to manage their manufacturing facilities (Krafcik, 1988a, 1989; MacDuffie, 1989). The Australian Best Practice Program extended the focus on human resource practices from that in the North American work they used as its foundation, to include specific attention to occupational health and safety and equal opportunities (Rimmer et. a., 1996; Dertouzos et. al., 1989).

### ***RIMMER AND THE AUSTRALIAN BEST PRACTICE MODEL***

As indicated in chapter 1, the Australian government sought to encourage industry decision makers to pursue productivity improvements through a series of administrative programs promoting new ways of working. The Australian Best Practice Demonstration Program (ABPDP), launched in 1991, funded 43 'demonstration projects', which were later described as role models for other organizations implementing best practice (Rimmer et. al, 1996:iii). Rimmer and his colleagues used these studies to develop a model of 'best practice' management. As Rimmer and his colleagues later described it, their model was based on the integration of a range of arguments about best practice. They described 'best practice' as (1996: 20):

## Chapter 2 Literature review

A multi-faceted and integrated change program empowering employees to drive improvements in safety, quality and productivity. ... A response to global competition in which business seeks to use human resources more effectively.

They developed their schematic model of best practice on the basis of a series of assumptions. While these were prescriptive in tone, they owe their intellectual origins to a number of authors arguing for the importance of investment in human resources as the basis for national competitive advantage (Kochan & Osterman, 1994; Thurow, 1992; Kochan & Dyer, 1992; Dertouzos, 1989). The 'mutual gains' perspective evident in these works is also evident in Rimmer's best practice model.

Rimmer and his colleagues identified four common principles in theories dealing with the notion of 'best practice' management. These were, the inclusion of multi-factor explanations of organizational improvement; the integration of a range of organizational changes into a comprehensive package of changes; cooperation between managers and employees in the process of change; and, equity objectives designed to achieve positive outcomes for all stakeholders. In developing their model the authors made a number of important observations about the tendency for 'best practice' prescriptions to focus selectively on a range of issues and problems. The model they develop is a synthesis of factors they concluded were likely to contribute to the achievement of 'best practice' management. However, unlike the framework developed by Pettigrew and his colleagues (Figure 2.2 above), the factors they included express a preference for management practices built around particular approaches to human resource management. In contrast Pettigrew and Whipp (1991) provide a framework that allows a variety of management policies, external influence, and processes to be examined as a whole. This allowed them to examine the way in which each unique combination influenced competitiveness.

***AN INDUSTRY LED VISION OF THE FUTURE – THE LEAN PRODUCTION MODEL***

As indicated in chapter 1, the lean production idea, developed from the MIT study, provides a systemic view of automobile assembly plants. It locates the assembly process, the heart of the manufacturing process, within a series of other processes, notably product development, engineering and management of the supply chain for components (Womack et. al. 1990). The IMVP research provides a coherent and persuasive explanation of the key factors underlying Japanese manufacturing success. There are several reasons why the model may be seen as persuasive.

Firstly, it is explicitly grounded in the experience and innovations of Japan's most successful automotive manufacturer, Toyota. Not only does this connection to Toyota have credibility because of that company's market successes, but also because it is also easier for managers to identify differences and contrasts in their own system. The model is heuristic in the sense that it stimulates further comparison and exploration of ideas. Secondly, the documentation of the sources of Japanese success is presented systemically, with each of its critical elements inextricably linked to others in a pattern that is contrasted with established practice. The work organization and human resource practices included in Table 1.3 (Chapter 1 supra: 21) are amongst the essential building blocks of a system, which also includes design; production, engineering and components supply chains in its scope. The way interactions between these elements are presented invite managers to review the same relationships within their own enterprise. This is consistent with Walton's conception of a 'strong' model for organisational innovation (Walton, 1987:15). This is a conception of organizational change, in which managers should recognize the systemic nature of the operation of their organizations, and actively seek an integration of stakeholder interests. In such views there is an underlying assumption of order and stability in organisational relationships, which may be belied by conflict over the issues raised in pursuing



modals such as 'lean production'. The experience with Japanese transplants indicates this situation (Rinehart et. al., 1997; Babson, 1993, 1995).

Thirdly, It may be observed, that the success of the Japanese is attributed to a mixture of technical and management skills. Its appeal is for a greater integration of technical and management considerations. The model thereby provides a more coherent view of the overall needs of production systems than theories which focus narrowly on technical solutions, or on management techniques in isolation. Fourthly, the research is presented as academically respectable. While few of the papers were published in academic journals, the volume and content of the research listed at the end of the *Machine that changed the world*, provides evidence of credible scholarship and reliability in the findings (1990: 302-313). Moreover, their benchmarking studies have provided compelling evidence as to the superior performance of Japanese automotive plants over those in other countries (MacDuffie, 1995b, Womack et. al., 1990). MacDuffie's comments (1995b, loc. cit.) about the importance of the demonstration effect in Japanese transplants in North America underscores this point.

Finally, the support of the major stakeholders for the logic of the 'lean production' system might go some way to explaining its adoption as a benchmark in the industry. In *The Machine that changed the World*, the authors attest to the importance attached to feedback for the industry and government sponsors of the research, and to other stakeholders, such as unions and corporate executives (1990: 7). This is consistent with Walton's second criterion for a 'strong model' of organisational innovation (1987:15). This is a conception of organizational change in which managers should recognize the systemic nature of the operation of their organizations, and actively seek an integration of stakeholder interests. In such a view there is an underlying

assumption of order and stability in organizational relationships, which may be belied by conflict over the issues that arise from pursuing models such as 'lean production'. The experience of Japanese transplants indicates this situation (Rinehart et. a., 1997; Babson, 1993, 1995).

These characteristics of the 'lean production' model mark it out as something more akin to a theory of production organization than a fad or a consulting tool (Huczynski, 1993; Cole, 1989). In contrast to fads it has some substance. In contrast to many consulting tools, it is a holistic explanation of a production system, which defines the elements, the relationship between them and the underlying logic behind the system. However, there are also many weaknesses in the book as a theory. Freyssenet and his colleagues argue that the approach outlined in *The Machine that changed the World* is (1998:1):

... problematic precisely because of the suppositions upon which it is based, the conceptual ambiguity it supports, the facts it overlooks, the observational and analytic methods it encourages, and lastly the errors it can lead to on the part of company management and union leaders alike.

They observe that the model assumes the uniform evolution of markets throughout the world, and the adoption of a single production model in every country. By implication, the application of the model would be even more limited when transferred from the automobile producers to supply companies with links to a variety of market situations. In an examination of the historical development of production and work organization in fifteen automobile companies, Freysennet and his associates challenge the view that production systems have evolved in a uniform and singular direction. Their conclusions reinforce the historical ambiguity that can be observed in the development of the Toyota system itself (Cusumano, 1985; Fujimoto, 1999). Freysennet and his associates concluded that the 'lean production' model is not readily transferable, because of the unique institutional, organizational and market situations facing each

company. The IMVP research program does appear to have been set up to prove a point. It accepts that the correlation between Japanese success and their special contribution to manufacturing processes is in fact a causal link. The final publication of their research (Womack et. al., 1990) allows no credence to be given to the complex relationship between production systems, management choices, and to the social and economic characteristics within which the benchmark systems were developed. The "discovery" of lean manufacturing principles is, in this sense, removed from a broader context.

There is also a range of concerted and persuasive criticisms as to the real effects of the 'lean production' model as against claims made that it represents a more humanistic approach to production organization. The model appears to offer a vision of a "new order" in the workplace, one in which the needs and aspirations of employees can be more ably met and at the same time remain consistent with the demands of an efficient manufacturing system. In contrast, examples of work intensification, reduced safety, and limited autonomy, in automotive plants reputedly using 'lean production' principles, have been identified by a number of academic researchers. These empirical observations challenge the idea that lean production is a new and more humanistic approach to the management of production systems (Graham, 1993; Babson, 1993, 1995, 1996; Rinehart et. al., 1997; Milkman, 1997). Rather they suggest the model is more consistent with an intensification of the existing Fordist approach to manufacturing.

Skorstad (1994) argues that the underlying logic of the Japanese approach is entirely consistent with that of the mass production systems that have characterised modern production. He argues that (1994: 444):

To follow individual needs and desires would be counter-productive to the functioning of the system. In the end lean production is ultimately about the perfection of a system where the elements in question fit into a harmonious whole, leaving no room for slack since slack means nothing but waste. For autonomy, this would be disastrous if it were to be realised.

In this view, then, the lean production model, together with its real life Japanese originators, is an extension of existing mass production systems rather than a radical break with them. Moreover, there is some suggestion that there are marked differences between Japanese manufacturers themselves, calling into question the foundations of any 'one best way' (Williams et. al, 1995; Freyssenet et. al., 1998; Cusumano, 1988).

### **SUMMARY**

As suggested previously (supra: 64), 'best practice' models have their origins in the unique historical events that allow one company or industry to develop novel ways of undertaking the same tasks. The Japanese approach to production was such an example, and its transformation into the lean production theory has provided a wider group of managers in both automotive manufacturing and manufacturing more generally with a set of logical prescriptions for reforming their own production systems. However, the model reflects its origins, and relies on the authority of its sponsors, the major automobile companies.

In general it is concluded that 'best practice' models are flawed by the simplifying assumptions made by their authors, in the interests of providing a package of relatively straightforward proposals for adoption. They might therefore provide a useful heuristic device for managers seeking a focus for change. However, it has also been suggested they may lead their users to ignore, or over-simplify critical aspects of their own situation (Freyssenet, 1999: 2). They may lead managers to the use of practices that are inappropriate, or even invoke opposition within the enterprise.

## **SECTION 6            UNDERSTANDING THE PROCESS OF ADAPTATION**

This chapter began by demonstrating the difficulty in using theories of social evolution in understanding or responding to pressures for change in an immediate sense. The research does however identify issues that cannot be ignored, in seeking explanation for the way companies adapt over time. In section 2, a more contingent view of the process of change was developed, and the importance of national institutions and societal characteristics affirmed as elements shaping management choice. This section concluded that the development of production systems, and of work practices within them, were contingent on a number of institutional and societal characteristics unique to each nation state.

Section 3 turned to the role of managers themselves. It began with a review of strategic management theories. While such theories had their origins in economic theories of enterprise behaviour, they have sought a degree of management choice over the competitive circumstances and the use of resources, including human resources. Evolutionary theories of economics were used to show how traditional economic models of the firm ignored human motivation and choice. However, it was concluded that one limitation of each of these strategic theories was in the assumptions about economic rationality being applied to management behaviour.

In section 4, attention was focussed on processual theories of strategic decision-making, as they influence decisions about working arrangements. The framework developed by Pettigrew and Whipp (1991), to describe adaptation and change within a number of British companies, was identified as the most adequate approach to understanding the holistic nature of organisational adaptation. The model provided a framework for understanding the way in which the companies they studied attended to

a wide range of interdependent factors inside and external to the enterprise. An examination of cognitive approaches to decision-making reinforced the view that processes of adjustment and change within enterprises were influenced by shared experiences and beliefs of managers. The notion of 'management culture' was considered as an important analytic tool for examining the rationales for management choices. In section 5 a consideration of the two 'best practice' theories introduced in Chapter 1, concluded that reflected a prescriptive view of historical development in which a particular array of management choices over production and employment relations was most likely to lead to competitive success. It was observed that slavish application of the prescriptions of such models might lead to unique elements of a company's circumstances being overlooked. Nevertheless, best practice models do constitute an heuristic device of use to managers reviewing their management systems in the light of changing competitive circumstances.

In order to understand the complex and interrelated events that influence change and adaptation, the cases will be examined within the framework for understanding strategic change developed by Pettigrew and Whipp (1991). However, attention is focussed particularly on what they describe as the inner context, and the way various elements of that inner context relate to one another, and to the situation externally. This inner context is interdependent with external influences on the organization but is also the arena within which organizational actors, particularly managers seek to enact changes which match changes in the external world. The inner context may limit or encourage adaptation. The thesis seeks to understand how organizational characteristics, including management attitudes and beliefs, work together to shape these reactions. In brief there is a configuration of unique characteristics associated with any enterprise. The thesis attempts to unravel that configuration.

## CHAPTER 3 RESEARCH METHODS

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As indicated in previous chapters the central problem in this thesis is to identify the factors shaping management decisions about work organization and employment relations. The study is located in a time of considerable change with support by government and industry bodies for adoption of a variety of "best practice" approaches to these issues. As indicated in chapter 1, the research was stimulated by an observation that the rhetoric of reform often differed markedly from the reality. In general a working hypothesis was developed that the logic or persuasiveness of "best practice" proposals was less important than long standing forces shaping management views about the organization, its employees and work.

The objective of the thesis is not to prove or disprove this proposition, but to seek a deeper understanding of the way managers themselves interpret these pressures. A range of general theoretical propositions, outlined in chapter 2, provide a general framework for the research. The study does not set out to apply a particular theoretical scheme to the explanation of the patterns of activity observed. The objective is, rather, to identify patterns of behaviour and action and explore causal links to those behaviours. These may throw light on some theoretical propositions, or suggest propositions requiring further investigation.

The methodology adopted for the study is examined in two sections, research design, and the process of selecting and undertaking the research. In the first section, the assumptions underlying the research design are discussed. This includes a discussion of the ethnographic methods of data collection, the inductive development of the research problem, and the longitudinal nature of data collection. The second section

examines the sample of case companies, and outlines the data collection profile for each of them.

## **RESEARCH DESIGN**

In some ways it is not valid to talk of design, as this implies a clear view from the outset as to the advantages of the methods and processes used. The research can be more realistically shown to have emerged from a continual engagement with the industry group and a range of theoretical puzzles identified by the researcher. These were honed into a set of working hypotheses, which became the basis of a longer-term research project reported in this thesis.

### ***AN INDUCTIVE APPROACH***

As indicated above, the research is not deductive in the sense that an original hypothesis was subjected to empirical verification through an appropriate program of research. While that approach might have confirmed the hypothesis it would not have provided an understanding of the way in which management choices are dictated. The approach is to examine the sense of management actions, rather than to demonstrate the truth or falsity of a hypothesis about their actions.

The research was stimulated by discussions in industry (as well as amongst academics) of "new ways of working", workplace change, and most directly by the increasing reference to ideas such as 'lean production' systems. In a time of change, it seemed that managers were adopting the language of consultants and academics in defining the issues and focus of their work. The research orientation was influenced by the writer's participation in a series of government funded research projects in industry, in the early nineties. These projects were aimed at documenting and analysing the impact of changes in industrial relations policy, and later, best practice management (MacIntosh and D'Assumpcao 1991; MacIntosh 1991, 1996; MacIntosh & Coates-



Davis, 1997). The experience suggested that managers' understanding of many of the ideas then becoming current, notably the notion of teams, was limited. Moreover, the approach to reform varied considerably between companies, with some adopting somewhat rigid and ordered approaches, and others a more flexible approach to the changes required. It was apparent in these early observations that managers consistently attributed the motivation for their actions to wider corporate requirements. They were not seen as minor adjustments in practice, so much as strategic realignments of the organizations concerned. This raised further questions as to how strategic needs were defined, and the way in which employment relations were related to them. In particular were they necessarily as mutually beneficial as suggested. The notion of there being a 'strategic alignment' between employment relations and the (changing) needs of the plants being studied provided what Whyte (1984) has described as an "orienting theory", which he describes as (1984:228):

... a guide to the gathering of data and the selection of particular items for analysis.

As Whyte observes, there is an intimate relationship between an orienting theory, the methodology adopted and the problem examined. In the research undertaken in this thesis, the orienting theory relates to the possibility of a connection between rhetoric and action, and that both are influenced by a wider pattern of interests and pressures as indicated by the notion of strategic alignment. These general propositions suggest a need to adopt a method that allows the actors to express their views and provide rationales for their actions.

### ***ETHNOGRAPHIC METHODS OF DATA COLLECTION & ANALYSIS***

The inductive approach dictates a research methodology that allows the exploration of causal relationships and the motives and assumptions of the actors. While there are many prominent examples of this approach in the field of industrial relations and in organisational studies (Edwards, 1995), the management field is marked, with the

exception of some notable classics (such as Gouldner, 1955; Whyte, 1994, 1961; Chinoy, 1955, Pettigrew, 1985), by a greater preoccupation with quantitative techniques (Godard, 1993:289). Edwards (1995) attributes considerable influence in the methods of industrial relations research to the ethnographic tradition pioneered originally by Gluckman (Frankenberg, 1982). Edwards argues that such methods were used extensively by the Industrial Relations Research Unit (IRRC) at the University of Warwick (Edwards, 1995). Many Australian studies have followed similar methodological precepts (Rimmer & Verevis, 1990; Rimmer et. al., 1996; Kitay & Lansbury, 1997). However, while there is a wide range of studies subscribing to the ethnographic tradition, and to its importance, Rosen's comment (1991:11) that ethnographic research exhibits a great diversity in method and presentation of results is an important reminder that the method needs to be related to the researcher's aims. Indeed as Rosen argues (1991:13),

Ethnography is more than a collection of mechanisms for gathering and writing about data. At its best, ethnography is a method of 'seeing' the components of social structure and the processes through which they interact. Interviewing, observation, archival reviews, participation, and so on must be accompanied by an overlay of social theoretical ideas concerning meaning and action.

The particular attractions of this approach are that it allows the development of a deeper and richer understanding of the relationship between social phenomena, "thick evidence" to use Rosen's (p.13) term. Ethnographic research deals more adequately with the many phenomena which cannot be quantified readily, or which if quantified, lose their ability to account for influences outside the data measured. In the present case the motivations and values of managers are intricately tied up with their self-image and experiences. The managers' expression of their values is the most reliable and meaningful expression of those values. An attempt to reduce them to a list of core elements capable of quantitative expression would certainly satisfy the researcher's view of reality, but it would lose much meaning for the individuals expressing them. This is one of the characteristic differences between qualitative and quantitative

research methods (Bryman, 1989). Secondly, the ethnographic approach allows the context and causal connections between phenomena to be explored. Again quantitative research can identify relationships that are statistically significant, but they present great difficulty in demonstrating the way causal links connecting different events are developed and sustained.

It must be reiterated that the observation of causality and the explanation of meanings remains the responsibility of the researcher. The subjects may explain their own understanding of events, but the researcher must place this within the wider context of all the research findings and the theoretical tools used in the analysis (Rosen, 1991:2; Edwards 1993:48). It is this analytic role of the researcher, which distinguishes ethnographic research from description or journalism. Where ethnographic research takes the form of participant observation, as in Burawoy's study of the labour process at Allied Corporation (Burawoy, 1979), the interaction between theory building and observation (experience) may be closer. Nevertheless, even in that study the author went further than the original analysis and applied a range of theoretical proposals to his observations.

The researcher's role leads to consideration of the relationship of this research methodology to conventional "scientific" research methods. There are some conflicts in the way in which scholars have approached this question. Godard (1993), for example, appears to embrace the scientific ideal, while rejecting what he sees as the falsity of positivist claims for the certainty of the scientific method (1993: 301-2). His proposal contrasts with the readier rejection of the aims of positivist and quantitative research methods by Rosen, whose concern is to uncover the social meanings attached by the subjects to their situation (1991: 6). Where Rosen contrasts the objectives of the

positivist and social constructionist approaches, deploring the hegemony of the latter in the output of social research, Godard calls for an accommodation in which a critical “theoretical realist “ approach acknowledges the limitations of evidence from both positivist and social action approaches to research while using both.

Godard's notion of theoretical realism is aimed at both the purer statement of the scientific approach and what he terms the social action approach. His scepticism about the achievement of scientific rigour in the form of falsifiable propositions and the use of measurable evidence to support its conclusions is consistent with Rosen's defence of social constructionist theory. What both writers have in common is a belief that the voice of the actors is important in social research. Both reject the notion that social research can only be advanced through measurable evidence. Rosen's defence of social constructionism goes further in suggesting that the goal of research in this tradition aims at interpretation rather than explanation. While there may be examples of pure social constructionist research, there are also many examples of research that use both approaches to the subject as a means of gaining a fuller understanding. As Godard argues, theoretical realism treats empirical analysis, by which he infers the use of quantitative and measurable evidence, as

...instrumental to theory and concerned more with enhancing general understanding (1993:291)

Edwards (1993: 53) takes this point further, drawing on Popper's notion of different levels or “worlds” of evidence to propose that the social scientist contributes to objective knowledge in a cumulative fashion by providing contextual explanations for everyday events and the explanations of the actors involved in them.

As a final comment on this controversy over method, it may be observed that the concern is over the underlying assumptions of the research method used, not over the

technical standards of evidence collection, which have been discussed by a number of authors using the methodology (Emmett & Morgan, 1983; Burawoy, 1979; Belanger et al., 1994; Rosen, 1991:16-17). As Yin (1984) has observed, equivocal evidence and bias are just as likely to be found in studies relying on survey research as in those using data derived from the organisational actors. In all research there is an expectation that the researcher will faithfully record evidence and ensure its integrity. It is also important that statements are verified to the degree possible against other sources (including other actors). However, the research focus is the culture or understandings of the actors, the discovery of inconsistencies, erroneous statements or even untruths is important for what it suggests about the world view of the actor, rather than suggesting that an unreliable witness should be eliminated. This became important in the research reported in this thesis, where it became apparent that one manager was 'reordering' the truth in order to sustain a particular presentation of his own interests.

### *THE CASE FOCUS*

The research in this thesis is based on the comparison of related cases. The case method is sometimes erroneously treated as synonymous with the use of ethnographic methods of data collection and analysis (Kitay & Lansbury, 1997:7). In fact a variety of research methods may be employed to undertake case research (Bryman, 1989), as is evident in the many works in industrial relations and organisational literature. On the other hand the decision to employ ethnographic research tools does tend to dictate case research if only because of the inherent demands of the methodology in terms of the time and scale of data collection activities. More importantly, as suggested above, the case method is usually chosen for its ability to facilitate an understanding of organisational life through the researchers collection and analysis of evidence from the actors themselves. The case allows the selection of a particular context for the research, ensuring that some factors in the context are 'constants', allowing the

researcher to focus on a particular constellation of organisational interactions and actors.

As indicated above, the research is consistent with a long tradition of case based research in industrial relations, notable in the output of researchers at Warwick University (Edwards, 1995; Batstone, 1977; Batstone, 1983; Batstone, 1984; Boraston, 1975) and in many Australian studies (Kitay & Lansbury, 1997; Rimmer & Verevis, 1990). Case research is widely used in management and human resource management (Storey, 1992; Pettigrew, 1985; Pettigrew & Whipp, 1991) and was the basis of the Australian study conducted as part of the MIT program on changes in employment relations in advanced economies (Locke et. al, 1995; Kitay & Lansbury, 1997). An important aspect of the present research is the adoption of a comparative approach based on assembly of data from a number of organizations sharing important characteristics. As Bean (1985) notes, comparative studies should be designed to facilitate comparison of specific phenomena. In the present case the cases allow a comparison of management structure, style and strategy. The level of analysis in the study is that of plant management, but the research design included a focus on the collection of evidence above and below this organisational level. The objective was to understand the influence of organizational characteristics beyond the immediate focus of workplace organization.

The cases share a number of critical characteristics including the web of institutional, industrial and political factors in the period of the study; a common experience of pressures for organisational improvement and similar technologies. Against these there are clear differences in organisational structure including, the ownership and control of the enterprises; the relationship between the subject plant and the parent

organization; inherited corporate strategies and cultures, and, the origins of pressures for the adoption of new approaches to manufacturing. The use of the comparative approach, and the particular sample chosen facilitated the juxtaposition of similarities and differences within the broad framework offered by the common elements of each of the cases.

The comparative method also overcomes what is often proposed as a weakness of case research, viz., the difficulty of conceiving any general principle from a particular case (Rimmer & Verevis, 1990:4). Edwards notes that comparison is one of the several ways in which case research can be used as a basis for more sophisticated generalisations (Edwards 1995:51). The use of qualitative data facilitates the development of such general statements, as it allows a more exacting examination of the way common elements in the cases influence actions and behaviour in each case, and the degree to which differences are more (or less) important.

### ***A LONGITUDINAL STUDY***

A feature of the cases in this study is that the program of research continued over an extended period. In some cases data was collected as early as 1989 for other purposes (MacIntosh, 1991) and incorporated into the data used in the thesis. The extended period of data collection has a number of advantages.

Firstly, it allows the more sensitive data collection methods discussed above. These are inherently time consuming, and are most useful where comments by one respondent can be compared with those of others. Secondly, the longitudinal process adds materially to the ability of the researcher to distinguish instant actions from longer-term changes in the organizations studied. This contributes significantly to the ability to plot evolutionary trends and the factors contributing to more gradual

adjustments in policy and action within the organizations studied. The suggestion that an evolutionary view of the firm might have merit in explaining the way 'best practices' are determined has been affirmed in a recent work by Fujimoto (1999) who commented on the importance of understanding the development of what we now identify as the Toyota production system in the following manner (1999: 3-4):

... although Toyota's system looks as if it were deliberately designed as a competitive weapon, it was created through a complex historical process that cannot be reduced to managers' rational foresight alone.

His point is germane to the present study, which is concerned in part with the efficacy of 'best practice' models such as the notion of 'lean production', which was based on an idealization of the Toyota production system by researchers associated with the International Motor Vehicle Program at Massachusetts Institute of Technology (Krafcik, 1989, MacDuffie, 1989, Womack et. al, 1990). A further important aspect of this view is scepticism concerning the idea of pre-determined paths of economic and social development. There would be little point in pursuing a longitudinal study if the outcomes were assumed to be predictable. The researcher's task is to document and understand the way in which organizations, in this case, change, and how a range of factors influence the direction of the process.

## **THE RESEARCH PROCESS**

There are several aspects of the research sample that deserve discussion. They are the selection of subject plants and companies, the research process and the time period of the research.

### ***SELECTION OF SUBJECT COMPANIES***

The study was focussed on gaining a greater understanding on the pressures motivating managers to adopt new work practices. It was therefore considered important that managers in the plants included in the study had expressed support for, or even committed resources to, processes of change in the workplace. The fact that



the management of one plant proved to be better at expressing the rhetoric than the reality did not invalidate the objective, but rather improved the ability to examine the reasons why those managers did not go beyond rhetoric. The companies chosen were originally identified as committed to a view of workplace change by industry observers and officers within the Commonwealth Department of Industrial Relations. At the time the research was undertaken, the Department had begun to fund a series of studies into processes of award restructuring, and later best practice. Access was obtained to two of the companies in the study, by virtue of the author's involvement in these research programs. Introductions to the other companies were provided from industry and government representatives, who considered them to be similarly committed to the kinds of changes being examined.

The research was based on the analysis of manufacturing plants in four companies. In one case, that of EMAIL the research was originally focussed on two plants, though examination of another three plants within the group provided a deeper understanding of the influence of corporate policies and style. In a second company, AIR International, the primary focus was on a plant in South Australia, though again the research was enriched through attention given to the operation of sister plants on the Adelaide site, and the company's Port Melbourne plant. In the third company, Tubemakers, the primary focus was on the manufacture of steering columns at the Kilburn site of Tubemakers. Steering column manufacture was undertaken in one of several business units operating on this site, and observations, interviews and documents were collected across the site to ensure that the context of the operation was properly understood. Further insights into the operation of the company were obtained through interviews with staff in the Bundy Steel plant part owned by Tubemakers, and located on the same site. The fourth company is a family owned business operating from a single site in Melbourne.

A key criterion for selection of these companies was the apparent commitment of their senior management to workplace change. However, another important characteristic of the sample, for comparative purposes, was the level of technology used. In each case, production tooling on the main production line was locally developed, labour intensive, and involved relatively little use of automated processes. While some companies had automated tools supplying sub-components, the main assembly technology required skills at less than trades level. Trades personnel tended to be confined to machining and maintenance areas. The sample covers plants devoted to two relatively different product groups, whitegoods and automotive components respectively. However, there are a number of similarities between the plants in terms of at the production technologies used and the workforce skill requirements. In the case of the Steering Column plant within AIR International the technology used was identical to that employed at Tubemakers. The plants in each company provided examples of similar production techniques in different market places.

From a comparative perspective, the differences between the companies were as important as the similarities. The companies each had a different corporate structure, though the family owned business stood out most distinctively from each of the others. That company was also the only single site plant, and while the company did have some financial links with an adjacent joint venture operation, it operated as a stand-alone unit. Each of the other companies was a publicly listed, multi divisional corporation. However, within this group, the differences again offer the opportunity to distinguish different corporate structures and styles. At the time of the research, both EMAIL and Tubemakers were multi-divisional companies with their origins in an earlier period of Australian industrial history. This history proved to be of some significance in both cases. AIR was a division of a multi divisional company of more recent creation,

and one which had its origins more clearly in an investment philosophy focussed on building growth in several industry sectors over the longer term.

The MtM plant made a product similar to those made at Tubemakers and later at the Steering Systems Australia (SSA) unit within AIR International Group Limited (AIGL). Each of the companies involved in manufacturing steering columns was also involved in producing other automotive components. For the components plants small production runs and variety of products posed an organisational problem. The EMAIL plant employed similar kinds of technology, though with greater use of automated sub-processes. Production was a continuous flow rather than batch as in the components plants.

The sample is not therefore a perfectly random one. Rather the continuities within the sample provide points of similarity as well as contrast. The similarities in context allow clearer attention to the areas of difference that explain the actions of managers in one company as against the others.

### ***DATA COLLECTION***

This section summarises the general methods of data collection and analysis used. A discussion of the situation within each company follows in the next section. The research was based on interviews, the collection of documentary information about the companies and observation of the working arrangements within the company. Interviews were also undertaken with key union officials and a sample of managers from components suppliers to throw greater light on aspects of company policy and development.

## Interviews

The interviews were conducted over a number of years, with the widest spread of information taken from EMAIL, where some previous research provided background and orientation to the project that has been developed in this thesis.

The main form of data collection from individuals was through semi-structured interviews. The first interviews were aimed at identifying sources of documentary data and obtaining as many facts as possible about the corporate structure and operations. These interviews were guided by a pro-forma questionnaire originally developed for use in award restructuring studies. In each plant, a vertical slice of managers and subordinates were interviewed, and in most plants a key respondent was interviewed on several occasions. These contact people provided an ongoing intelligence about the development of the company and changes taking place.

After the initial phase of factory tours, interviews were structured around questions deemed relevant to the developing research agenda. A short checklist was used on each occasion, but the interview process was kept open to allow other issues and concerns to be explored. Open-ended interviews were arranged with managers and employees. In each case the interviewee was asked for information about his/her background as a means of establishing some context in terms of non-work and career influences on the responses. Workplace employees were interviewed in semi-structured manner, using checklists based on characteristics of lean production, and supplemented with more general questions relating to the employees' perception of the company and its managers. These interviews, which were repeated over a period of five years, provide a rich array of data, which was recorded on tapes. Written notes

taken at each interview were subsequently checked against the taped record. Each workplace was visited on several occasions during the period of the research.

### Summary of research issues in each company

The research in each company except AIGL was originally based on interviews undertaken in the period 1989-91 as part of a study of the impact of award restructuring. This research was instrumental in generating the research questions informing this thesis. Further interviews were then undertaken in each organization for the purposes of this thesis.

#### *Tubemakers*

The formal interviews undertaken in the company are summarised in Table 3.1. They were undertaken between 1989 and 1992 at which time Tubemakers Automotive components business was terminated, and the contracts sold to AIGL. Several interviews were undertaken with former employees and managers, some of whom had taken positions with AIGL. These interviews were conducted to provide comparisons between the Tubemakers Automotive involvement in the production of steering columns and similar activities at Steering Systems Australia in AIGL.

**Table 3.1 Persons interviewed by organisational position and plant**

Level	Numbers
General Manager status (senior functional or business unit manager)	2
Functional Manager within the business unit	4
Senior line manager within the business unit	2
Team Leader	n.a.
Shop Steward	1
Production workers	6
Union Officials	2
Totals	17

***MtM Pty. Ltd.***

The earliest contact with MtM was in 1989 at which time the objective was to examine award restructuring experiences. These investigations lasted until 1991. A second series of interviews was undertaken from early in 1993 lasting until 1997. Each of these observations and interviews were quite extensive. Routine contacts were maintained with both the General Manager and the various Production Managers in the period 1995-1997. This contributed to a working diary of changes in the company's activities. The formal contacts were as follows:

**Table 3.2: Persons interviewed by organisational position, 1989 -1997**

Level	MtM employee	External to the company
General Manager	2	1
Functional Manager	6	1
Supervisor	3	
Team Leader	n.a.	
Shop Steward	1	
Production worker	15	
Union Officials	n.a.	2
Automotive customer	n.a.	1
Totals	27	5

***AIR International***

Interviews were commenced in 1995 and continued to 1997. The interviews were focussed on the Steering Systems plant, though two senior managers were interviewed in the company's head office. The production workforce of the SSA plant was relatively small with 30 employees. Those interviewed represented a vertical slice of the plant, with a predominance of production workers. Both Team Leaders were interviewed and the functional managers included the Production Engineering, Design, Production and Human Resource managers. The site General Manager, appointed in 1996, was interviewed as was his predecessor who was also the Operations Director of the Company.

**Table 3.3: Persons interviewed by organisational position, 1995-1997**

Level	Adelaide	Melbourne	External to the company
General Manager	1	1	1
Functional Manager	5	3	
Supervisor	n.a.		
Team Leader	2		
Shop Steward	n.a.		
Production worker	10		
Union Officials			1
Automotive customer			1
Totals	19		3

***EMAIL***

The research at EMAIL was based on work originally undertaken as early as 1989, at which time the Simpson name and culture were still strong. This research provided a background to the work done between 1991 and 1997 on which this report is based. The number of formal interviews undertaken is summarised in Table 3.4, which also

indicates the location and organisational level of the primary respondent. In addition to the formal interviews recorded, which are listed in Appendix 1, a number of less formal discussions were undertaken with key individuals and with groups of employees.

The main focus of the EMAIL study was the Beverley site. However, interviews were also undertaken in five other EMAIL plants, and in the corporate head office. This information deepened the understanding of corporate policy and culture, and its implementation. Discussions with Union officials provided insights into the climate of employment relations, while the discussion undertaken with four components suppliers, and a major retailer, were useful in placing each company's approach to new methods of manufacturing in a broader context.

**Table 3.4 Persons interviewed by organisational position and plant, 1989  
1997**

Level	Beverley	Dudley Park	Other plants	Corporate Office & MAG	External to the company
General Manager	1	1	2	2	1
Functional Manager	10	3		1	3
Supervisor	2				
Team Leader	4	2	1		
Shop Steward	2	1			
Production worker	24	5	4		
Union Officials					2
Suppliers					3
Customers					1
Totals	43	12	7	3	10

Much research involving managers is made easier by the prospect of its contributing to improvement in management effectiveness. In the management field particularly the



prospect for organisational improvement as a consequence of research is often seen as a rationale for cooperation with researchers. Where there is no commitment by the researcher to instrumental outcomes, as was the case in this research, the issue of access can be more difficult. In one of the plants studied a newly appointed plant manager was apprehensive that questions to employees about union membership, and employment relations within the plant might undermine his own objective of building a more unitary workplace culture. As a result the researcher was unable to observe negotiations over a new industrial agreement. The exclusion was then extended to other plants in the company through the actions of this manager in meetings with his peers. His anxiety was in itself important raw data for the study. Comments on the negotiations were eventually obtained indirectly through unions and junior managers. Had this exclusion taken place earlier in the study it would have seriously limited understanding of issues in the workplace. Much of the data was directed towards understanding the character of employment relations in the workplaces concerned.

Interviews with managers and employees are necessarily time consuming, and when repeated over a long period of time they can strain the research relationship. This situation is often avoided by research that promises organizational benefits. This has been a characteristic of much research on 'best practice' management. Similarly the recommendations of significant outsiders may induce participation in research. Each of these situations carries opportunities and hazards for the researcher. In this study there was no promise given by the researcher of any organizational benefit, though the support of Commonwealth Government agencies for some of the earlier research, may have implied some longer-term gain. The researcher was careful to emphasise his independence from any sponsorship, but it is always possible that some managers perceived the research as having some relevance to longer term organisational planning.

## SUMMARY

The research reported in this study emerged from the researcher's interest in a range of issues which emerged from small scale research studies on award restructuring undertaken in the period 1988-1990, under Federal government applied research projects. These issues were formulated, as a general hypothesis about the role of management choice in determining whether new production methods would be adopted, and to what degree external models and prescriptions were influential in managers' decisions.

The opportunity to continue the collection of data in the companies over an extended period, allowed the investigation of these working hypotheses about the influence of strategic management choices. This study is a result of a longer period of reflection and testing of these earlier hypotheses against other research literature, and against the empirical data collected in the cases. The outcome is a longitudinally based discussion of the factors influencing management decisions in the companies studied. The conclusions benefit from an appreciation of the fragility of circumstances in each case, and thus strengthen the overall conclusion concerning common trends.

## **CHAPTER 4      TUBEMAKERS AUTOMOTIVE: THE STRATEGIC LIMITS OF ESTABLISHED PRODUCTION & WORK ARRANGEMENTS**

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### **SECTION 1      INTRODUCTION**

In chapter 1 it was argued that a range of factors influences the relationship between strategic business decisions and the management of people. These include structural characteristics of the enterprise as well as the beliefs and values of managers themselves. This chapter examines the way in which these factors shaped the relationship between business decisions and management of the employment relationship in the Tubemakers Automotive group of Tubemakers Australia. The study is focussed particularly on the manufacture of steering columns within this group.

The Tubemakers study begins with an examination of the characteristics of what, until the mid-1980s, was a large Australian company enjoying substantial tariff protection in its product markets, and exercising a dominant role in each of those markets. From the mid-eighties, the company entered a period of management reform and structural change. This was partly underpinned by the government's Steel Industry Plan, but was generally aimed at improving the company's competitive presence in global product markets. These changes, and parallel changes in the automotive industry, forced the company to re-evaluate its approach to the manufacture of automotive components. The process of strategic readjustment led to the closing of the Tubemakers Automotive group in 1992. The case will illustrate the critical importance of a positive association between various elements of strategic choice including the management of human resources. The next chapter will trace the re-establishment of the Tubemakers steering column production by AIR International, which bought the assets of the business from Tubemakers in 1992.

## SECTION 2 TUBEMAKERS – CORPORATE DEVELOPMENT

### *CORPORATE DEVELOPMENT TO THE MID-EIGHTIES*

#### **Structure and Strategy**

Tubemakers of Australia was formed in 1946 as a holding company to consolidate the interests of Tube Investments of the U.K., BHP and Stewarts and Lloyds (Australia). The new organization represented a substantial consolidation of steel tube manufacturing and distribution in Australia. It was a means for extending the interests of its parents, manufacturers and distributors of steel tube products, and created a near monopoly in the tube products area. In 1970, when Tubemakers was publicly listed as part of a consolidation of its interests, BHP took a 49% shareholding, with the Japanese steel manufacturer Sumitomo taking an 18% interest (Annual Report 1970). Because of these arrangements, the company was integrated into BHP's production network. The takeover of the company by BHP in 1996, and its integration into the BHP Steel Division seems a logical outcome of such arrangements.

In the decades that followed, the company grew by acquisition and market expansion, aided by favourable tariff regimes. A management writer later summarised the situation in the following terms (Stace, 1993),

From the 1950s to the 1970s, Tubemakers growth mirrored the expanding Australian economy. ...It grew to be blue chip, production focussed and paternalistic.

By the mid-eighties the company was a diversified steel producer and distributor employing over 6000 people throughout the country (Annual Report, 1987:9). While the group's activities extended to electronic communications, plastic tubing and steel distribution, the core of its activities were focussed on the manufacture and use of steel tubing products. This included tubing for use in water oil and gas transmission, structural steel and automotive products. The Adelaide site of Tubemakers pre-dated

the formation of Tubemakers. It was developed in 1939, as a joint venture between the Australian subsidiary of the British firm Stewarts and Lloyds, and another English firm, Tube Investments. The resulting company, British Tube Mills (BTM) became a major operating subsidiary of the new joint venture, Tubemakers of Australia, in 1946. When Tubemakers was listed on the Australian stock exchange in 1970, this subsidiary became the BTM Tube Products Division, with a multi-divisional corporate structure. The Division was renamed Precision Products Division after a further re-organization in 1988.

At the time of its formation, in 1970, the divisional structure was based largely around production areas. However, by 1988 this had been refined with business units within divisions focussed on different product markets. It then included separate divisions for the sales and production of structural steel; steel pipelines and fittings for the water, oil and gas industries; metals merchandising and distribution; and the Precision Products Division. While the company operated in a number of product markets, its structure evolved from vertically integrated groups of manufacturing and distribution activities spanning a number of markets into a more market focused divisional structure. The operating divisions were organised around core products that, as with Precision Products, were the basis for further product development. This extension of the core activities also reflected the availability of specialised skills within the workforce. The core activity of the Precision Products Division was the manufacture of steel tubing, which was drawn from metal ingots. Subsidiary products were developed around the core skills of the workforce including exhaust fabricated from seam-welded tubing produced in other parts of Tubemakers. Steering columns were assembled from tubing and other fabricated and machined components.

From the seventies Tubemakers began to experience long-term changes in its competitive situation. Stace (1993) attributes the changes in Tubemaker's competitive environment to the decline in traditional product markets such as large capital construction projects, and the emergence of alternative products such as plastics (1993: 3). More immediately, the company noted in its Annual Reports the impact of increased import competition. For the Precision Products Division the further complication of fluctuating demand in the automotive sector was also noted (Annual Reports 1976:5, 1977:5, 1978:5; 1982:1; 1983:1). A tariff reduction, resulting from the 1979 Report of the Industry Assistance Commission, exacerbated the import challenge (Annual Reports 1980-84).

The ALP government's Steel Industry Plan of 1983 (Industry Commission, 1998), under which the industry received direct subsidies, related formally to commitments to improve competitiveness, was a more direct incentive to change (Bell, 1993:138; Annual Report, 1983). In 1985, the Director's Report expressed the view that the task of achieving international competitiveness was particularly urgent. In following years the company's actions in the area of Total Quality Management (TQM) and in raising efficiency through new capital equipment were noted (Annual Reports, 1985-1987). While the 1984 Annual Report (1984:10) had expressed some confidence about the Company's ability to continue as a major component supplier this situation was later shown to be unsustainable.

### **The formation of an internal labour market**

In common with many Australian companies in the post war period, Tubemakers developed a formal approach to its human resource management practices (Wright, 1995). The characteristics of the management style and the structuring of employment relations practice combined to create a distinctive organizational culture, which continued to influence the company into the 1990s.

The company's approach to its workforce reflected the capital-intensive character of the industry, the relatively large numbers of employees on each site, the high demand for skilled occupations in an expanding economy, and its focus on production related issues. The adoption of formalised approaches to labour management in Australian companies had been stimulated by wartime production exigencies, which were responsible for the modernisation of many industries (Wright, 1995:38). Such activities were generally carried on into the post war period. A basic element of the approach taken by Tubemakers to employment relations in that period was the creation of an internal labour market, characterized by a set of administered rules governing employment, job mobility within the firm, rewards and job classifications (Osterman, 1984: 7). Workforce cohesion was reinforced by strong reliance on the local community for skilled and non-skilled workers.

At the core of these arrangements was the relatively protected market situation in which the company operated. With a near monopoly over most of the steel product markets it operated in, and extensive tariff protection, the company was focussed on developing technical production capacity to deal with the increasing demands of domestic markets. The principal demand for workforce skills in this situation were for technical competence in production and design, with accounting skills important to the management of the company's productive capital and large workforce, numbering over 8000 in 1970 (Annual Report, 1970:3).

The bias to technical issues together with the protected market situation enjoyed by the company until the 1980s, also explains the company's relative ignorance about the kind of management practices necessary for more competitive situations. Marketing skills

were not well developed, and personnel management continued to be regarded as a technical support function, dealing with recruitment and industrial relations. This bias towards the solution of technical problems was to be a feature of the approach taken to factory modernisation described later.

The management of this internal labour market was distributed between a number of specialist functions at both site and divisional level. A Personnel Manager at the Divisional level dealt with the administration of the web of awards and agreements, which regulated working conditions. This office also administered plant recruitment for the casual and operative staff. Apprenticeship management was separated from the site Personnel Office. There was little training outside the formal supervision of apprentices. Recruitment and career development were well planned and orderly for trades and professional employees, who were recruited from schools or University to careers within the company. The strategic human resource assumptions of the parent company were implicit in the use of cadetships and other forms of support for tertiary study. Engineers and Accountants were sought to provide the management skills needed by the company. Technical skills were also sought through the operation of a large apprenticeship program. Apprentices worked in the site maintenance area, where they were given close supervision and guidance (Interviews with Breeding 1997; Richer, 1996). The product of this career management process was a cadre of technically skilled managers and production supervisors whose career had been focussed on the needs of Tubemakers over many years. There was little outside recruitment of skilled workers, and the company drew its semi-skilled operators and labourers from the local labour market as required. While many of these people stayed for extended periods, possibly because of the relatively superior conditions and pay



offered by Tubemakers, they were usually excluded from the career paths of those selected for cadetships or apprenticeships<sup>1</sup>.

The pay and conditions of skilled workers, managers and professionals was also more secure than that of production operators who were generally paid incentive bonuses based on production outcomes, a system which lasted until 1991. This payment system reinforced the 'Taylorist' approach to work organization then common, and heightened the social distance between different groups of workers. Amongst those recruited to skilled occupations there was therefore little challenge to the shared values developed through this process of training and acculturation in the work norms of the company.

A Personnel Manager at the site level undertook the formal management of conditions of employment, and the administration of awards and agreements. The need for this function reflected the high level of unionisation on the site and the need to manage a complex range of awards and agreements across the site. The pattern of unionisation and award coverage for the 600 employees at the Kilburn site in 1989 is summarised in Table 4.1. As will be observed many of the awards and agreements were registered with the State Conciliation and Arbitration Commission, reinforcing the need for industrial relations support at the site level. Closed shop arrangements were used, as was then common in the manufacturing sector, and unions were strongly organized at the plant level. The discretion exercised by managers over employment practices at the plant level was limited by formal and informal demarcation of functions and jobs. A former site Personnel Manager later commented that industrial relations were characterised by adversarial relationships, "deals" with Unions, and constant 'fire-fighting' over minor grievances. He suggested that line managers were often unaware

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<sup>11</sup> In 1989-90 earnings of Tubemakers employees ranged from 10% to 18% above the relevant

of industrial relations complexities, which were handled by shop stewards and the site Personnel Manager (Richer interview, 1996). On the other hand both management and union officials attested to the negative impact of autocratic supervisors over the years (Richer interview 1995; Collis and McCabe interviews, 1990). From the mid-seventies Unions on the Kilburn site exhibited a high degree of cooperation and coordination over site related issues in what was described by a former steward as an attempt to overcome the divisive and manipulative behaviour of some line managers (Collis interview, 1990). Ironically, this cooperative spirit also produced a more company-oriented approach by the Unions in relation to stoppages called in support of national wage campaigns, which were often ignored by Kilburn site shop stewards (ibid.).

**Table 4.1      Respondancy & Coverage of Awards and Agreements at Precision Products, Kilburn - 1989**

Award/Agreement	Respondent unions
<b>Federal Metal Industry Award</b>	Amalgamated Metal Workers Union Australasian Society of Engineers (ASE) Federated Ironworkers Association (FIA) Electrical Trades Union (ETU) Federated Engine Drivers & Firemen' Association (FEDFA)
<b>State Agreements/Awards</b>	
Clerks Metal Industry (S.A.) Award	Federated Clerks' Union
Precision products- Kilburn site agreement	ASE FIA
FEDFA/Precision products Kilburn site agreement	Federated Engine Drivers & Firemen' Association

Source: Company records, 1989

The management writer Stace has described this situation in more pejorative terms as follows (1993:2):

At many of its sites unions muscled their way into key decisions about production, work organization and employment conditions. Management ceased to lead.

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award minima for the relevant occupational group (Fisher interview, 1990).

This comment ignores the historical development of the employment relationship in this and similar companies. It ignores the adversarial nature of employment relations and the close relationship between the occupational segmentation of the workforce and the multiplicity of awards and agreements. While the strength of union organization at plant level may have placed some limits on management discretion, the prevalence of negative comments about autocratic management suggests that the unions were strong because their members sought protection from arbitrary management action (Collis interview, 1989; Breeding interview 1997). Contrary to Stace's suggestion the company's approach to industrial relations is consistent with the notion of a 'bargained constitutional' arrangement (Purcell & Ahlstrand, 1994). This is described as a stable relationship between management and unions that is managed so as to minimize the incursion of arbitrated or negotiated working arrangements into management prerogative (1994: 196-7). While such an arrangement was consistent with the labour market and production conditions of the post war years it was to prove a poor basis for the level of cooperation and change envisaged in award restructuring.

### **The Tubemakers management culture**

What will be referred to as the Tubemakers management culture are the beliefs and priorities which managers learnt as part of their employment in the company. The strong focus on nurturing a cadre of well trained technical specialists through the selective recruitment system created conditions in which shared values were likely to be developed amongst career employees. The Tubemakers management structure was built on strict hierarchical relationships, and a respect for technical skills and status. For an outsider one of the most obvious manifestations of the culture, through to the late 1970s, was the hierarchy of cafeterias, reflecting divisions in the status of the workforce itself. The strength of social distinction within the workplace clearly continued with the retention of a management cafeteria until the 1990s, though it was justified on the basis of sales and marketing needs. However, the hierarchy of managers and

engineers also attracted cynical comments from many trades and non-trades employees, who saw the multiple levels of management as unproductive (Breeding interview, 1997). Many former employees and managers commented on the slowness of decision-making, in this bureaucratic structure (Interviews with Breeding, 1997, Richer, 1997; Pink, 1997; Tessarello, 1997).

The hierarchy was related to the division of labour itself. The workforce was divided according to level of training with tertiary education providing entry to technical design and management positions, and trades qualifications allowing the holder to aspire to strategic jobs in maintenance and supervision within one of the plants. The demarcation of functions across the plant separated management from plant operations, and maintenance from the immediate production situation. These divisions were reinforced by pay differentials and conditions accorded to different groups of workers. Jobs themselves were narrowly defined, to the extent that some skilled workers found their level of discretion unduly limited (Sutar interview, 1997).

Management style was not well regarded. A former production supervisor suggested that the style was autocratic and inflexible (Hills interview, 1995). Others also commented on the autocratic and paternalist attitudes of many managers towards employees (Interviews with Collis, 1990; Richer, 1996; Breeding, 1997). Several former employees suggested that the apparent difficulties experienced by the Tubemakers Automotive business unit, in adjusting to changed competitive conditions after 1989, was partly a function of the management style and assumptions. The General Manager of AIR International, who oversaw the integration of Tubemakers steering column production into his own company, supported this view (Interviews with Richer, 1996; Hills, 1996; Milton, 1997).

Managers preserved a social distance, and assumed authority based on technical knowledge. The former production supervisor commented that his superior, the Manager of Steering Components, was rigidly dedicated to finding technical solutions to problems that in reality had a strong human element (Hills interview, 1997). Another former manager suggested that many of the plant's senior managers had few people skills, and relied on their technical skills to maintain authority (Richer interview, 1996). Management style at the Divisional level was influenced by the style of the first Chief Executive, J. M. Griggs, who occupied the position of Managing Director for 38 years. In that time, he influenced a generation of managers, particularly those in his immediate circle. A former manager described him as a "management thug". This informant claimed that his combative and autocratic style had the consequence that the only executives who survived tended to bow to his opinion (Richer interview, 1995). He recalled that:

His autocratic style nurtured the 'yes man' evasive style of Kelly [Divisional Manager], Hall [Business Unit manager] and to some extent Brian Milton [the Personnel Manager].

In general, the management attitudes and behaviour which emerged in the post war years were consistent with a unitary approach to the employment relationship, in which authority is strictly hierarchical, and based on formal qualifications, training and position (Fox, 1974; Guest, 1989). These attitudes were still evident on the Adelaide site in the late 1980s

In this context Staces's comments (quoted above) concerning unions' "muscling in" may reflect the views of some of the senior managers he interviewed in another Division of Tubemakers. In general, the company was characterised by what Purcell has described as a "bargained constitutional" approach to industrial relations, in which

formal or well understood rules governed award negotiations as well as workplace relations (Purcell & Ahlstrand, 1994:196-7; Purcell, 1991).

In the mid 1980s, many of the characteristics of this culture were challenged as the company embarked on an ambitious change program. A more explicit corporate objective was developed, decentralisation of decision-making was pursued, and elements of a new set of production values were promoted.

### ***CORPORATE CHANGE FROM THE MID-1980S***

#### **Leadership**

As indicated above, external pressures persuaded Tubemakers' senior managers of the need to change the approach taken to the business. The nature and range of external challenges is clearly acknowledged in the Annual Reports (1980-1985). The first evidence of change was in the appointment of Tony Daniels, then General Manager of the Steel Pipe Division as an Executive Director in 1985, the only Divisional Head to be given a Board position. Daniel's appointment appears to have been a carefully defined succession process to the then General Manager, J. M. Griggs. Griggs had also been a Director of Steel and Pipe Holdings, and was Managing Director of Tubemakers for 38 years when he retired in 1987. In the same period a further 6 non-executive members of the eleven member Board were replaced, the first in 1982, one in 1984, two in 1985 and two in 1987. Prior to this the Board had been substantially unchanged for many years.

This new Board embarked on a change strategy that challenged many of the values and assumptions then associated with Tubemakers. Stace attributes the new direction, more directly to the new Managing Director (1993:5):

When, in 1987, Tony Daniels was appointed Tubemakers' Managing Director, the company began to take an overall view of how its portfolio of business interests formed into a corporate vision.

While Daniels occupied a critical position in the company, the range of membership interests and backgrounds of the other Board members suggests that the new direction was not the product of one person. Two members of the "old" Board, the Chairman and the Managing Director, had been Council members of the Business Council of Australia (BCA), where they would have been exposed directly to discussions over the need to reform Australian manufacturing organizations. In the 'new' Board, BCA membership was continued through the new Managing Director, Tony Daniels, and one other Board member. However, other Board members included the former General Manager of IBM Australia, a senior Personnel executive from BHP and other directors drawn from associated companies. While formal carriage of the change program which began in the 1980s is clearly associated with Daniels, and was shaped by his executive authority, it is more realistic to recognise that a wider array of individuals were involved in determining the future of Tubemakers.

### **Strategy and structure**

Stace identified three elements in the change process. These were, strategic intent, a loose/tight organization; and a flexible vehicle for change, which allowed each business unit to adjust at its own pace, while providing for a common language and methodology for creating "cultural change"(1993:5-7). The strategic intent was summarised in the 1989 Annual Report where the company expressed its commitment to be a "leading Australian company operating offshore" and to build its position through its particular expertise. Further statements were made about delivering customer quality and expanding shareholder wealth (Annual Report, 1989:1). The overseas expansion objective was quantified, with a commitment to 33% of profit from overseas by 1995. In 1989, overseas earnings contributed 5%, and in 1993 about 18% to total earnings (Annual Report, 1993:3; Stace, 1993:8). A statement of the company's "Operating

Style" was included in the 1989 Annual Report. It acknowledges the importance of employee involvement in a guarded and qualified manner (Annual Report, 1989):

OUR OPERATING STYLE is to deliver quality to our customers with a combination of winning leadership, clarity of purpose and full constructive participation by all Tubemakers people.

Such statements may be seen as reassurance for investors rather than an indication of real intent, as they were not obviously linked to any criteria for assessing its attainment.

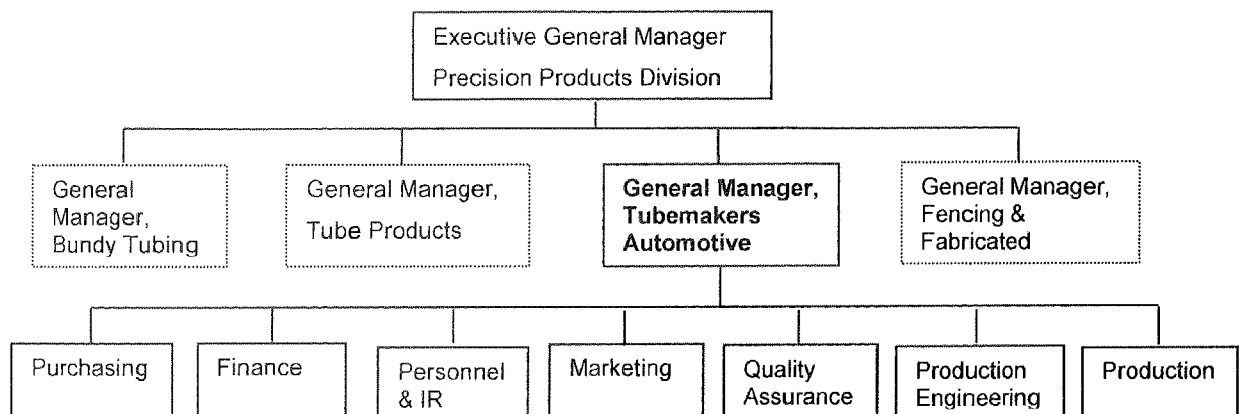
Stace's description of the organizational changes as "loose/tight" (1993:6-7) refers to the decentralisation of management decisions. Staffing of the corporate head office was reduced, and managers within business units were expected to make decisions on personnel, information systems and many other operational issues. Decentralisation of responsibility was encouraged through a new performance management system, developed by the Corporate Personnel group during the period 1987-8 (Reynolds interview, 1995). The performance management system was based on business plans for each business unit within the company, and focussed on physical and financial outcomes achieved in relation to the business plan for the unit in question (ibid.).

The organizational structure within the Precision Products Division was changed in 1982, to one based on market oriented business units. The idea was not new, as managers in the Division had questioned the wisdom of combining such diverse processes and products within the one management structure since the 1970s (Hall interview, 1989). The business units formed in 1982 were BTM Tube Products (later Tube Products), BTM Components (later Tubemakers Automotive), Bundy Tubing Company, and BTM Fencing respectively. Two of the business units manufactured products for the same market, the automotive industry, though their production technologies were quite different.



The decentralisation resulted in a transfer of responsibility for various functional activities, including production management, personnel, industrial relations and finance from the Divisional level to the business units. These changes were later summarised (Financial Review, 10th September 1990) as including a reduction in the levels of hierarchy, formalisation of training, improved communication and a clearer statement of corporate strategy. The resultant structure is shown schematically in figure 4.1.

**Figure 4.1 Organizational structure: Precision Products Division, 1987**



As the organizational chart indicates, each of the business units adopted a formal hierarchical structure with a high degree of functional specialisation, which included quality control, marketing, finance and personnel specialists. The business unit also managed production maintenance. Of particular interest is the relocation of personnel management to the business units. Personnel had previously been located at divisional level where it was mainly concerned with industrial relations. In the new arrangement business unit personnel officers took on a greater responsibility for plant related issues. The new structure continued a basic problem inherent in the previous structure. It allowed existing functional specialists to work more closely with a reduced range of production activities. However, it did little to alter the distribution of responsibility between specialists and line managers, and in itself did nothing to alter the way the workforce was managed. Changes in the overall approach taken to the management of employment practices and work organization were left largely to the adoption of a new

approach to management processes, which became known as the Tubemakers Quality Management Program (TQMP). As will be seen, this scheme had a number of limitations as a vehicle for substantial change.

The structural changes outlined above, represents attempts by corporate managers to adapt the company, and each of the Divisions, to changing market pressures. While the company had evolved from a producer of tube products, it had, by the seventies and eighties begun to take on a more diversified appearance. This was mirrored in the diversity of products being produced within the Precision Products Division. At the corporate level its interests extended well beyond this its core steel tube making activity to the manufacture of secondary products from the tubing, and more importantly, to interests in plastics, communications, merchandising and venture capital operations (Annual Report, 1989). At the Precision Products divisional level, product diversity in automotive, fencing and a variety of tubing.

In 1989, the Annual Report stated that future growth would be based on expansion of activities related to core business. At the same time the company clearly remained committed to growth through acquisition. The company's near monopoly in the supply of its core product, steel tubing, created a situation in which the company had access to considerable cash flow. This allowed it choices in the placing of capital investment. One effect of this was to provide operating units with access to investment funds at less than market rates. However, the company also sought to maximise its returns through the acquisition of other businesses. As a result, existing business units within the company were likely to be placed in a position of effectively competing for finance against business opportunities outside the corporate umbrella. Long-term commitment of capital for internal activities involving risk was thus likely to be discouraged.

The final element in Stace's depiction of the change process was the adoption of a common language and methodology for change. This was undertaken with the adoption of a program known as the Tubemakers Quality Management program from 1988. This is examined in the next section.

### **Towards a new culture? Management style and employment relations**

A more formal approach to 'cultural change' emerged under the reconstituted Board of 1987. In 1988 the company reported that it had become a founding member of the Total Quality Management Institute. In the following year a North American consulting firm, Qualtec, known for its work in the development of Total Quality Management practices within companies, was engaged to develop a system for the Tubemakers group. This was presented as a means of developing a more active involvement of employees in the improvement of all operating processes. The Annual Report described the advantages of TQM for the company in the following terms: (1988:10)

TQM involves a commitment to continuous improvement in all processes through leadership, team participation and the logical measurement of progress which leads to positive action.

The main principles of what was to become known as "Tubemakers Quality Management" program (TQMP) were described as customer satisfaction, management by facts, respect for people and continuous improvement. These principles were subsequently defined and included in extensive educational and publicity material distributed throughout the company. A central characteristic of the program, as it emerged, was the objective of building a continuous improvement culture through voluntary participation in quality circles. The experiment reflected contemporary North American manufacturing experience. It also reflected a unitarist view of the workplace in that there was no attempt to involve all employees, or to consult with union representatives over the way the program would operate.

The program was introduced progressively throughout the company over a period of two years, using management persuasion and example, supported by an extensive set of promotional materials including videos and other descriptive material. The TQMP system was introduced in parallel with a more rigorous approach to business planning (Stace, 1993:6). Stace commented that (1993:6):

Together these methodologies form one of the most rigorous and comprehensive management overhauls seen by the author in any Australian company.

While the program addressed the central objective of developing the view that the management process at every level was one of continuous improvement, it had a number of limitations as a vehicle for change. In the Yennora plant study undertaken by Stace, there was a prior history of Total Quality Management activity, and strong support from local managers for the new direction. Without this management support, the voluntary nature of the scheme limited its potential. This has been acknowledged as a weakness of quality circles, which were a central element of the TQMP (Applebaum and Blatt, 1994). Finally, the scheme, as introduced in Tubemakers Automotive, did not allow discussion of work organization and work practices, as these were regarded as industrially sensitive areas. Exclusion of such issues limited the ability of the program to bring about any substantive change in production organization.

### **SECTION 3            THE CHANGE PROGRAM IN STEERING COMPONENTS**

The previous section examined a range of pressures for change in organizational practice within Tubemakers, which emerged from the early to mid-1980s. At the operational level, further external pressures were also evident. One was the change in wage policy undertaken by AIRC after 1986, which was designed to encourage greater attention to productivity improvement within organizations. The others were the increasingly demanding expectations of automobile manufacturers in relation to quality, price and delivery of components manufactured by Tubemakers Automotive. These

requirements underwent substantial change from the mid-1980s as the manufacturers introduced 'lean production' practices to their operations.

This section examines in greater detail the response of Tubemakers managers to these various pressures for change, both internal and external, in the Steering Column unit.

This unit was created within Tubemakers Automotive in 1989. The study examines the structure and operation of this unit, as a means of exploring the strategic coherence of the change processes that took place.

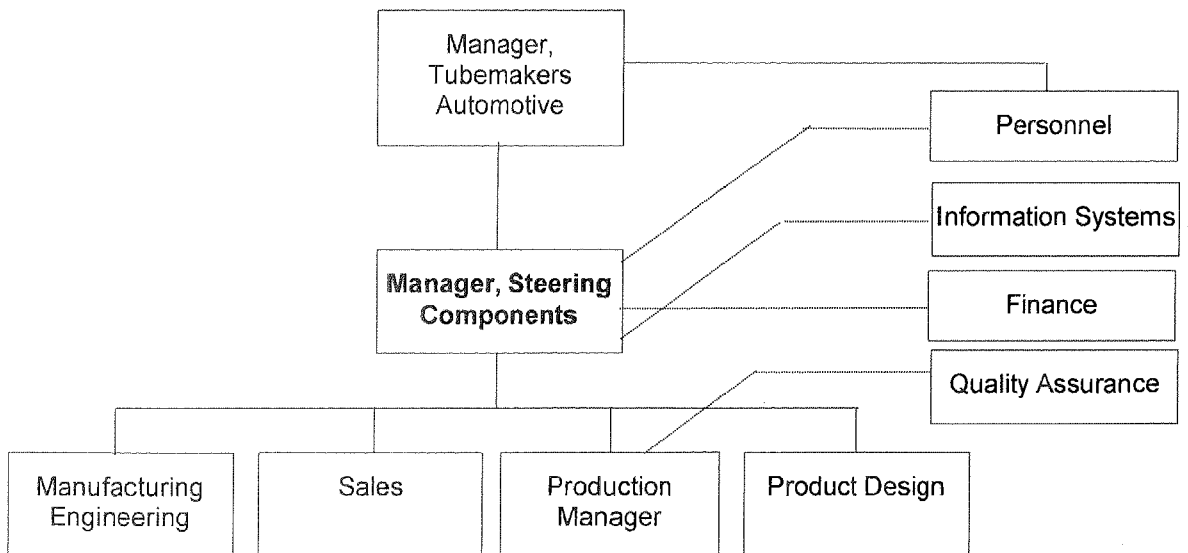
### ***BUSINESS UNIT ORGANIZATIONAL ARRANGEMENTS***

The first response to the changing demands being placed on the company was in the organization of Tubemakers Automotive itself. The business unit structure, adopted in 1982, proved to be ineffectual in meeting the complex management demands of a diversity of products and processes in the Tubemakers Automotive business. In the mid-1980s this problem came to a head, when Tubemakers Automotive was attempting to get a number of new products into production simultaneously. Confusion, and customer anger resulting from delays and product faults, reinforced the view of the Tubemakers Automotive General Manager, that the unit would operate more efficiently with a product focused organization structure (Hall Interview, February 1989).

In 1988 four product-based groups were formed within the Tubemakers Automotive group to provide a better focus of management resources. The four units included a Steering Components unit (SCU), responsible for the design, production and delivery of steering columns. The other groups formed by this further decentralisation were Fabricated Components, Machined Components and Tubemakers Exhaust Systems respectively.

The move to more focussed, product based units, was only a partial response. Specialist management functions such as production, product engineering and marketing were delegated to the new operational units, but financial matters, information systems, quality assurance, purchasing and personnel management (which included local industrial relations) continued at the business unit level. Maintenance continued to operate as a stand-alone function serving both fabricated products and steering components production areas. The organizational arrangements for the Steering Components unit are illustrated in Figure 4.2.

**Figure 4.2: Steering Components - Organizational Structure, 1990**



Source: Company documents

In the new arrangement, greater attention was to be given to the development of skills in designing, manufacturing and marketing particular products. Each product group was given the opportunity to determine a marketing and production system suited to its particular product. However, in practice the attainment of these objectives was limited by the level of experience of the managers at the business unit level. None had experience or training in marketing. Moreover, the marketing function was attuned to servicing an established range of industrial clients, with standard products.

One effect of the re-organization was to expose the relatively low economies of scale in some areas of Tubemakers operations, including Steering Components. While Tubemakers Automotive had, as a business unit, substantial revenue and an apparently high level of productive output, this activity was spread over a wide range of products. The move to a product focussed organization, and the creation of cost centres based on the four product groups exposed an underlying weakness previously disguised by the corporate structure. As a consequence, Steering Components, and the other product centred groups, were more exposed to demands for greater efficiency. The structure made it potentially easier to close down areas that did not meet the immediate financial criteria for success.

#### ***DEMANDS OF THE AUTOMOTIVE COMPONENTS MARKET***

Tubemakers produced its first steering column in 1947, for the first Holden car. By 1989, the company had contracts with three Australian based manufacturers, Ford, Holden and Toyota. The production volumes, shown in Table 4.1, are directly related to the number of cars built by those manufacturers. The company shared the market with one other manufacturer, MtM Ltd, a family owned Melbourne manufacturer, which supplied columns to Mitsubishi. The MtM operation is the subject of a separate study in chapter 6. The company's participation in this market was, until the eighties, based on a number of factors. The size and resources of Tubemakers provided customers with some assurance that the components were capable of meeting their needs in relation to quality. Moreover the company's considerable technical capacity and resources were seen as an assurance that the company could respond to design and production problems as required. As a result of these factors the company had established a long-term relationship with its customers characterised by close contacts on technical matters, ranging from design to production problems. Marketing in this environment was limited to the processing of orders for established products.

**Table 4.1 Steering Column Production 1990-1**

Maker	Model	Units per annum
Ford	EA26 Falcon	70,000
	SA30 Capri	30,000
Toyota	Camry/Apollo	40,000
	Corolla/ Nova	26,000
Holden	Commodore/Lexcen	90,000
Various	Low volume commercials	15,000
Total Tubemakers production		271,000*
Other Australian Manufacturers (MtM)	Mitsubishi	70,000**
	Nissan	
Total Australian made vehicles		339331***

\*Figure provided by Tubemaker December 1990

\*\*Figure provided by company February 1991

\*\*\*Industry Commission, Report 5, The Automotive Industry, December 17th 1990

These 'natural' advantages became less relevant in the changing competitive environment of the late. SCU managers, and indeed the General Manager of Tubemakers Automotive, acknowledged that the competitive requirements of the components business were to satisfy the price, quality and delivery expectations of vehicle manufacturers. These requirements were espoused throughout the components sector as the emerging characteristics of the automotive components marketplace. Although each manufacturer approached the supply relationship in different ways there was some consistency in their expectations. Both Ford and Toyota sought progressive reductions in the cost of components supplied under their contracts from 1991. Toyota argued for a reduction of the cost of a steering column using as a benchmark the supply of a similar product from Japan, while Ford negotiated a three year productivity improvement contract which required an annual reduction in the price of their product of 3% per annum over three years. In 1991 GMH signalled its intention to source the steering column for its next model from a European supplier whose volume and existing contracts for similar products enabled it to exceed Tubemakers' quality and cost requirements. This decision was a direct challenge to the production model and its



attendant external and relationships, which had been pursued by Tubemakers until that time.

Quality issues were at the centre of the changing relationship with both Ford and Toyota. Extensive quality audits and quality accreditation processes were required for both of these companies during 1990. The quality issue was also re-framed to specify delivery of defect free batches, as distinct from the older situation of replacing faulty components. These new requirements demanded a capacity to eliminate faulty components, adjust deliveries to the customers' requirements and simultaneously reduce costs of production. The new market demands extended to component design. Until the 1970s steering columns were relatively simple in construction. Simple metal components tended to meet the basic specifications. In later years, however, the greater regulation of passenger vehicle safety led to greater complexity in the design of steering columns. In this context greater innovation around the manufacturer's design could be useful in meeting the performance requirement economically.

The overall effect of the changing expectations of automotive customers towards, quality, price and design sophistication challenged many of the assumptions associated with Tubemakers production and work arrangements. The vertical integration of Tubemakers production facilities, which continued in spite of the organizational changes, limited the ability of the SCU to use alternative materials. This is a characteristic of vertical integration noted in the manufacturing literature (Hayes & Wheelwright, 1985: 300). The new arrangements also challenged the supply relationship itself. The existing relationships with automotive customers were based on a continuous dialogue aimed at correcting technical and quality problems as the customer detected them. In contrast the approach increasingly pursued by automotive companies was that the components manufacturers should provide their products free

of defects and on time. This suggested a need to adopt different methods of quality management to those built around the acceptance of faults within the production system. The new approach was implicit in the management practices associated with the 'lean production' model, and with Total Quality Management. As will be seen below Tubemakers' response was not adequate.

Finally the cost of production itself was intricately bound up with work organization in that the company continued to employ a high proportion of production support persons, and was reliant on relatively low levels of skill within the production process.

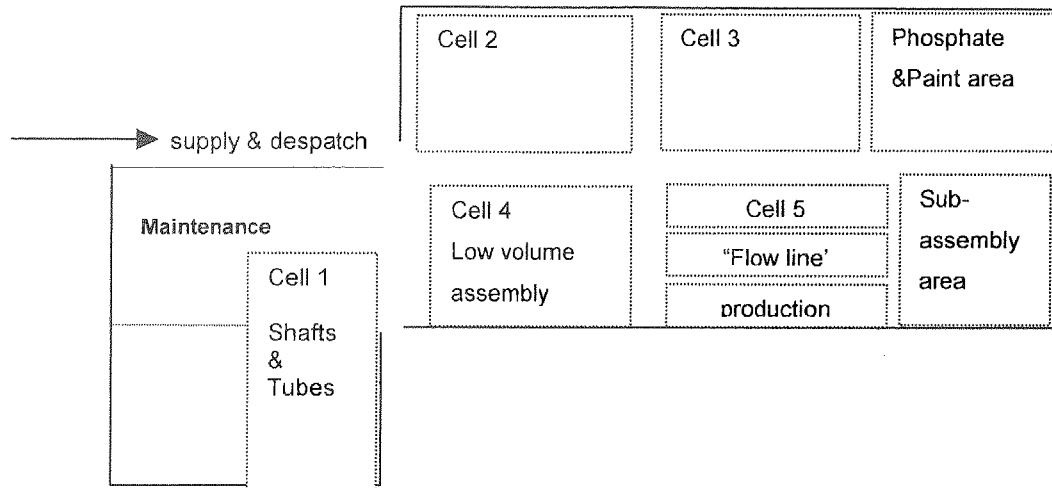
### ***CHANGING PRODUCTION PRACTICE***

The product focus adopted by Tubemakers Automotive group in 1988 facilitated a review of the manufacturing process. A key objective of the internal re-organization that followed was to obtain greater efficiencies and better utilisation of the workforce. There were a number of constraints to achieving these improvements, as is illustrated by the situation facing the Steering Column unit. These included the dispersion of steering column production across the Kilburn site; the inflexibility of some of the machinery used; the variety of different but relatively low volume products; the high proportion of indirect workers, principally quality inspectors; and continuing skill demarcations and functional divisions within the workforce.

One approach made to improving production systems was the major relocation of the steering column facilities into one plant during the latter part of 1989, and the early part of 1990. This provided a coherent focus for the group for the first time, though management and engineering design functions were located in another building. The new production layout is shown in Figure 4.3, where some continuing inefficiencies in layout may be observed. These include significant work-in-progress storage

requirements as a consequence of the distribution of activities, and the absence of a logical flow of production between sub processes. Nevertheless the new plant was an improvement over the old, and did achieve some reduction of handling between processes in comparison with the older arrangements. At the time of its close plans were in hand to further refine the layout.

**Figure 4.3 Tubemakers Australia: Steering Components Plant Layout**



Source: Based on Company documents, 1990

A second constraint was the nature of equipment. Many of the machine tools were inherited from other operations, and were far too complex for the operating volumes of the SCU. In effect the production flow was forced to work around the superior throughput of these machines by accumulating machined components in bins, rather than producing them in accord with immediate demand. This obviously incurred internal costs in handling and storage. However the capital cost of these machine tools militated against their being replaced by more suitable equipment.

A third constraint was the persistence of relatively low volume products. Differences in the design of each of the steering columns produced during final assembly were a logistic problem that dogged the SCU. It is typically a problem found in small 'job-shops'. Its existence at Tubemakers is indicative of the opportunistic approach taken to

the growth of SCU, with its growth based around a number of relatively incompatible production arrangements. The SCU manager devised a novel way for dealing with this problem, and the related reliance on high volume sub-component production discussed in the previous paragraph. In the final layout a mixture of 'batch' and 'flow' processes were used. Batch production was confined to sub-components such as machined parts, welded or polished tubes and shafts and brackets which were to be assembled into the final product (Cells 1, 2 & 3 in Figure 4.3). Final assembly was organised in small single product assembly lines (Cell 5), one for each of the larger volume steering columns. Parts were delivered from the sub-component production cells to the 'flow lines' on a daily basis. Very small production columns, such as those for spare parts and special vehicles continued to be assembled separately in an ad hoc manner (Cell 4). This novel solution also had the effect of avoiding any change to work organization itself, as the more skilled workers were confined to machining operations, while less skilled workers, working on incentive payments, were used on the 'flow lines'. With dedicated assembly areas for the final products, the SCU could adjust its production to customer requirements by moving workers between 'flow lines'.

The final area of constraint to achieving the optimum production situation lay in the area of workforce management. A high percentage of indirect employees reflected the established approach to manufacturing processes within Tubemakers. The relatively high proportion of indirect labour included 22 quality specialists, and 29 other indirect staff (technicians, clerks and production engineers), for approximately 95 direct production staff. While SCU managers attempted to draw these inspectors back into line operations, the inspectorial group resisted successfully, their classifications and pay being above that of the production operators. Another area of workforce management, which continued to constrain efficiency, was the skill demarcations and functional divisions at Tubemakers. This conclusion is reinforced by an examination of

the equipment and layout of the lines. Functional divisions in the workforce also reduced the overall capacity of the unit to respond to demands quickly. A separate maintenance area continued, reflecting the company's failure to resolve demarcation issues, mainly related to pay, with the unions. For the operators, particularly those on the 'flow lines', the continuation of job design characterised by closely defined repetitive tasks with short time cycle was clearly evident. The skills required of these operators were quite basic, though the piecework payment system produced pressure on workers to maintain a high production pace. Each of the flow-lines was a self-contained continuous flow production area devoted to a particular product. This eliminated the need for re-setting of tools, and therefore the use of tool-setting skills by operators. Because the tasks were basic, it was possible to realise a degree of production flexibility through rotation of the operators from one line to another, as production scheduling required.

As indicated above, the company's continuation of skill demarcations within the workforce had been an outcome of its difficulties in negotiating changes associated with the SEP. However, it is also evident that the values associated with skill demarcations were not limited to unions, as evident from the commitment of the SCU manager to a simplification of jobs in the flow line area. He sought to limit tasks at each workstation to a maximum of two types (Thompson interview, 1990). While Thompson was responding to pressures to eliminate errors and improve quality outcomes, the effect was to maintain a system of work design built around work simplification and skill demarcation. Operators needed minimal skills, and were expected to repeat the simple operations continuously during a shift. Performance was reinforced by the continuation of a production incentive payment system for operators. The approach taken was classically a 'Taylorist' one, with extensive work-study used to simplify jobs on the flow line (Bryn Jones, 1997). It may be observed at this point that the operators later resisted change

to some aspects of this work regime, notably the bonus, because of the potential to change their earnings. At Tubemakers the simplification of work had positive and negative features for both managers and employees, but on balance both parties were wedded to the process for their respective benefits.

While the revised production system achieved efficiencies and a considerably improved focus, many of the assumptions and values associated with Tubemakers earlier development were evident in the approach taken to work organization. At the same time, the ability of production personnel to remove these barriers was limited by failures in other management support systems to change. Productivity and quality in the SCU remained in hands of a hierarchy of supervisors, leading hands and quality inspectors, while production operators continued to work largely routine job cycles in standardised jobs. The capacity of the company to respond to external demands was bought at the cost of an inflexible and differentiated workforce structure.

In retrospect it is easy to be critical of the changes initiated in production systems against the benchmark of 'lean production' principles (Womack et. al., 1990; chapter 1, supra: 21-25). However, an engineer involved in the changes, later commented that the company had little understanding of the principles of lean production, and that the continuation of business unit control over quality and engineering, held the company back (Wayne Pink Interview, 1996). It must also be observed that at the time the plant closed (1992), the notion of 'lean production' was just coming into common use, though there had been considerable attention to the idea. FAPM, for example had given attention to the notion of 'best practice', and the principles of lean production in its 1991 Conference (FAPM, 1991; Chapter 1, supra: 13). It was evident in discussions with the senior production personnel that they were consciously seeking some model to explain the change processes in which they were involved (Interviews with Hall, Hill &

Thompson)<sup>2</sup>. In the absence of any agreed change model, existing management values and systems continued to inform decisions, as is evident in the engineering oriented re-organization of the production lines into 'final assembly cells'. The 'old culture' survived in part because it suited many managers and skilled workers whose careers had been built around these values. Technical skills and a strict hierarchy based on skill stood in the way of immediate reform.

### ***QUALITY SYSTEMS – QUALITY ASSURANCE OR TUBEMAKERS QUALITY MANAGEMENT?***

Quality management emerged as a particular problem for the SCU. Under the new organizational arrangements instituted in 1988, quality assurance continued to be the responsibility of a Quality Assurance Manager, located at the business unit level. This manager exercised control over quality standards in each of the four product units. The general philosophy underlying the company's approach to quality in this context was one of checking products against established standards. This was undertaken, as indicated, by 22 inspectors in the SCU, who were formally responsible to the QA Manager. While these inspectors worked closely with production personnel, their work was not integrated into the production process. When faults were located, their resolution usually led to the involvement of senior staff and line operators in locating the cause of a fault. Some advocates of manufacturing reform have observed that this approach to problem solving is inherently wasteful (Womack et. al., 1990: 79-80).

Another approach to quality improvement had also emerged with the Tubemakers Quality Management program (TQMP). The TQMP system was introduced to the South Australian site late in 1989, with the appointment of a TQMP Coordinator, whose task

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<sup>2</sup> One of the interviewees, Rory Thompson, was attracted to the work of Igor Ansoff (1965), described by Mintzberg (1990) as working on the same principles as the 'design school' of management strategy research.

was to develop continuous improvement projects, train workers in the continuous improvement methodology, and monitor the impact of the program (Mars interview, 1991). The scheme was then extended progressively with the formation of voluntary problem solving groups known as Lead Teams. The program sought the application of a set of standardised problem solving techniques to production and quality problems in the plant. While the program may have had broader philosophical objectives, its immediate aim was to institute a system of continuous improvement to production processes.

The TQMP sprang from a philosophy that was more consistent with the changing competitive requirement of the industry, in that it suggested that responsibility for quality improvement could be given to everyone in the workforce, rather than a few quality specialists (Hayes & Wheelwright, 1984: 378-9). However, the program suffered a number of limitations. These limitations are similar to those that have been observed as weakening the impact of quality circles in North American organizations in the 1980s and early 1990s (Applebaum & Blatt, 1993; Price, 1995; Rinehart et. al, 1997).

Applebaum and Blatt noted a number of weaknesses in the operation of such groups (1993:76). These weaknesses included, the voluntary nature of quality improvement groups, and their operation in parallel to the production process rather than being integrated into that process. Both comments are true of the Tubemakers experience. A further weakness of the Lead Teams was their focus on technical production issues. The structure of supervision and work organization was unchallenged. This limitation was inherent in the separation of industrial issues from all forms of consultation within Tubemakers Automotive, a practice dictated by a fear that managers would otherwise be compromised in their relations with unions. Tubemakers shop stewards opposed the Lead Teams and 'withdrew support' from them as part of their negotiation over the implementation of the Structural Efficiency Principle (SEP). The TQMP therefore had



little impact on the management of quality within the SCU. However, quite independently, the SCU production supervisor did begin a process that suggested that a more effective approach to quality and related production issues could have been pursued.

Late in 1991, the SCU plant supervisor attempted to involve production operators directly in monitoring quality. His actions were the first indication of a quite different approach to managing the production process from that of his Manager, who, in the words of one observer was "rigidly focussed on technical solutions" (Milton interview, 1997). Until that time there had been no attempt to involve the operators directly other than to correct work practices that contributed to poor quality. He took a number of steps to improve the operators' awareness and control over quality issues. Firstly a manufacturing engineer was seconded to prepare Standard Operating Procedures (SOP's) for all equipment. The absence of such procedures had allowed the development of local practices, which had a negative effect on quality. This was probably exacerbated by the continuance of the incentive pay system that effectively encouraged workers to find "short cuts" wherever possible.

Secondly a maintenance fitter was brought into the production area to assist engineering staff prepare statistical production control (SPC) information, and disseminate information on quality and production levels. Notice Boards were erected adjacent to each work group displaying the information while the SPC Controller undertook training sessions to acquaint operators with the concepts and use of the information. Thirdly the plant supervisor began a deliberate process of information sharing with all operational staff through a series of presentations in which he related the proposed changes in factory systems and layout to the notion of "World Class Manufacturing". Together, these initiatives indicated a clear understanding of the need

to involve production employees in the management process. However, their impact was limited by the continuing system of authority and work organization. The established approach to work organization limited the capacity for discretion and job expansion. This leads to a consideration of the company's approach to pressures for change in work practices that emerged as part of the reforms in Australian industrial relations from 1986.

### ***THE MANAGEMENT OF EMPLOYMENT RELATIONS IN THE SCU***

The previous section outlined the way in which changes in production systems were shaped by changes in customer expectations. However, it also demonstrated that established assumptions about the management of the workforce within Tubemakers continued to influence the responses of most managers. The persistence of job demarcations and the Taylorist job design for production operators also reflected the conservatism of many skilled workers whose relatively superior career opportunities and pay were intricately connected to the established production arrangements. As a result personnel practice on training and recruitment were focussed most directly on the needs of skilled workers. As indicated the capacity of the SCU to meet the demands of its customers placed severe strains on this system in terms of its cost and inflexibility. Moreover, the weaknesses inherent in the TQMP prevented it becoming a model for workplace reform. The plant supervisor's initiative in communication and information sharing which were consistent with the overall philosophy of the TQMP, were the only indication of any attempt to break down the inflexibility of existing arrangements.

Another potential source of change in human resource practice were the principles embodied in the National Wage decisions from 1986, which sought to encourage productivity improvement at the workplace level. The next section examines the

response by the Personnel function, to these prescriptions and to the needs of the production units within Tubemakers Automotive.

### **National Wage decisions 1987-88**

Tubemakers was relatively slow to grasp the potential offered for workplace reform associated with wage decisions between 1987 and 1989. The Second Tier decision of 1986, which tied wage increases to agreed productivity improvements, resulted in a set of agreements for productivity-based savings that were not in fact implemented.

Tubemakers was not alone in its approach to the Restructuring and Efficiency principle contained in the 1987 national wage decision, which was an entirely novel approach to Australian wage fixing practice at that time. The decision presumed a level of strategic thinking and planning skills that the award system had not previously encouraged (Rimmer & Zapala, 1988).

The 1988 and 1989 National Wage decisions went much further to require that employers and unions undertake a fundamental review of awards (AIRC, Print H4000: 6, August 1988; Macken, 1989: 142):

... to improve the efficiency of industry and provide workers with access to more varied, fulfilling and better paid jobs.

The requirement for a fundamental review of awards was a direct challenge to the existing situation governing working conditions at Tubemakers Automotive. Because the workforce were covered by a variety of awards and agreements, both State and Federal, the implementation of the principle posed many practical difficulties in translating employees to a new salary structure. There were also clear cost implications. The first response of the Tubemakers Personnel section was to establish a consultative process involving managers and employees to adapt the Tubemakers situation to the requirements of the SEP. Consultation was a requirement under the SEP. The ACTU had proposed a model for such consultation, which based employee

representation on the shop steward structure. However, the management group within Tubemakers Automotive, saw the ACTU approach as a degradation of management control, and sought to anticipate demands from local unions by instituting a consultative scheme of its own. This scheme, which was implemented in September 1989, was to be known as the Employee Participation Group (EPG).

The EPG was formed under the guidance of the Personnel Manager and with the full support of the General Manager of Tubemakers Automotive. It was provided with a formal constitution, setting out its terms of reference, and was composed of equal numbers of management and elected employee representatives. The EPG "Charter" made no limitations on matters to be discussed, though it did specify clearly that it was not to be a "decision making body (EPG Charter, September 1989). While Union officials had initially been cautious about the EPG proposal, the provision for elected representatives, and the explicit mention of award restructuring as an issue for consideration, persuaded them to accept the initiative. While their preference for shop stewards to be part of the committee was not accepted, the strength of union organization at the workplace level virtually guaranteed that shop stewards would be elected as representatives on the EPG (Interviews with Jennifer Fisher, 1989, 1990). The EPG discussed a wide range of work related issues, and provided a formal record of many of the production and commercial issues of the day. Statistics on absence, labour turnover and other aspects of the workforce were reviewed at each meeting, together with business reports from each of the production areas. The regular monthly meetings were formally minuted, and these minutes were posted on notice boards throughout the plant.

The scope and depth of discussion were consistent with a broader intention of providing staff, through their representatives with information that managers believed

would improve understanding of the factors affecting the business. A range of production related issues were explored and resolved in a collegial manner. However, the committee was concerned predominantly with issues raised by the management members, and once again there was no discussion on ways in which work organization could be improved. In the absence of formal union representation or decision-making authority it did not become a forum for negotiating changes to work arrangements.

### **A strategic approach to award restructuring?**

While the EPG initiative appeared as a positive approach to employee communications, implementation of SEP principles proved more difficult, and little progress was made between 1989 and 1991. The scope of award coverage had not been an issue until the SEP principles directed attention to workplace issues. Managers within Tubemakers Automotive were apprehensive over the requirement that award coverage be reviewed, and were particularly concerned over the cost implications of the new classification structures introduced in a series of variations to the Metals Industry Award which followed the SEP decisions (Metal Industry Award, 1989). The so-called 'metals' classifications ran counter at many points to the classification structures (and associated pay) then in use. The number of State and Federal awards and agreements in place also complicated the issue. A union official commented that Tubemakers Automotive had no strategy for implementing the SEP (Collis, 1989). However, there were also disagreements between federal and state union officials over the application of the SEP, and these inhibited a clear approach from the union side. However, it was management reluctance to embrace the issues that proved to be the main obstacle. Implementation of SEP continued to be the subject of lengthy internal discussions in 1988-90. The problem of providing wage rises through implementation of the new classification standards flowing from the SEP principle was avoided by a well-established local practice of increasing allowances for all employees, without reference to the AIRC, or to the State Industrial Court and Commission. This allowed the

company to avoid any immediate action, or indeed any decision about pay and classification structures. However, in 1991, the Personnel Manager initiated a more strategic approach to SEP. This plan provides an interesting perspective on the relationship between industrial regulation and the reform processes underway in SCU.

In a presentation to management within Tubemakers Automotive, in 1991, the Personnel Manager outlined a comprehensive program designed to take advantage of the incentives offered by the SEP for developing a more skilled, and flexible workforce. She provided a "Proposed Mission Statement" to support the award restructuring process, which sought to place SEP at the core of business improvement. It read (Company document, 1991):

Tubemakers Automotive is committed to meeting the challenge of the future through "World Class Operating Performance", and with Award Restructuring will establish structural efficiency and remove barriers to individual and organization development.

The plan envisaged widespread consultation in the process of developing new job standards, career paths and the training required to implement new systems of work organization. The presentation included a linking of business and human resource management objectives, which is set out in Table 4.2, was the first explicit recognition that there was a need to address this relationship seriously if the management objectives then being pursued were to be achieved.

**Table 4.2 Award Restructuring and Business Objectives, 1991**

<b>Business Objective</b>	<b>Strategies</b>
Cost effective production	Reduce variable & fixed labour costs; absenteeism, demarcation, turnover
Meeting product market demands	IR control through flexible working conditions and practices
Improving supplier-customer relationships	Training and development directed at continuous improvement
Organization development	Employee participation; effective HR planning

Source: Personnel Manager, Tubemakers Automotive, Tubemakers Ltd.

The plan largely accepted the SEP framework as the basis for improving workplace effectiveness. There was strong commitment throughout the presentation to analysing skills needs, undertaking extensive training and managing the whole process through a consultative process involving shop stewards. Creation of a database of skills – a skills audit - was presented as a key objective of the process. Working parties were established, to undertake initial work on the translation of existing jobs into the new Metals Award skill structure. In fact the very traditional pattern of work organization in skilled areas proved difficult to translate into the new structure, as Tubemakers management, and many of the skilled workers resisted any change to established job demarcations.

The May 1991 National Wage case inhibited further progress, as industrial attention was focussed on the “Accord Mark VI” wage claims. Even if this complication had not occurred, most of the managers in Tubemakers Automotive were unconvinced or even largely ignorant of the assumptions underlying SEP. In the absence of any concerted union action on the issues, the SEP remained an unfulfilled promise. Failure to embrace the principles also reflected the relatively subordinate position accorded the Personnel Management role. However, the new direction was overtaken by the decision taken by senior managers in the Tubemakers Automotive group, in the middle of 1991, to close the business (Richer interview, 1996).

### ***THE PLANT CLOSURE***

An overall assessment of the financial and market situation facing Tubemakers Automotive took place in 1991. One of the important events triggering this review was the decision of GMH to move their supply of steering columns to a French company at the expiration of the existing Tubemakers contract. This move exposed the plant to a reduction of almost half of its existing work. In the absence of any alternative contracts,

and no prospects for any replacement, the decision facing the company was clear. Essentially the company might have continued at a reduced scale, but with a firmer commitment to building the SCU capacity as an effective bidder for contracts from other manufacturers in Australia or overseas. Essentially this same investment would have been required to turn SCU into a more competitive manufacturer. The loss of GMH business essentially required that the costs of manufacturing reform would be spread over a lower revenue and production base, and would also rely on a considerable upgrading of the approach to marketing. It is instructive to observe here the implications of the relationship between the company's technological base and its market. Hayes and Wheelwright (1984: 208-227) provide an instructive analysis of this relationship that suggests that the company was essentially trapped into domestic markets by its state of manufacturing. Two choices faced it in the longer term. One was to seek access to markets for high volume standardised products, essentially the situation that the French company taking over the GMH contract was in. An alternative was to become a supplier of high quality, uniquely designed products for specialist markets outside or inside Australia. Both options would have required considerable investment in engineering and management reform in a short period.

Tubemakers Automotive was closed progressively after a decision by its management in 1991. The plant closed early in 1992, and the steering column production facility described here was sold to AIR International. AIR International built a new factory at Windsor Gardens in Adelaide, to accommodate the Tubemakers production, and selected staff from Tubemakers were simultaneously recruited to jobs in that plant.

## **SECTION 4            CONCLUSIONS**

This case illustrates the importance of internal structure, corporate strategies and attitudes and behaviour associated with well-established work arrangements shaped



the responses of local managers to pressures for change. The survey of Tubemakers development suggested that the circumstances of its growth in the post war period, and its monopolistic position within the industry were critical elements in forging a range of unique organizational characteristics. The company was part of a vertically integrated industry structure. It was focussed on producing a steady supply of steel products, using steel from its major shareholder, BHP, and supplying steel tubing products to industrial and commercial markets through its affiliated distribution companies, also represented on the Board. Given its relatively monopolistic position in the domestic market, the company was oriented to sustaining the technical efficiency of its productive systems, and a stable throughput for the capital-intensive equipment used to draw or weld tubing. The company's move into Tubemakers Automotive was initially a means of stabilising the demand for its core tubing products.

Tubemakers undertook a process of incremental change from the seventies in response to changing conditions in product markets and in levels of government protection. From the 1970s the company was transformed from a unitary structure into a multi-divisional structure, and in the 1980s further structural changes organized its activities around product focussed business units. This was accompanied by delegation of authority over business decisions to business units such as Tubemakers Automotive. These business units were controlled increasingly through budgets and financial outcomes, in place of explicit direction on a wider range of issues. This new structure had the effect of forcing the Tubemakers Automotive group to re-examine the basis for its participation in the automotive components business, which was to a considerable extent dependent on the human and technological resources provided by tube forming operations.

These changes were undertaken without any significant change in the company's approach to established arrangements for managing the workforce. The internal labour market arrangements that emerged from the early growth of the company continued without change. While there were some reductions in status within the otherwise hierarchical structure, there continued to be considerable differentiation on the basis of skill and work roles within the workforce. Job design and working arrangements continued to be based on a clear division of labour and fragmented production jobs. The TQMP initiated at the corporate level in the late 1980s was a recognition at that level that established patterns of work organization needed review. However, this initiative had little impact on the Precision Products Division, and its Tubemakers Automotive business unit, as it sat outside the formal decision-making structure, was voluntary, and was not supported by unions and many employees. Within Tubemakers Automotive, the management response to the award restructuring decisions of the late 1980s was consistent with its established approach to industrial relations, which was characterised as a 'bargained constitutional' approach. This management style was not conducive to building the levels of trust and mutual support envisaged in proposals for team working then being promoted by proponents of 'best practice'. While the Tubemakers Automotive Personnel Manager attempted to promote a more strategic approach to award restructuring in 1990, this was poorly supported by managers, and was overtaken by the decision to close the business. Together these arrangements, and the attitudes and priorities that sustained them over many years, represented a significant limitation on the capacity of the business unit to undertake the kinds of changes necessary to meet the needs of their product markets, or to improve productivity through better utilization of people.

The priorities and attitudes of managers in the Tubemakers Automotive group were seriously challenged by the changes taking place in the company. They were faced

with increasing responsibility for local decisions within the company at a time when their automotive customers were making greater demands regarding quality, price and delivery. The two sets of demands intersected with the management of people, where values and attitudes associated with the earlier development of highly structured employment relations systems and differentiated work roles, limited the ability of managers to grasp a new direction. Both pressures demanded changes in the structure and operation of the internal labour market, in order to attain greater flexibility and lower costs. Moreover, the adoption of 'best practice' proposal of one form or another would have required a shift in management approaches to employment relations and work organization. The corporate TQMP program indicated a realization, at the corporate level, that dramatic change in such a culture was needed, but it was also too limited a means to facilitate that change. There were also signs that several managers within the Tubemakers Automotive group, had begun to appreciate the almost revolutionary nature of changes needed to stay in the automotive components business. The Personnel Manager and the Steering Column Production Superintendent were notable in this respect. However, their initiatives were overtaken by their position in the hierarchy, and by the decision to close the plant.

The immediate cause of the close was the poor product market facing the company. It is not clear that the company could have done anything to arrest the loss of future business associated with the Holdens' decision. However, it is clear that they had not, at the time of the closure, really addressed the more fundamental aspects of employment relations and work organization, which were limiting the flexibility, and productivity of its workforce. Indeed the weight of attitudes and patterns of behaviour associated with the internal labour market arrangements that emerged in an earlier time, were clearly in evidence until the end. These were a contributing factor to their failure.

## CHAPTER 5      AIR INTERNATIONAL: HRM AS A STRATEGIC ADVANTAGE

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This chapter examines work organization and production systems at Steering Systems Australia (SSA), a business unit within the Air International Group of Futuris Corporation Ltd. The production of steering assembly's by the SSA in Adelaide began after the purchase of Tubemakers Steering Products from Tubemakers Automotive, in 1992. The Tubemakers situation was discussed in chapter 4. The purchase was followed by the transfer of machinery, equipment, contracts and selected staff from Tubemakers Automotive to a new site occupied by AIR International Group Ltd. (AIGL). AIGL was a subsidiary of Futuris Corporation involved in the manufacture of automotive components, mainly air conditioning units, for most Australian based automotive manufacturers. The case provides a unique opportunity to complete a longitudinal study of the production of the same product by a different organization serving the same market.

SSA brought a different management style and structure to the assembly of steering columns, to that in the Tubemakers Steering Components Unit. It also enjoyed the advantage of being in a position to treat the new plant as a greenfield site. This allowed considerable discretion to management in designing production facilities, work arrangements and working conditions. The discussion of Tubemakers efforts to respond to the changing requirements of the automotive components sector (See Chapter 4, supra: 141-144), demonstrated the need for greater integration of various functional practices, and a clearer relationship between these and the new business requirements. Tubemaker's failure was significantly related to a set of structural and normative constraints on change. These were associated with the employment practices that had emerged in quite

different market situations. This chapter will direct attention to differences in the situation facing AIR International, and the way in which those differences influenced the manufacture of steering columns.

The chapter is organised in three sections. The first, discusses the corporate structure and operation of Futuris Corporation Limited, within which the automotive components business (AIGL) was operated. The second section is focussed on the automotive components division, and the final section deals directly with a production unit within AIGL, Steering Systems Australia (SSA).

## **SECTION 1        THE CORPORATE FRAMEWORK - FUTURIS LTD.**

AIR International, the focus of this chapter is an operating division within the Futuris Corporation. At the time this research was completed, Futuris was a diversified conglomerate involved in automotive components, building products, agricultural services, railway and mining maintenance equipment, and the management of a range of investments. The company's activities were based on some general principles, which influenced the way its subsidiaries were managed. As a relatively young company, built around diverse acquisitions, the company's rationale for acquiring and retaining other companies throws some light on whether subsidiaries would be treated as long or short term investments. At a more general level, the multi-divisional structure of the Futuris Corporation raises questions about the way in which operating divisions, and their human resource policies, were managed (Goold and Campbell, 1984; Purcell and Ahlstand, 1994).

### **CORPORATE STRATEGY AND STRUCTURE**

Futuris began its growth through acquisitions in 1989, at which time the present Managing Director, Alan Newman, was appointed. Newman's task was to reinvigorate the company (Harley Poynton, 1996:16). Newman had an extensive

background in corporate takeovers and rationalisation, and had worked, at various times, in senior roles as a merchant banker, financial advisor and corporate executive in the Bell Group during the 1980s. His approach to Futuris was to build the company through opportunistic takeovers, buying businesses that were under-performing, or in trouble, and subsequently returning them to a sound position through financial assistance and improved management (Harley Poynton, 1996: 13). The investment analyst, Harley Poynton, observed that (1996: 13):

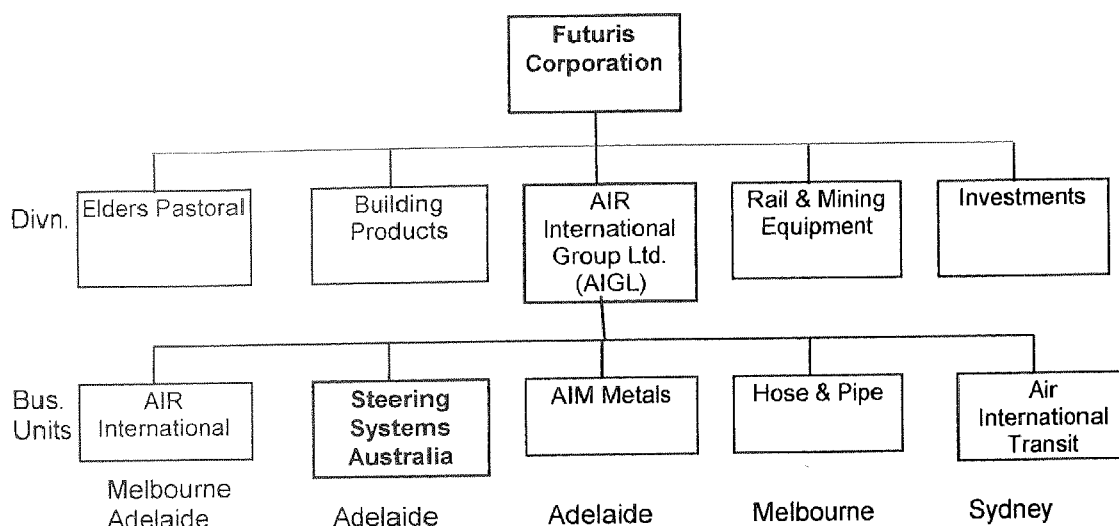
Futuris has a flexible approach to investment, not setting hard and fast rules on return on investment etc. Rather they seek to evaluate each proposal on its merits.

Acquisitions were not treated as short-term opportunities, but rather as longer-term paths to the establishment of effective business units. Harley Poynton observed that, in considering takeover targets, the company considered process or product complexity as an opportunity, in the sense that complexity was likely to provide a barrier to entry for potential competitors. Acquisitions and development in the automotive components area were typical of this strategy.

As suggested by its development, the company was structured in a multi-divisional form, shown in figure 5.1. Each operating division was focussed on a particular market and operated with a degree of independence from the rest of the structure (Purcell & Ahlstrand, 1994:12). The relationship between corporate headquarters and operating decisions in such multi-divisional firms has attracted the attention of researchers interested in the effect of this relationship on corporate performance (Goold and Campbell, 1987). It has also raised questions about the nature of human resource management policy (Purcell & Ahlstrand, 1994).

Goold and Cambell (1987), in their examination of the relationship between corporate offices and subsidiaries, in multi-divisional companies, identified a range of general approaches to this relationship.

Figure 5.1 Futuris Limited - Company Structure, 1997



Source: company records

Based on their research, the three most commonly used approaches were termed the 'strategic planning', 'financial' and 'strategic control' strategies respectively (1987: 293). The classification of these approaches was determined by an analysis of the ways in which corporate offices influenced the strategies of their divisions. The two key differences they examined, in these approaches, were whether the corporate office adopted a planning approach or a control approach to influencing the actions of their divisions or subsidiaries. The first of these was exemplified by reliance on formal planning processes, while the latter was based on explicit controls, such as budgets or performance targets, to control the activities of the subsidiaries (1987: 9-10). The AIR approach conformed most closely to the 'strategic planning' model.

## CORPORATE GOVERNANCE

A substantial aspect of corporate governance is the overlap between the Board of Futuris, that of Air International Group Ltd. (AIGL), and the other divisions. In the case of AIGL, the Chairman of AIGL, William Beischer, was a member of the Futuris Board, while the Futuris Managing Director (Alan Newman), was a member of the AIGL Board. This overlap ensured that there was an ongoing degree of coordination and integration of corporate and divisional organisational strategies. However, this did not appear to create detailed control over the management of the divisions, each of which also had a separate management board consisting of senior executives from the division. The independence of each division was attested by a director of AIR International who stated that the Futuris Board "... doesn't interfere at all" (Milton interview, 1997). He offered the view that the Board would have little knowledge of the detailed practices pursued within AIR International, being concerned with outcomes rather than means. On the other hand, there were acknowledged limits to divisional independence. Milton commented that the Futuris Board preferred a low profile in its operations, and that it would not support policies in its subsidiaries that were likely to place them in a poor public light. He instanced industrial disputation as the kind of event that would attract such concern. These comments implied a degree of tacit direction as to the kinds of policies that were preferred at the divisional level. The effectiveness of such 'preferences' is evident in a high degree of trust between corporate managers and those in the divisions or subsidiaries.

The style of management control within Futuris appears to have been based on long-term perspectives on business outcomes, and a collaborative approach to their attainment. In terms of the classification developed by Goold and Campbell, (1987: 298) the approach taken by the Futuris board is consistent with the "strategic



planning" style. In this view of management control, managers take a long-term perspective to building competitive advantage, and a collaborative approach within the management hierarchy, to the attainment of that goal (1987: 298). The view is evident in the approach taken to the company's acquisition and incorporation of AIR International into its structure. AIR International was what would normally be considered a 'mature' business. Mature businesses may not respond to the short-term financial controls typical of a 'financial control' approach to the role of the corporate centre (See discussion in Goold & Campbell, 1987, Chapter 2). Moreover, the acquisition of companies requiring considerable restructuring and review implies a wider perspective than would be gained from one focussed purely on financial returns. In that context, it is instructive to examine the company's approach to human resource management.

*Corporate management of human resources*

Purcell and Ahlstrand (1994) argue that the operating relationships within multi divisional companies are an important element in the development of human resource management strategies (1994: 82-3). There was no human resource function at the corporate level of the Futuris Corporation. The only central function was a small finance function, with the human resource management activities located entirely within the operating divisions. This underlined the relative freedom of the divisions to create the human resource practices appropriate to their longer-term survival and growth. One implication of this is that decisions at the divisional level were "third order" decisions (Purcell & Ahlstrand, 1994:42-47), in that they emerged from prior decisions about corporate strategy, structure and relationships.. However, the company's operating arrangements also suggested that human resource issues might have been more than simply reactive. The integration of corporate governance through overlapping membership of the respective Boards created a situation in which strategic decision-making was more likely to be

informed by a wider range of issues, including human resource issues. In particular, the values and assumptions of senior divisional managers were likely to be 'on the table', when choices were made about such issues as unionisation of the workforce, production systems, management succession and other matters affecting divisional effectiveness. The adoption of a general principle of avoiding public controversies was an example of this approach, in that the corporate view placed limits on the kinds of choices available at the divisional and business unit level. If the Board were to have adopted a purely 'financial control' approach to decision-making, such issues might not have been seen as relevant.

A closer examination of the operation of AIR International and its steering column business will illustrate the holistic nature of decision-making required to develop an approach to manufacturing that was likely to respond effectively to the external market challenges.

## **SECTION 2      AIR INTERNATIONAL GROUP PTY. LTD. (AIGL)**

The first significant investment in automotive components was in 1990, when Futuris purchased AIR International. AIR International became a wholly owned subsidiary, Air International Group Ltd. (AIGL), which operated as the automotive components subsidiary of Futuris. At the time of the takeover, Air International had become the sole supplier of automotive air conditioning units for Australian automotive assemblers, and had manufacturing sites in Melbourne, Adelaide and Brisbane respectively. The company had been founded in 1967 to manufacture automotive air conditioners for the components "after-market". The business had grown steadily with its business focus shifting to the supply of original equipment for the local car industry. It was listed on the Australian stock exchange in 1982, but in

the following years, experienced both production and liquidity problems (Macneil, 1997:38; Carr, 1991:2). It was purchased by the Futuris Group in 1990.

After the takeover, in 1990, Futuris undertook a restructuring of management, and invested in plant and equipment to improve the efficiency and cost effectiveness of its activities. These improvements in management and production techniques were essential for the company to maintain its position as the major supplier of air conditioning units to Australian based automotive manufacturers. Futuris provided that opportunity, with substantial commitment in money and management skills. By 1996, the air-conditioning business unit was the highest earning business within the Air International Group of Futuris, and had repaid its original investment many times over (Harley Poynton, 1996: 13).

### **AIGL – STRATEGY AND STRUCTURE**

From the discussion of the corporate structures and strategies, it is apparent that strategic decisions, what Purcell and Ahlstrand identify as first order and second order decisions (1994: 43), are undertaken in a collaborative manner between the corporate and divisional boards. This reinforces the observation made by Purcell and Ahlstrand (1994: 45) that a political model of decision-making, as distinct from models that assume economic rationality, is a more realistic way of understanding management choices. The developmental character of AIGL places considerable importance on the styles and beliefs of the management group itself, as they face novel market and production situations. In this section the strategic direction, management beliefs and attitudes are examined as a background to understanding the development of human resource management practices within the group.

#### *Strategy*

The contacts and experience gained from the manufacture of automotive air conditioning units provided the basis for a longer-term strategy of building a globally

competitive automotive components group. The network of relationships surrounding the AIR International business helped the company to make further local acquisitions, and to enter joint ventures in the Asian region (Harley Poynton Ltd., 1996: 37-40). The importance attached to overseas opportunities was dictated by the relatively few opportunities for expansion within the local market. Domestic expansion of the group began with the takeover of the metal stamping activities of Silcraft Ltd., in Adelaide, and the building of a new plant to house these activities, together with the manufacture of air conditioners for GMH and Mitsubishi. The purchase of *Steering Components* from Tubemakers was an opportunistic move to further consolidate the position of the company in the components sector.

As indicated above, senior managers saw AGIL's particular competence to be an efficient automotive components *assembler*. One of the observations of the MIT study into the world automobile industry was the trend for automobile companies to assemble the vehicle with components bought in from a hierarchy of suppliers. This tiered arrangement of suppliers, described in chapter 1, was defined by a range of factors, including, the technical sophistication of the product, the degree of supplier specificity of the design, and the amount of original design undertaken by the supplier (Chapter 1, supra: 21-25; Lamming, 1987: 35). Steering columns are typical of second tier products. The product is generally made to the customer's specification, with little contribution made by the components manufacturer to the original design. The ability to contribute to production related design modifications was, however, important. Steering columns were relatively complex and were manufactured through a process of assembling sub-components, many of which were bought in from other (third-tier) suppliers. A similar assessment applies to the other products made by the AIGL, air-conditioning units and seat frames.

AIGL executives saw their strategic position to be the ability to source and integrate specialist and other components into a final product. Lamming (1993) argued that second tier suppliers would have a number of characteristics making a longer-term relationship with their customers possible (Lamming, 1987: 35). These included the ability to work to Just-In-Time (JIT) delivery schedules; an ability to produce goods to exacting quality standards; a capacity to solve production related design problems; and a clearly defined value added margin. However, in addition to these characteristics, AIGL management sought to sustain its position as a second tier supplier by emphasising its ability to integrate and assemble components from a variety of sources. Their strategy relied on some engineering skills, applications engineering as distinct from basic design, and considerable assembly skills to produce a defect free final product that met customer specification. Its competitors included the Japanese Nippon Denso and the French Valeo companies, both of which were vertically integrated companies encompassing basic design, components manufacture and final assembly of automotive air conditioners (Harley Poynton, 1996:41).

For steering columns, the competitive strategy was focussed on finding markets for columns in vehicles with low to medium production runs, as measured by product runs for similar products in international markets (Doyle interview, 1997). While the company adapted and refined customer designs, the basic design work was in the hands of the automotive manufacturer. The competitive strategy was thus dictated by the absence of any unique technological design capacity, and by the company's relatively small production volumes. The AIGL strategy focussed on efficient assembly, with the mastery of core technologies left to specialist companies. For steering columns, the company saw its strengths to be in the capacity to design an assembly process, identify or make sub-components and produce the column with

minimum error and in a cost effective manner. Competitive strategy was linked to the core organisational capacity, and most importantly to the skills of its staff in running a production system (Interviews with Pink, 1996; Pedler, 1997).

The company identified its place in the industry in terms clear enough to allow human resource choices to be determined. The General Manager, Human Resources, described the core skills of AIGL as being a "management black box" devoted to the management of manufacturing projects (De Koenig interview, 1997). The development of the competitive strategy was heavily dependent on relationships with final assemblers and with other suppliers. As a result, the company sought to employ people with skills that addressed these critical relationships. Particular attention was given to the development, in young engineers, of commercial skills, and the ability to manage a business unit. It also helps to explain the importance attached to teamwork within the plant.

### *Structure*

In 1997 the Adelaide site consisted of three business units, as indicated in figure 5.1. These undertook, respectively, the production of pressed metal components for a variety of assemblers, including its own subsidiaries; assembly of air conditioners for Mitsubishi and Holdens; and the assembly of steering systems for Ford and Toyota.

As indicated above, SSA enjoyed some autonomy within AIGL. The co-location of three business units on the Adelaide site, with a General Manager Operations, Human Resources Manager and other shared "corporate" functions, created a high degree of consistency and coordination between each of the three business units. It may also be observed that two of those business units were small in scale, with SSA employing 51 people in 1996, and the Metals unit about 78. The 1996

prospectus shows that the automotive group as a whole had been the major contributor to profits and growth within Futuris (Harley Poynton, 1996: 100). While SSA had almost doubled its earning between 1993 and 1996, they were well behind those of the more established air conditioning production units (1996: 22). This goes some way to explaining the development effort expended at SSA.

Within AIR International, there was a considerable degree of functional integration, with Adelaide Managers responsible to senior functional managers in Melbourne. The main functional managers constituted an Executive Committee, which was responsible for day-to-day direction of the company. The overlapping membership of the Futuris Board, AGIL Board and the AGIL Executive Committee, explained the ability of the company to respond quickly to opportunities, the Tubemakers purchase being one such example. This responsiveness was further reinforced by the manner of interaction between managers. In practice, AGIL did not function in a formally hierarchical manner. Managers were given considerable freedom to pursue their responsibilities, within agreed parameters, and decision-making did not follow strictly hierarchical forms. The General Manager of Operations, in Adelaide, had easy access to the AGIL General Manager, and to other corporate functional managers. He participated in many Executive meetings, as well as meetings dealing with the air conditioning business unit, which was formally controlled by the Melbourne based Operations Director (who was Group General Manager from 1996).

The General Manager of the Adelaide plant described the Executive as a "pick-up" group, made up of the "appropriate" people, without regard to formal lines on the organization chart (Doyle interview, April 7<sup>th</sup> 1997). He stated that, in spite of there being a formal Executive Management Committee, consisting of the General

Manager and six senior functional managers, the process of decision making was likely to include himself and other line managers as needed. He suggested that the Executive group all saw themselves as a resource, for those responsible for operational matters. While his description under-estimated the importance of the Executive Committee, and the group formally responsible for AGIL, the support he describes is illustrated well by the SSA experience. Board commitment to the plant did not diminish as a result of the low volume of work, and if anything, it maintained considerable support in financial and other resource terms, in an effort to extend the range of work undertaken in the plant.

An important aspect of the organisational structure, which emerged from interviews, was its fluidity. During the course of the research, it was apparent that there had been many small changes, and a few quite large changes, in the formal relationship between functions and people. While few organizations are static in structural terms, the changes at AGIL attract attention, as they appear to represent almost continuous adjustments around the role of people. One explanation for the changes was supplied by the General Manager Human Resources, who had worked at AIR International for 16 years, beginning as a factory employee while a student. He argued that it was important to continually challenge structures in order to maintain an efficient, non-bureaucratic organisational form (De Koenig interview, 1997). He described the AIR approach to organization as continually seeking to recapture the speed, agility and employee satisfaction, which he and others within the company had experienced when the Port Melbourne plant was smaller, and had a multiplicity of products<sup>1</sup>. In this he sought to provide a climate in which production workers were free to focus on business objectives, dealing directly with customers, and organising

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<sup>1</sup> There is reason to treat the references to past experience with caution. Berggren (1991) notes that AIR International was functionally divided and had a tall hierarchy until the 1991 reforms. The views of the HR Manager more realistically reflect the interviewee's experience as a factory worker.



the work schedules amongst themselves (De Koenig interview, 1997). The objective was consistent in general terms with Ray Milton's view of team working. The idea also had a marked similarity to the ideas (and actions) espoused by Clement Semmler in his popular book (Semmler, 1993).

The non-bureaucratic approach to organisational structure was inherent in the operating style of the management group, who each articulated a similar range of beliefs and attitudes about organization and decision-making. A closer examination of these beliefs and attitudes provides a backdrop to understanding the way in which the company approached the automotive components business.

### **MANAGEMENT STYLE**

It is evident that Futuris managers shared many assumptions about the management of people that influenced both corporate and plant operations. The management group, included the Managing Director, the Production Director and the General Manager of the Adelaide site. The Adelaide General Manager commented on his first exposure to senior managers in the Company, when being interviewed for his position (Doyle interview, 1997):

I knew some of the people before I joined, but didn't know what lay behind them until I talked to them. They shared their beliefs with me and I found they were akin to my own ...

The Adelaide General Manager attested to the considerable autonomy given line managers in the performance of their tasks. Coordination of management activities, in this view, relied heavily on shared assumptions about the purpose and process of management decision-making. Similarly, there was a widespread acknowledgment amongst senior managers, that it was important to take an inclusive approach to the management of people. They saw involvement and communication with employees as an essential means of focussing the whole workforce on strategic objectives.

The emphasis on beliefs is important as it was mirrored by comments made by people at all levels in the company. It was not just an operational notion of profit, or quality, being expressed, but also something about the way in which business was done. A range of ideas seems to have been covered.

*Beliefs about the management of a manufacturing workforce*

At the centre of their attitude to people is a belief that manufacturing was best done through shared information, team working and employee involvement in decisions affecting them. The Operations Director, who had exerted a considerable influence in establishing and maintaining this style, explained that his belief reflected both his own and (perhaps more particularly) his father's experience in manufacturing in the UK (Milton interview, 1997). He described their experience of a top down command structure, in which people were treated "like cattle". He suggested that managers, in his experience, tended to ignore the social dimension of their work, which was that they only achieved their objectives by working with other people. His interest in experiments in industrial participation such as that at the Glacier Metal Company, underlined a conviction that trust was an essential element in developing better production systems, and that trust could be built through involvement. AIR International was, in his words (Milton interview, 1997),

...the first company to give me the freedom to change the style of management [from the hierarchical model]..."

Amongst his first actions at AIR was the re-organization of the Melbourne plant into teams, covering production, materials and customer liaison, and to have them more involved in developing more effective production outcomes (see Macneil, 1997).

Milton's influence is attested to throughout the company (Interviews with Breeding, Doyle, Pedler, 1997). His beliefs were reflected quite directly in his own style of

managing, which was based on very open communication, focussed on mutual problems, and a respect for "the dignity of the individual".

Above all the senior managers at AIGL practiced an open communication style. This was apparently true of the first Managing Director after the takeover (Alf Johns), as it was of his successor (Bruce Griffiths), and of other managers such as Milton (De Koenig interview, 1997). One of the characteristics of the management group, which first attracted Doyle, was what he described as their honesty (Doyle interview, 1997).

They wear their heart on their sleeve ...they are very approachable, very honest ...

Similar traits are attributed to Doyle by employees within SSA. It is a trait characterised by interaction with employees, and the discussion of production problems with them (Breeding, 1997). Associated with this was the disclosure of problems and opportunities facing the company at regular management feedback meetings. This was based on the belief that all employees had an interest in the outcomes. The only caution expressed on that issue was the difficulty, which one manager saw, in maintaining the optimism of employees, when joint ventures and new contracts did not eventuate (Nilson interview, 1996). However, it appears from discussions with production workers, that this openness may have been the basis of a high degree of trust in managers. One interviewee agreed with the suggestion that the information meetings contributed to her understanding of the factors influencing job security and commented (Lisa Bond interview, 1997),

... its good to know what they are doing ... I don't feel less secure ...

and, in relation to whether managers could be trusted:

They are very straight forward, whether its bad news or good news they would tell you ...

Others interviewed were also very positive about the openness of managers. In some cases expressions of trust were qualified by the recognition of management

fallibility, that, in the words of one employee, ...they sometimes get it wrong ...”  
(Tessarollo interview, 1997).

At a practical level employee involvement in decisions, and delegation of decisions, was readily evident in the style of management on the Adelaide site. A high degree of trust was evident in the way managers treated employees. During the research, interviews with production workers were conducted without interruption or time limits, and with no obvious limitations on what might be discussed in the interview. Several of those interviewed commented on the fact that they were left to do their job without close supervision.

*The formation of management belief systems*

While the logic of the market place may have been sufficient for the management group to become committed to the lean production model, it is also important to acknowledge their involvement, individually and collectively, in meeting the challenges of change in a manufacturing organization. They each drew from these experiences a belief that effective change required the commitment and support of the whole workforce.

The Executive Group members were directly involved in the restructuring of AIR International after its takeover in the early 1990s. They had been confronted by the loss of Nissan Australia business, when that company closed its Australian operations, and faced changing customer expectations in relation to quality, delivery and price. More importantly they became directly involved in the detailed changes necessary to meet these market challenges (Carr, 1991:4). A management review in 1990, had changed the production system to one focussed on customers, rather than on the product based business units. A reduction of management levels, a move to functional reporting and some workplace redundancies accompanied the

review This left the new Board in closer contact and control over the day-to-day operations of the company. Board members were involved quite directly in management, thereby assimilating valuable experience in understanding the nuances of team-based approaches to operations (Carr, 1991 op. cit.). Of central importance in this process of change were the difficulties experienced with a very heterogeneous workforce having relatively low levels of skill. The clear lesson for Futuris managers from this experience was that the management of human resources were a critical factor in manufacturing success.

Bernie Doyle, the Executive with oversight of the Adelaide plants, had been recruited by Futuris in 1993 from a similar position as General Manager of the Henderson's plant in Adelaide. While at Hendersons, Doyle had built a reputation as a reformist manager who placed considerable emphasis on the involvement of people and rebuilding the business around a productive partnership with the workforce (Blewett, 1993; Shacklock, 1997). His focus on the importance of respect for and involvement of employees in the business was consistent with the views of the Director of Operations, Brian Milton, referred to above.

Another senior executive, the AGIL Managing Director Bernie Griffiths, also expressed support for the importance of inclusive and open approach to the management of people. His views appear to have been given form by his participation in an overseas study tour during 1991, which examined lean production techniques in North American manufacturing plants. Griffiths identified the importance of these principles in meeting customer requirements and succeeding as an internationally competitive manufacturer. He acted as a champion of new production ideas after his return, providing important connections with emerging best practice companies in the manufacturing sector globally (Smilth and Meiksins,

1995: 263). As indicated in chapter 1 (Supra: 21-25), lean production ideas include a strong emphasis on the importance of workforce involvement in the management process, in the form of team working and information sharing. Griffith impressed these ideas on his colleagues when he returned, and became a reference point within the management group for the way successful manufacturing organizations should be run (Karl De Koenig interview, 1997).

The management group were confronted in one way or another with the critical importance of workforce commitment and trust in meeting the changing needs of manufacturing customers. In particular, Griffiths, Milton and Doyle shared a view that the future of manufacturing would be based on forging a productive partnership with everyone involved.

### **HUMAN RESOURCE MANAGEMENT**

With the growth of AIGL, a Human Resource Management (HRM) function was established to undertake such activities as payroll, workers compensation, and the management of recruitment processes. In 1995, the HRM function was reorganised to affirm the role of the Manager in providing a strategic direction to human resource management across AIGL. His role developed into one of providing strategic advice on matters such as management succession and recruitment, as well as organisational structures. The importance given to such issues was underlined by the reportedly high proportion of time given by the Executive Management Committee to HRM matters, with the General Manager HRM attributing approximately 40% of Executive discussions to such issues (Interviews with Brian Milton & De Koenig, April 1997). The approach taken to three issues, recruitment, management development and workforce competence, illustrates the manner in which the division sought to align its human resources with business policy.

Recruitment was aimed at selecting people fitting preferred norms, or culture as it was referred to. Selection processes for production workers were as rigorous as those for managers, in that all employees were subjected to psychological testing, including personality profiles. For managers particular attention was paid to the experience and potential of the person to "stand alone" in a business unit. When recruited from outside, the company was eager that the recruit would have a background knowledge of the key players in the automotive supply sector. Equally, they were expected to be able to demonstrate an understanding of what were referred to as the *disciplines* of the components manufacturing sector. These included an acquaintance with quality systems, JIT and team working practices. People skills were highly regarded in staff at all levels.

A second strategic HR issue was the development and placement of managers, particularly younger ones. The corporate HR Manager took particular responsibility for managing career paths, particularly those of younger engineers seen to have the potential to manage a business unit. The overall objective was to build a cadre of commercially competent business unit managers, fluent in the business demands of the company's principal markets, particularly Asia, and competent in the basic disciplines of the industry. Changes in work assignments, within and between plants, and project work were used to develop the broad range of competencies sought by the company in its managers.

As the opportunity arose young managers were exposed to responsibilities in joint ventures in the Asian region. This was seen as a critical investment in the future capacity of the company to become an effective global automotive components company. The overall approach was consistent with the approach taken to learning

found in a British study of companies facing rapid changes in competitive conditions (Whipp, 1991:166; Pettigrew & Whipp, 1991).

Associated with the development of management skills was the decision to implement a system of competencies for production workers. It was a recognition of the importance of placing employee skill at the centre of organisational strength, and complemented the careful approach to selection. The competency project, which owed its origins to a framework negotiated between the Metal Industry Association and the Metal Trades Federation of Unions, for award restructuring, was developed through plant committees. These were responsible for the development of the specific competencies to be used within each plant.

While the picture presented here suggests a consistent relationship between competitive strategy and human resource management within AIGL, there was no evidence of any attempt to form the kind of internal labour market found at Tubemakers. AIGL managers saw the competitive environment quite differently from those at Tubemakers, and their policies reflected that situation. The focus on skills development was driven by a more fragile and competitive market situation than that experienced by Tubemakers in the post war years.

### **SECTION 3        STEERING SYSTEMS AUSTRALIA (SSA)**

#### **THE ADELAIDE SITE OF AGIL**

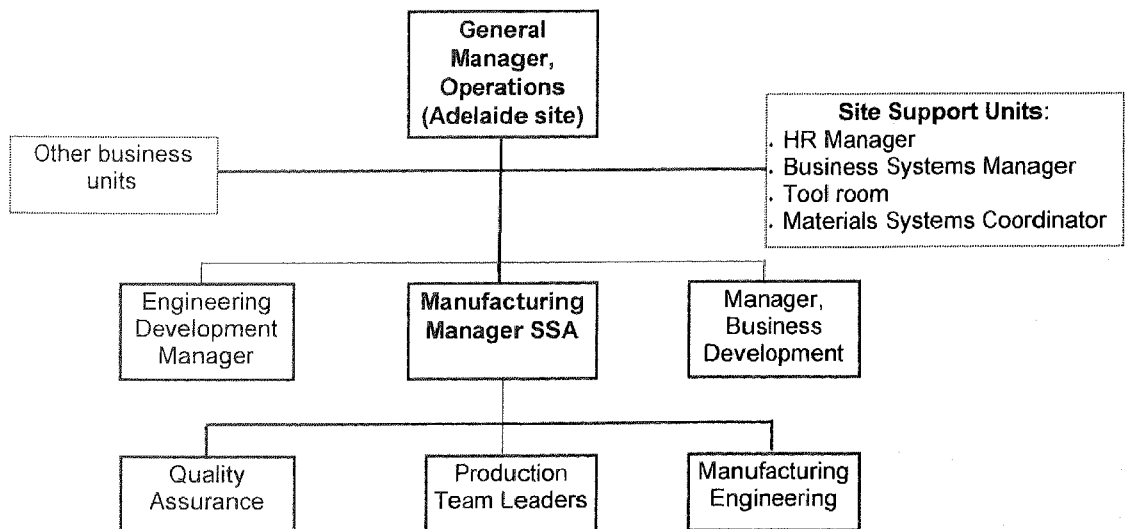
The Adelaide site housed three physically separate production units. One plant, housed Australian International Metals Ltd. (AIM), a metal stamping facility based on the original Silcraft business that had been located on the site. By 1997, this business was employing approximately 78 people including managers and other indirect staff, and was undertaking sub-contracting related to the production of



automotive seating systems. A second plant, AIR International Pty Ltd., manufactured air conditioning units for the Holden and Mitsubishi. That plant employed approximately 70 people, including managers and engineers. SSA occupied the third plant, employing approximately 58 people, of whom 43 were direct production employees (AIGL company information, 1997). The organisational structure is shown in Figure 5.2.

While SSA was autonomous in its operation of the business, though there were areas in which the unit was expected to conform to conditions covering the whole site. One such area was the expectation that each of the three plants at Golden Grove would meet the delivery or quality needs of shared customers in the same way. This suggests that the business unit organization was an internal means of managing resources, rather than a deliberate attempt to create separate companies in the market place.

**Figure 5.2 Steering Systems Australia - Organization**



Source: Company Records: As at November 1995

The other area where there was an attempt to build some commonality was in recruitment and personnel administration. The company adopted the view that the

location of the business units on the site dictated a consistent approach to personnel administration across the site. This was seen as reducing the likelihood that grievances would develop over comparative conditions. It also potentially contributed to flexibility in allocating people to work locations across the site. This flexibility also opened opportunities for employees to seek transfer across business units.

### **STEERING SYSTEMS STRATEGY**

As noted in the previous chapter, the closing of Tubemakers Steering Products unit (along with the rest of Tubemakers Automotive) followed loss of a significant contract with GMH, to a manufacturer based in France, and the subsequent decision by Tubemakers to curtail expansion in areas outside their core business of tube production. While loss of the GMH contract was as much a symbol as a cause of the Tubemakers decision, it illustrated the central issues facing a company attempting to manufacture specialist products in Australia in a market increasingly dominated by global suppliers.

The decision by Futuris to purchase *Steering Components* appeared at first inspection, to run counter to the demands of the market. One explanation for the purchase was related to the opportunity it offered to consolidate and extend existing customer relationships in the automotive manufacturing sector. The success of the air conditioning business, with domestic automotive manufacturers, had established AIR International as a valued supplier for those companies. Contacts between executives at various levels in the organisations were consequentially very good. Tubemakers facilities, and continuing contracts, provided an opportunity to enter an additional automotive product area at minimal cost. It allowed AIR International to build on those industry relationships and strengthen its position as an Australian based components supplier. According to the (then) Production Director, the

strength of the relationship was evident in Ford Australia's decision to retain AIGL for supply of the steering column for its next vehicle model (Milton interview, 1997).

Another explanation was the opportunity seen by the General Manager Operations, who first proposed the purchase, to improve on the performance of the former Tubemakers plant. He based this on what he assessed as very inefficient manufacturing and management practices at Tubemakers, including the rigid demarcation of job roles, excessive staffing and physical separation of managers and production workers. Given the shortcomings in production and management practice, an opportunity existed to turn an unprofitable operation into a profitable one.

By 1995, SSA was still a relatively small unit within AIGL, and its performance and potential were still limited to one major customer in domestic market. However, senior managers were confident of securing contracts for further work beginning in 1997-8. Their strategy took two directions. One pursued opportunities for the production and export of whole column assemblies for specialist vehicles in North America, at what for those markets represented low volumes. This work would have built on the company's existing capacity and technology, and provided a basis for further expansion of that capacity. The other direction was to undertake specialised machining work related to steering columns for other manufacturers, in Australia and overseas. This work would maintain the throughput of work through the more specialised equipment bought from Tubemakers.

## **THE PRODUCTION SYSTEM**

From the outset, production systems were influenced by the requirements of the customers. As mentioned in chapter 1, Australian car manufacturers had embraced the principles of lean production (Chapter 1 supra: 21-25). In particular, they had

sought JIT delivery, increasingly exacting quality requirements, and "cost-downs" by their suppliers. These requirements were well understood by senior managers in Futuris and AIGL. They had been evident in the pressures that were facing AIR International in its Melbourne plant at the time of its takeover in 1990, and were implicit in the reforms subsequently undertaken in Melbourne.

The Managing Director, Bruce Griffiths, had also observed, at first hand, the adoption of the same principles in North American and European markets during his participation in the study tour organised by the Commonwealth Department of Industrial Relations in 1991. On his return he actively promoted the adoption of lean manufacturing principles, which at that time were just beginning to be discussed in Australian manufacturing circles. He selected a group of people he considered opinion leaders in the company to carry the message to the rest of the organization. This group, known to others as "The Magnificent Seven", were provided with detailed information about aspects of lean production systems that the Managing Director had collected on his study tour. They were expected to implement the principles in their own areas within the Melbourne site. However, that site proved difficult to reorganise for a variety of reasons, including the level of work force skill (Milton and De Koenig interviews, 1997).

The Adelaide site provided an opportunity for Griffith and his Operations Director, Milton, to implement a production system closer to customer requirements from the outset. Factory layout was initially very similar to that at Tubemakers, but it was modified progressively to fine tune the production flow and operator interaction. The plant itself had superior physical characteristics to that at the Tubemakers site and was designed so as to make further changes in layout relatively easy. It also brought engineering design and management into the same area as production,

facilitating contact between the two areas in a way that had not been possible at Tubemakers.

The original lines, which catered for the production of both the remaining Holden production and Ford steering columns, were organised as a combination of batch and flow lines, in the same manner as they had been at Tubemakers. However, ancillary processes were all better and more conveniently arranged around the assembly flow areas. This reduced work in process and materials handling within the plant. When the Holden contract expired, further rationalisations were made to the remaining production line.

The most significant alteration was the move to cellular based assembly, which was initiated in 1995. A single final assembly cell enabled a fuller utilisation of workforce skills in a team arrangement. While machinists continued to operate the high volume machines bought from Tubemakers, there was a lower degree of social isolation. This was overcome through regular meetings, the selection of team leaders for their communications skills and the superior physical characteristics of the plant. The changes were important as they facilitated improvement in quality through improvement of the relationship between people and machines. The physical arrangement of equipment in the assembly area was viewed flexibly, though there were clear logistic reasons against continuous experimentation with layout. However, engineers and production workers discussed production organization regularly to find ways of incorporating improvements. Many suggestions for change were incorporated where they improved quality or delivery times. It was also recognised that changes in layout were not in themselves the likely source of improvements. Much of the discussion of layout at SSA was around

ways of improving the effectiveness of work processes and work organization. This leads to a consideration of some of the assumptions behind work organization.

### **WORK ORGANISATION**

At the level of the individual operator, the company sought to create an environment that would encourage operators to accept responsibility for quality. This was pursued through establishing, as a principle, the notion that long task cycles were to be the preferred basis of job and task design. The Production Director, Brian Milton, established a benchmark of 5 minutes per cycle, considerably in excess of the Tubemakers' target of 30 seconds (Rory Thompson interview 1989, Brian Milton interview, 1997). Milton saw the longer cycle as a means of improving job satisfaction, and allowing time for "inspection at source" by the operator. He also sought to allow employees as much latitude as possible, in improving work and production arrangements, subject only to the advice and agreement of engineering and management (Milton interview, 1997).

This goal had implications for training. Training was left largely to Team Leaders until late in 1997, when a competency based approach to training, using external trainers was tried (Pedler and Nilson interviews, 1996). The delay in systematic training was attributed by the Production Manager to the preoccupations of line managers with day-to-day activities, and the lack of resources before 1996. At that time the Personnel Manager was moved to Adelaide and took on the responsibility of improving training (Doyle interview, 1997).

The focus of much of the company's efforts in the area of work organization was on the interaction of workers in the production area. From the outset, work organization was based on the organization of work into groups of workers in contiguous production areas. These groups, referred to as teams from the outset, were

originally defined around the Tubemakers production layout, with three work groups, or teams, responsible for machining, steering column production and final assembly lines respectively. Improved production layout reduced materials handling, and enhanced the ability of workers within each of these three work groups, to interact with one another. The first significant change in this approach to work organization followed the closing of the Holden column line in 1993, when the need for a second assembly line was eliminated. When final assembly was organised into a cell arrangement, the plant was organised around two production teams, one for final assembly and the other for machining. At the same time, quality checking was integrated into the work of each of the teams. From 1996, when a former maintenance supervisor was appointed the second Team Leader, maintenance skills were also progressively integrated into the work responsibilities of each.

While the company used the term *team* to describe new working arrangements, there was never a comprehensive development of the team-working concept. The arrangements did not conform to the notion of autonomous team described by Berggren to describe the use of the term in Sweden, as the degree of autonomy given members of the work group was relatively limited. The essentially orthodox line assembly also limited their ability to do any more than rotate jobs (Berggren, 1992: 7, 92-3). The teams did exercise some responsibility over quality; routine maintenance; participated in the selection of new employees; and contributed quite directly to discussion on production layout. However, after some initial training in small group processes, there was no further formal training in team decision-making or related issues. The pay system also revealed the real assessment of skills used by the operators. While the company provided some financial incentive for being able to perform a variety of tasks, managers did not believe that the level of

responsibilities used by operators justified re-classification beyond the basic skill level in the award (Pedler interview, 1996).

The internal dynamics of the team arrangements also revealed some incompleteness in the development of the team as a cohesive, goal directed production unit (Katzenbach and Smith, 1994). Interviews with production workers suggested that each of these work groups had within it sub-units based around contiguous machinery and processes. It is at this level that employee control over production processes was found, rather than within the whole group of 17 employees who do not all work together or share common machine problems. The company's use of team terminology was consistent with a view that the workplace **should** function as a team, working together on problems facing them. In practice, as was evident in interviews, local disagreements over production priorities and processes often surfaced, while cooperation was most often found where there was clear interdependence between workers, such as those operating adjacent machines in a connected process. Where this occurred, as in the final assembly cell, the absence of a clear understanding of the performance objectives or expectations, was a source of frustration for employees (Pedler and Nilson interviews, 1996). In such circumstances, it would be more accurate to describe work organization as a 'guided group' working on individually designed workstations.

There was, however, a high degree of acceptance of the rhetoric of team working. A number of factors appeared to be associated with this. At the substantive level the size and openness of the production situation was important. It was not difficult for any member of the workplace to see operations in other sections, while the relatively uncluttered factory floor encouraged interaction. However, the



development of these work groups was also influenced by the style of supervision from the two appointed Team Leaders. The Team leaders were in both cases trusted by those on the floor, again reflecting careful selection.

One Team Leader had been an apprentice supervisor and trainer at Tubemakers, and brought to the workplace very clear ideas about teams and their operation. He defined teams in terms of three characteristics. Firstly, he suggested that a true team would be one in which there was clear inter-dependence between the members in terms of work passing progressively from one to the other. Secondly, he argued that a true team would be one in which the group would be responsible collectively for work outcomes, and finally, he argued that a true team would have a natural leader, rather than being dependent on the intervention of external supervision. This definition underlay his own approach to supervising work and reflected his experience and understanding of the advantages of team working. His views are supported by literature on team working (Katzenbach & Smith, 1995). They reflect a distinctive and clear view of team working which informed his everyday actions. However, in themselves they were not enough to ensure the operation of a team. A number of other actions would have been required for team work to conform to the 'lean production' definition of teams, still less the Swedish 'strong group organization' described by Berggren (1992: 94). These would have included clear performance outcomes (Adler & Cole, 1993), complementary skills (Katzenbach & Smith, 1995) and a more modest number of team participants. Moreover, a higher degree of training and more exacting production targets and timings would have been expected.

The other Team Leader was promoted from the maintenance area where he had established a reputation as being responsive and reliable in his attitude to the needs

of production workers. Again, production workers expressed a high degree of respect for this Team Leader. However, his skills were biased towards technical matters, and he was nominally in charge of the machining area, where semi-skilled workers often expressed a craft orientation, more typical of maintenance areas. His ability to provide guidance in solving technical problems where they occur was an important strength in the plant.

Both Team Leaders acted as advisors rather than interventionist managers. This role was marginally more difficult to sustain for the person with the maintenance background, but was, nevertheless, a shared perception of the role. In practice, the work groups were left largely to their own devices because the tasks were relatively straightforward, the volumes and work pressures were relatively low, and there were standard operating procedures for every workstation. The implementation of teams was not undertaken in any wholly systematic manner, but the results did reflect support for more relaxed and more participative approaches to work organization. However, the lack of formality in this situation suggests that these work arrangements were largely dependent on management style and attitude, and on continuation of relatively moderate production pressures.

### **HUMAN RESOURCE MANAGEMENT**

Human resource management at plant level was a third order decision, supporting initiatives in the production area (Purcell & Ahlstrand, 1994: 51-54). The company involved human resource management specialists in supporting the central objective of improving production outcomes. Between 1992 and 1995 a Personnel Manager based in Melbourne provided advice and assistance to line managers in Adelaide, visiting Adelaide weekly where necessary. However, with the growth of employee numbers on the site, and the increasing demands on the time of line managers it was recognised that a more consistent and planned approach to HR

issues was needed. In 1996, the Personnel Officer was re-located to Adelaide, to provide improved support for training and other human resource activities. This coincided with the adoption of ISO 9000 accreditation<sup>2</sup>, giving the impression that human resource activities were being formalised. The impression was rejected by managers who emphasised that the Personnel Manager's role was related at all time to the needs of the production area. Some of these needs, such as the introduction of competency based training standards dictated a greater level of formal planning and recording activities. The general philosophy of relating human resource management to production related needs was evident from the time SSA was established. It was also evident in the content of the enterprise agreements.

### **Building the workforce**

The importance of employee attitudes and behaviour clearly influenced the company's approach to the establishment of the Golden Grove plants. As the Personnel Manager later remarked (Pedler interview, 1996):

We were concerned about taking on the Tubemakers culture, which we didn't want ...

The company was also concerned over the levels of numeracy and literacy in the plant as these had proven to be a problem in the management of the Melbourne plant (Pedler interview, 1997). These motives informed a very systematic approach to selection at SSA. The policies adopted when the plant was established reflected the interest and involvement of senior managers. Later developments in the selection process reflect management commitment to genuine authority being exercised by production workers.

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<sup>2</sup> ISO is the acronym for the International Standards Organization which provides international accreditation of quality standards. ISO9000 refers to what was then the most exacting standard for manufacturing organizations.

*Selection for the new SSA plant*

The selection process was designed to ascertain the employee's interest and potential for working in a team based organization. At the outset AIGL managers, including the Group Operations Director, Ray Milton, addressed a meeting of existing Tubemakers employees and explained to them the company's approach to manufacturing and to its customers. This talk placed emphasis on the company's expectation that the workforce would work in teams, that there would be one union, and that there would be an expectation that all employees would work together to achieve the company's objectives.

Those who expressed an interest in employment after that address were then invited to an interview, where they were asked to indicate their reaction to the notion of working in teams. Once through the interview applicants were asked to complete tests of aptitudes in numeracy and verbal expression. More importantly, the test procedure was extended to include two personality profile tests. The latter were used to assess the degree to which the employee would adapt to a team-working environment. The outcomes of the tests were released to the applicants, who were invited to comment as to whether they felt them to be an accurate assessment. The Personnel Manager then evaluated the results of the tests and interview process. After this, a short list was selected for a final interview, in which the General Manager participated. The structured interview again allowed a discussion of the team-working environment, and invited the applicant to express his/her willingness and capacity to deal with its demands. In all about 20 Tubemakers employees were employed, the other employees being chosen, through a similar process from applicants to a general advertisement. After a short period of working on the new site, there was some basic team training.

## Chapter 5 AIR International

The initial recruitment also attempted to match team leader skills to the immediate requirements of the work organisation. As a result each of the team leaders were somewhat specialised in their original task.

### *Selection as part of the SSA culture*

After the initial recruitment, the selection process was refined and partly out-sourced to labour agencies. These agencies were responsible for the provision of a short list of potential employees, based on an agreed process of selection and psychological testing. The tests used were specified by the company, as were the acceptable levels of test performance for applicants. These "cut-off" scores were upgraded after the initial selection, with consequent impact on the level of ability of applicants interviewed.

Short listed applicants were scheduled for interview with the Team Leaders at the next stage of the process. Essentially this interview served to inform the applicant of the plant operation, work arrangements, and management's expectations in relation to the behaviour of employees. The applicants were then introduced to the work team, who were trained to undertake the next stage of the selection process. The work groups were fully integrated into the selection process. They were expected to explain the operations required of employees and the way in which they worked together as a team. The work groups collectively assessed the ability of the applicant to undertake the work, and work with them as a fellow worker. At the conclusion of this phase, work group members would discuss its assessment with the Team Leader, who would undertake the action required to hire or reject the applicant.

The selection process had a number of important implications for the competence, harmony and stability of the work force. Firstly, the company retained, and in fact

upgraded, its commitment to recruiting people with high levels of innate ability, as demonstrated by their aptitudes in literacy and numeracy. This was supplemented by a continuous commitment to assessing personality profiles, with the objective of selecting people considered most likely to work well within team arrangements. The selection process went much further however, to ensure the acceptability of the applicant to the work group. Senior managers and the HR manager were not involved in the process at all. It was run, within a defined framework, by those most intimately acquainted with the work environment. As a result the successful applicant was not only likely to have demonstrated an ability to undertake the work, and to have worked with the team itself, but could be expected to exhibit a clearer idea of the expectations and requirements of the job itself. The work group, for its part, was more likely to support and assist a new recruit who they had selected. The company pointed to the retention of new employees beyond the initial probation period of three months, as an indicator of the success of the process. The process used was also a very clear indicator of the trust exhibited by management in the workforce.

*Selection and workforce homogeneity*

Unlike its Melbourne counterpart, the Adelaide plant had relatively few people of non-English speaking background. The selection process described above was important in building this homogeneity. The use of the rigorous testing process, with its emphasis on the literacy and numerical skills typical of Australian school leavers, had the effect of increasing the likelihood that people with poor language skills, or whose schooling was rudimentary, were excluded from the selection process. Such processes were defended in terms of the strictly defined requirements of the job. However, they did also had potential to be discriminatory, unless there was a clear relationship between the skills measured and those actually required in the workplace.

Workforce homogeneity was indicated, to a degree, by the number of people with non-English speaking backgrounds. In the SSA plant 10 of the 35 employees, have such backgrounds, though many were Italians educated in Australia. Of the two Asians only one was seen to have any literacy difficulty. One team Leader commented that the main divisions tended to be those of personality rather than language or ability. The number of women employed in the plant was 5, and on the whole site, women were no more than 10% of the workforce. Nevertheless, there was a reaction by some employees to what they perceived to be the large number of female applicants. One manager commented that the reaction was only laid to rest when it was explained that the relatively high number of females presenting for interview, was a reflection of an initial selection procedure that placed stress on objective attributes. This suggested that there was some reservation within the workforce over gender diversity. Team responsibility for selection might have reinforced such attitudes, regardless of their merit or otherwise. However, a female operator stated that she did not know of any explicit discrimination in her work group, the assembly team.

The use of personality tests was assumed to enhance the likelihood that workforce would have a largely similar range of skills and predilections. It was assumed that the task of supervision and training in this situation would be simplified. At the same time, it was expected that it would also be easier to provide a basic skills, including the tools for quality measurement. Most importantly the personality tests were seen by managers as a means of guaranteeing that employees were able to undertake a degree of self management in work processes, based on shared beliefs about work, and work relationships.

### **Employee involvement and communication**

As the plant was a green-fields site Futuris managers were given some choice over the ways in which employee views might be formally represented. The issue was not left to chance. Positive steps were taken to build a system of communication and interaction that would promote a close identity between the company and its employees.

As indicated previously, the management style at AIR was one in which consultation and information sharing was regarded as normal practices. One employee summarised the situation, contrasting it with her experience in previous employment (Bond interview, 1997):

It's completely different to [other company] ... [other company] is like, you get there, you do your eight hours and you go home. Here you've got more voice, you can say your opinions better here, you can have some sort of say. If they do your opinions, that's another thing, but you do have your say in what goes on.

She qualified her remarks about whether managers listened with the comment that:

they have had some stupid comments, ... it would be great if they could do them, but realistically they can't do it and everyone has their own opinion and ... someone must make a decision.

The same worker described the shop floor involvement in tool trials for new product quotations and in determining the layout of the main line. Others interviewed also attested to the availability of information and their involvement in decisions related to work organization and the work environment, though some were less interested and more cynical about the process of information sharing. However, it was apparent that consultation and information sharing were taken seriously by managers, and regarded as a normal part of the operating process.

In 1995, a Consultative Committee was established for Steering Systems. This Committee formalised some of the activities already taking place, but was also



intended as a "bargaining unit" for the purposes of negotiating an enterprise agreement covering the business. While the industrial purposes (discussed below) of the Committee were important, the site Personnel Manager insisted that the Committee was an extension of the company's overall commitment to consultation with employees (Pedler interview, 1995).

The Committee met monthly and discussed issues relating to the work environment, amenities and working conditions. The issues addressed by the Committee included employee amenities, the establishment of a gymnasium and travel insurance. While matters considered part of industrial negotiations were excluded from the Committee, members were not discouraged from raising any issues they considered relevant. However, once a matter was identified as part of industrial negotiations it was excluded from further discussion.

### **Industrial Relations**

The company's approach to the regulation of the workforce had been shaped by a decision, at AGIL Board level in 1991, which determined that a union presence would be maintained in the company. The decision, which implied some limitation on the company's ability to determine working conditions unilaterally, reflected its experience in restructuring the Pt. Melbourne plant. The Operations Director concluded that the support of the AWU-FIME<sup>3</sup>, in particular, had been important in achieving the outcomes sought in that plant (Milton interview, 1997). The main objective of the 1991 decision was to reduce multiple unionism. The company approached the AWU-FIME to become the sole union on the site. An informal closed shop agreement was concluded with the union, based on the company's agreement to allow payroll deductions for union subscriptions.

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<sup>3</sup> The Australian Workers Union and Federation of Industrial and Manufacturing Employees amalgamated union

While there were clearly pragmatic reasons for seeking the closed shop arrangements, the rationale behind it has also much to do with the company's wish to fit within the mainstream of Australian labour relations. What the company gained from the single union site was sufficient. There was never a suggestion that a non-union site might have been preferred or attempted. Effectively the company embraced the framework of the existing industrial relations system as a means of gaining the work practices and employee relations it considered necessary for a competitive manufacturing plant. Later comments by managers suggested that the company was unlikely to embrace the individualised contracts termed Australian Workplace Agreements, which were created under legislation passed in 1996 (Milton interview, 1997).

While the role of the union was limited largely to the negotiation process a Union official professed satisfaction with that arrangement. He stressed that the agreement, and the decentralisation of management decision-making at AIR, had given the Union considerable access to the managers who made decisions affecting the workforce (Kane interview, 1997). On the other hand, it proved difficult to identify workplace Union representation for the Consultative Committee. The Union official commented that the Consultative Committee really acted as an enterprise union, and that the level of union identification within the workforce was quite low (Kane interview, 1997). In such circumstances, it was more likely that management views about working arrangements would be given greater credence.

### *The 1993 Enterprise Agreement*

A central task facing the company was the negotiation of an enterprise agreement designed to attain greater workplace flexibility. The task of negotiating this

agreement was referred to the Consultative Committee, and more specifically to separate management and union nominated groups to determine "wish lists". These were to form the basis of negotiation. The union representative submitted issues that were considered important at the industry level. The negotiation process reflected tacit agreement between the parties that the agreement should provide benefits for all parties, and that this would be achieved by focussing on the long-term health of the company (Kane and Doyle interviews, 1997). There was little apparent difference of principle between the parties and the agreements reflected the logic of production arrangements that senior managers wished to implement.

The first Enterprise Agreement was negotiated in 1993, and had a life of two years. The objective of the Agreement was, firstly, to improve the efficiency, productivity and flexibility of the company, and secondly, to remunerate employees fairly for their contribution to the first objective. The agreement was essentially a productivity agreement, with the main benefits accruing to employees in the form of pay. Three pay rises were agreed to by the company. A first rise of 4% was to be paid from the date of the agreement, while a second rise of 2% was to be paid after 12 months to acknowledge an undertaking by employees to cooperate with management in seeking continuous improvement in productivity. A third, lump sum payment, was to be made for productivity improvements beyond 2%. The productivity program through which these payments were to be achieved was also specified in the agreement. It provided for the establishment of Productivity Improvement Groups (PIGs) to pursue measurable savings in such areas as (AIR International Enterprise Agreement, October 1993):

- costs of power, water, oil, safety, attendance, work injuries
- the rostering of RDOs to enable 5 day a week operation
- variations in hours of work.

Each of the PIGs were expected to identify areas of improvement and submit them to management so that they could be supported and their outcomes evaluated. To facilitate the program, the agreement promised employee training appropriate to the team working practices and continuous improvement processes being pursued by the company. This included technical skills in performance measurement, problem solving, and benchmarking, as well as team skills.

This agreement was relatively simple in its structure and content. Its main achievement, from the company's perspective, was the formalisation of employee commitment to continuous improvement practices. The agreement covered the whole site, and its generality reflected the fact that there was little disputation over substantive working conditions. At one level, this may be seen to be unremarkable, as disputation was generally low in this period. Moreover, in this particular case, the union concerned had adopted a cooperative stance in relation to restructuring. However, other factors must be taken into account in explaining the employment relationship underlying this and the subsequent enterprise negotiations.

Firstly, it is important to recall that employees were made aware of the company's expectations from the time of their employment. More importantly, their working conditions and arrangements had been consistent with the management undertakings given at the time of employment. Several people interviewed suggested that one of the characteristics of the management group was, what may be termed, their integrity in dealing with the workforce. It was also observed that there was a strong commitment to ensuring that management commitments were met. Employee amenities, routine questions about pay rates and shift arrangements, and the provision of a comfortable working environment were all substantive issues which employees recognised as promises already delivered.

*The 1995 Enterprise Agreement*

The second Enterprise Agreement was negotiated in 1995, by the new site manager, Bernie Doyle. The Agreement, which covered the whole site, was formally registered as a Certified Agreement with the Australian Industrial Relations Commission, and referred explicitly to the Metal Industry Award 1984 for details of working conditions and respondents not covered in the agreement.

The objectives of this agreement were expressed wholly in terms of the needs of the company, and were (AIR International, Golden Grove Certified Agreement, 1995:4):

1. To improve the level of customer service and responsiveness.
2. To continually seek improvement in our work patterns to achieve cost effectiveness and waste elimination.

There were several clauses in this agreement, which went to the heart of the company's goals.

First amongst them was that concerning *Flexible work Patterns and Continuous Improvement* (1995: 6, clause 16). This clause continued the concerns of the original agreement, but went further to specify three common objectives, namely the improvement of customer order delivery, achieving planned volumes of production and improving product development and production performance. It then proposed that achievement of these objectives would require attention to a range of issues which included flexible meal breaks, flexible notice on annual close-downs, utilising a wider span of day time hours and continuous improvement practices. The clause was essentially one designed to allow flexible work practices.

Secondly, other aspects of this agreement were clauses concerning job security and the use of contract or casual labour (1995: 6, clauses 21 & 23). The clause relating to casual and contract labour was a continuation of the flexibility objective

discussed above. It affirms the company's ability to use such casual and contract labour. The clause also specified a process of probation for casuals before they were offered permanent positions. This clause ensured that casual employees were treated in the same way as other applicants for employment.

Job security was recognised in the Agreement as a means of gaining the level of employee commitment necessary to achieve the improvements and productivity needed to "produce at world competitive levels." The company undertook not to threaten job security through new technology or process improvements, but carefully limited its responsibility where (AIR International, Golden Grove Certified Agreement, 1995: 10, clause 23):

... external economic and market factors impact on our business which are beyond its direct control.

The undertakings in this clause were limited, and they amount to a statement that the company would not deliberately set out to reduce job security. The clause recognised the importance of job security in facilitating the overall productive goals.

The other clauses of interest include two issues, which were reserved for further discussion, but which were introduced after the agreement was concluded. These were paid maternity leave and travel insurance for employees commuting to and from work respectively. The maternity leave provision, for two weeks maternity leave, was formally introduced a year after the signing of the agreement, making the company the first non-automobile manufacturer in the State to grant this provision. The provision of insurance for travel time was also agreed by the company but introduced later because of the technicalities of the associated insurance arrangements. It effectively covered a situation removed from the State's Worker' Compensation Act in 1994. A further issue, that concerning access to training, was that all employees would be given access to training relevant to their

participation in teams, and continuous improvement processes, without loss of pay or allowances.

While AIR managers saw one of the primary objectives in the negotiation to be labour flexibility, they also sought a degree of stability in employment arrangements by concluding a three-year agreement. The notion of labour flexibility was evident in such conditions as those to vary working hours, shifts and breaks and overtime arrangements. The three-year agreement also assumed that there would be little movement beyond the employee conditions defined on the agreement over its life. The two exceptions were the issues of paid maternity leave and insurance cover for travel to and from work. Both were matters on which an *in principle* concession had been reached at the time the agreement was signed. Subsequently the company agreed to two weeks paid maternity leave, while the travel insurance issue was also concluded. In general, the approach taken by the negotiators reflected the expectation that the site would expand and cover a range of activities, and deal with a range of customers, each with somewhat different expectations of the company. It was an attempt to define and delimit the basic human resource obligations of an organization expecting change in its operating environment.

## SECTION 4      CONCLUSIONS

AIGL was re-established as a subsidiary of Futuris Corporation in the late 1980s. The growth of this subsidiary, and the incorporation of the former Tubemakers steering column production, was undertaken in a climate of considerable change in Australian manufacturing. Futuris took a long-term strategic view of AIGL, and sought to align the organization with the main currents of manufacturing reform from the outset. Steering Systems Australia (SSA) profited from a number of key organization characteristics in its re-establishment within AIGL. Together they

represent a coherent and carefully formulated approach to aligning product markets and business operations within AIGL. First amongst these was the corporate approach to its subsidiaries. Futuris took an explicitly long-term approach to investment, and was attracted to the acquisition of companies whose operation was inherently complex, in the belief that such complexity would provide a degree of market security for the business unit in question. The Board also demonstrated a preference for acquiring businesses which were performing poorly, but which had potential for improvement. AIR International fitted these criteria, in that it held substantial contracts with Australian motor manufacturers, but was experiencing cash flow difficulties. The subsequent purchase of the former Tubemakers contracts is consistent in that the company bought an active product with little investment in equipment. In both cases, Futuris sought to improve its capital and earning capacity through what it believed to be better management practices.

A second organizational characteristic was the integration of corporate and business unit operations. The 'strategic planning' approach to business unit strategy ensured that local managers had responsibility and ability to pursue its business with little direct control (Goold and Campbell, 1987). This was facilitated by the overlap of Futuris Board membership and the membership of the AIGL Board. The integration of investment and other resource requirements was undertaken through planning processes, rather than through financial performance indicators. This approach encouraged a longer term and more sensitive approach to each business.

A third characteristic was the identification of the core competence of the AIGL business. AIGL pursued a strategy of building its competitive strength around its ability to assemble relatively complex automotive components. They eschewed competence in design or the ability to produce high production volumes in favour of



a competence that brought together a range of human and technological resources. The goal reflected recognition of the limitations of the company's scale and resources.

A fourth characteristic was the distinctive approach to the management of the AIGL workforce. Its senior managers expressed a strong commitment to an inclusive approach to decision-making, and sought to inculcate a culture in which responsibility for production outcomes was shared by employees. This was manifested in open communication about company performance, the reduction of status differences, and a 'modern paternalist' approach to employment relations. The latter employed a closed shop arrangement with the AWU-FIME, which was used to develop enterprise specific employment arrangements through negotiation. This approach legitimised employment arrangements, while allowing the management group to pursue policies and practices oriented to business needs. The approach to workforce management also allowed a selective approach to human resource management practice. Systematic selection was given high importance, whereas training was more selective. Control within the business unit was more normative than formal. The overall approach was broadly consistent with the cultural approaches to management, implied in contemporary 'best practice' proposals (AMC, 1989).

Finally, the company's approach to its business was underpinned by some important management characteristics. Most importantly was evidence of a consistent management style in which senior managers shared a number of perceptions about the importance of people in a successful manufacturing enterprise. These views encompassed pragmatic considerations regarding the

motivation of employees, as well as strongly held views about the need to respect individual employees and treat them with dignity.

This plant may be contrasted with the situation at Tubemakers, from which it inherited the remnants of the steering column business. At Tubemakers the legacy of size, management style, multi-unionism, a very bureaucratic organisational structure and a core business based on experience in heavy engineering, limited the potential to build a substantially novel system of work organization. In contrast, the same plant at AIR International experienced a more benign situation. A green-fields site, single union and simple management structures, together with a style of management, which gained the respect, and trust of employees, are obvious differences. More significantly, it was evident that the potential for gaining competitive advantage through better management of the workforce, was a value embedded in senior management thinking.

## **CHAPTER 6      MTM PTY. LTD. - FAMILY INTERESTS AND THE DISCIPLINES OF LEAN PRODUCTION**

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### **INTRODUCTION**

The previous two chapters examined the link between human resource management decisions and policies in two multi-divisional companies undertaking the manufacture of automotive components. In both companies the response to pressures for change were shaped by organisational factors, the way in which business units were controlled from the centre, internal labour market arrangements and management style and behaviour. This chapter examines similar production systems in a medium sized family owned company. This case provides an opportunity to examine the influence of similar factors in a family owned company in which family members exerted management control.

The chapter is in three sections. The first examines the origins of the company and the influence of family ownership and control on development of the business. The second section describes organisational structure, production arrangements and work organization. The final section is concerned with human resource management practices, and relates these to the governance and ownership of the business.

### **SECTION 1      CORPORATE ARRANGEMENTS**

An emigrant German toolmaker, Mr. Max Albert and his partner, founded the company in 1965. Following the retirement of his partner in 1983, the family assumed total control of the company. After 1983 the Board included Max Albert and his wife. However, their sons later became Board members, and after Max Albert's death in 1993, the Board was composed of the two sons and their mother. The younger son, Mark Albert became the General Manager and Chairman at that time. Mark, who was an accountant by training, had worked in the business as Financial Manager for two

years before his father's death. His brother Andrew Albert worked in various capacities in the company before becoming Export Manager in 1993. The Company Secretary always attended Board meetings, but his role was limited to the provision of financial reports and information essential for the decisions facing the company. The family was also represented on the Board of the joint venture company Stabilus. (Interviews with; Mark Albert, 1996; 1997; Colin Stannard, 1996; Michael Poulton, 1990).

After Mark Albert became Chairman of the Board in 1993, meetings took on a review function, with formal meetings quarterly. As two of the Board members worked together everyday in the business, and the third member was their mother, informal discussions and decisions were common. Two former managers suggested that the real decisions were made between the General Manager and his mother (Interviews with Poulton, 1996; McIvor, 1996). Both respondents viewed the mother as having critical influence in investment decisions. In such circumstances, the Board's role may be seen as one of affirming policy, rather than an initiating it. As privately owned companies are less open to the scrutiny of financial markets in their operations, it is possible forms of governance may not be as rigorous as in public companies.

A central question examined in this chapter is the role of the family in the management of the business. Until 1983, the founder was both day-to-day Manager and Chairman. However, at that time he appointed the first of a series of non-family General Managers, complicating the relationship between the family and the day-to-day management of the company. Day to day management of the company returned to the family with the succession of Mark Albert as General Manager in 1993, following his father's death. On the basis of their research into the relationship between founders and successors in family businesses, Stanworth and Curran (1973) distinguished between two forms of management succession, which they termed "particularistic" and

universalist" succession respectively. They defined "particularist succession" as a situation in which a General Manager, known to the founder is appointed. They contrasted this with "universalistic succession" in which a General Manager is selected for professional and functional skills (1973: 154-5). In both cases a prime requirement of the appointed manager is the capacity to acknowledge the particular needs of the owners in planning and action. However, the "particularistic" manager is more likely to bend to the needs of the owners than the "universalistic", whose commitment to professional values and skills may be seen as being above the immediate needs of the owners.

The first two General Managers at MtM fit the particularist model, in that they were chosen from amongst people the founder knew personally. However, the third General Manager, Michael Poulton, appointed in 1989, exemplified the "universalistic" style in that he saw his job as that of a professional, working to established rules rather than responding to the immediate sentiments of the owners. As Stanworth and Curran suggest (1973: 159), this approach contains the seeds of a conflict between manager and owner.

Mark Albert's succession represents a reversion to an older model of management succession. Inevitably he was placed in a position of balancing personal or family interests against the apparent dictates of the business environment. To a significant degree the way these pressures were resolved would determine his approach to the job. More particularly, in the present context, his ability to implement significant changes dictated by the changing production and market requirements of the automotive industry. There was, therefore, only a short period in the company's history when the values and priorities of the owners were not dominant. Assumptions about the nature and importance of human resource issues in relation to business policy are

therefore more likely to have reflected the values, attitudes and assumptions of family members about the obligations of employees.

***THE INFLUENCE OF FAMILY OWNERSHIP ON MANAGEMENT STYLE***

The company falls in the small to medium sized business category (House of Representatives Standing Committee, 1990:4; Williams A. J., undated). Apart from the limitations of size and capital, common to enterprises of this size, its family ownership is quite central to the choices and style of management.

The present General Manager identified the main advantages and disadvantages of the private company as against a public company as indicated in Table 6.1. He associated the disadvantages clearly with financial matters, while the advantages were presumed to lie in the area of organization and employment relationships.

**Table 6.1: Perceived advantages and disadvantages of Family Companies**

ADVANTAGES	Less Bureaucratic Closer Staff Relations Local Control
DISADVANTAGES	Dependent on Banking and other institutions for Finance  Can only borrow on track record

Source: Based on interview with Mark Albert, 1993

Access to finance has been identified as one of the main disadvantages faced by private companies (House of Representatives Standing Committee on Industry, Science & Technology, 1990: 45; Johns et. al, 1983). The General Manager and the Company Secretary both talked somewhat disparagingly of the attitude taken by bankers to this and similar companies seeking capital for expansion. They suggested that banks, in particular, had a short-term view, and based their investment on real estate values rather than the intrinsic potential of the company as a manufacturer. This placed considerable onus on the family to self-finance or seek partners other than

banks for development. It explains the importance attached to maintaining profits by the Board, as lenders were known to give strong weight to profitability (Interview: Mark Albert, 1996). During the last years of his active participation in the company, in the early 1990s, the founder explored a number of joint venture and sale opportunities around the world, in an attempt to reduce the dependence of the company on family resources (Poulton interview, 1996).

In spite of Mark Albert's assumptions about the advantages of family companies in relation to employment relations, there is little evidence that the company enjoyed any of the advantages mentioned. While older employees may have enjoyed a close involvement with the founder, the assumption of close staff relationships was betrayed by an industrial incident (discussed below) associated with the development of an enterprise agreement in 1995. Moreover, several employees expressed disquiet over what they saw to be autocratic attitudes and behaviour of one of the founder's sons (Interviews with McIvor, 1997; Poulton, 1996; various production operators, 1996).

Max Albert's style of management was consistent with typologies of entrepreneurial small business managers (Stanworth and Gray, 1991; Stanworth and Curran, 1973). His domination of key decisions, attested by long serving managers, was reinforced by the retirement of his original partner, who is reported to have been less interested in growth than Max (Poulton interview, 1996). However, Max also employed the first outside manager in 1983. To some extent that decision may have been a result of his own declining health. However, by that time, the management demands of what had become a sizeable business were by then increasing. By the early 1980s its annual turnover was approximately \$24m and it was supplier of over 100 automotive components, of greatly varying complexity. It employed just over 300 employees. At that time Max Albert was also the General Manager of the *Stabilus* joint venture.

The relationship between Max and his workforce was influenced by his reliance on skilled workers to build the business, and by assumptions about the nature of the relationship between owners and their employees. The first aspect of the relationship was influenced by his entrepreneurial approach to business development. He relied on the support of experienced and quite highly qualified design and engineering staff to refine designs and develop production systems for new products. However this reliance may also have been consistent with the work traditions he experienced in Germany, before migrating to Australia (Poulton interview, 1996). Accounts of the German manufacturing environment refer to the existence of clear status divisions between skilled workers and unskilled operatives (Maurice et. al., 1986: 54; Lane, 1994:175). The status divide was reflected in the cooperative relationship between Max Albert and skilled workers as against the more paternalist approach to production operators. Michael Poulton, the last General Manager to be appointed from outside the company, commented that Max's style was" (Poulton interview, 1996):

German style management, in which absolute loyalty was expected, and employees were regarded as owing a loyalty to the company.

He suggested that Max believed that the company "owned" the employees.

The approach to production personnel was parsimonious. Over the years, little was done to improve their working environment. However, employees were asked to make financial sacrifices, in the form of overtime reductions and suspension of payment for safety clothing, when the company experienced poor business situations (Interviews with P. McIvor, 1986; Moulding shop leading hand, 1985, Production worker, 1995). The large proportion of employees from non-English speaking backgrounds, many of whom were women, reinforced the subservience of production workers. The large percentage of such employees is shown in Tables 6.2 and 6.3.



**Table 6.2 Original nationality and language groups of production workers, 1996**

Geographic grouping	Language groups included	Number of employees
Australia	English	18
North & East European	French, German, Czech, Polish	29
Mediterranean & Balkan States	Italian, Greek, Spanish, Portuguese, Serbian, Croatian, Macedonian	34
British Isles	English	4
Middle East	Turkish, Arabic	4
Indian sub-continent	Hindu	1
SE Asia	Tagalong, Laotian, Chinese, Vietnamese	25
Total		129

Source: Company records

**Table 6.3: Workforce (all employees) Characteristics, 1991 - 1996**

Characteristic	1991	1996 (May)
Total number of employees	241	184
Ratio Supervisors/production workers	1:15	1:35
Proportion employed as casual	40%	28%
Median age	50	42.6
Proportion of workers whose native language is not English	60%	61%
Labour turnover	40%	10%
Absenteeism	4.3%	4.5%

Source: Company records

From the late 1980s, when the first of several outsiders was appointed General Manager, the company experienced greater pressures for systemisation of management processes and practices. This was influenced considerably by the changing demands of automotive companies, which included the use of a variety of systems for monitoring quality, delivery and product costs. These led to a greater level of documentation in procedures within the company. Poulton's term as General

Manager, between 1990 and 1993, also led to a greater emphasis on the systematic development of strategic plans and product planning.

One of the characteristics of the company was the close involvement of family members in its management. The founder was noted for his continuing involvement in the company after his retirement as General Manager, and until about a year before his death in 1993. While he did not interfere in the day to day running of the company during Michael Poulton's period as General Manager, he maintained a strong influence over many of the major decisions. Moreover, in the absence of any push to actively build a different kind of organisational culture the established styles and forms of relationships continued.

Poulton's approach to management differed from the personalised and paternalist style of Max Albert. However many elements of the family's influence continued within the company, as his two sons worked within the business. Poulton's attempts to change the style and direction of management in the company eventually clashed with family interests. He resigned in mid-1993 over their refusal to commit money to capital expenditure, which he regarded as essential to the development of a more modern approach to manufacturing (Poulton interview, 1996). However, this issue came in the wake of continuing frustration over his ability to exercise control over management decisions, when the management group included two family members.

The financial issue marks another characteristic of the family style, in that the company's long-term welfare was seen by a number of managers as ultimately subject to the immediate needs of the family. Poulton suggested that Max took a very short-term approach to financial decisions, and noted his continual interest in buyers for the company, which were never communicated to staff members (Interview, 1996). Later

experience, relating to the upgrade of production control equipment led the Production Manager to comment that financial decisions were made on the basis of the needs of individual members of the family, rather the company (McIvor, 1996).

When Mark Albert took over he maintained many of the directions instituted by Poulton. However, the values and assumptions of the family continued to influence decisions. More importantly, both sons exhibited an autocratic and even arrogant approach to their employees. While Max had always been autocratic in his approach, many workers appeared to accept his right to exercise that authority. This may have been charisma, but equally it may have reflected the relatively large number of long serving employees in the company. Workforce reductions in 1991, in the wake of the Nissan closure, changed this profile though there continued to be a large number of people over the age of 45 as indicated in Table 6.4 below.

**Table 6.4: Age Distribution of Employees, 1996**

Average Age	Number of employees
less than 20	0
20 to 25	4
26 to 30	15
31 to 40	37
41 to 50	43
51 to 60	31
61 and 65	3
Greater than 65	1
Total Employment	134
Median age 42.6	

Source: Company records

The more arbitrary style of the sons was described by employees as the way they used their position to maintain control (Interviews with McIvor, 1997; Poulton, 1996).

Employees commented that one of these sons, later made Export Manager, continually acted as an arbiter of employee behaviour. Incidents included the scrutiny of the time spent by employees on lunch and rest breaks, and allegations that he

'spied' on them to detect time wasting. Mark Albert attracted greater levels of respect than his brother, but his approach to the implementation of the enterprise agreement in 1995 led quite directly to a confrontation with the workforce. That was the first overt industrial action in the company's history. It resulted from Mark's attempt to bypass consultation, and his arrogance manner when confronted with opposition to his proposals to change working conditions. These included a proposal to removal penalty rates (Interviews with Jack Valic, 1997; McIvor, 1997). In that dispute, which is described in more detail later in this chapter, he alienated the skilled workers by seeking to include them in an enterprise agreement based on exclusive coverage for the Australian Metal Workers' Union (AMWU), replacing their more exclusive representation by the AMWU. In the area of day-to-day personnel management, he also displayed a preoccupation with the superficial attributes of employee commitment. The appraisal system introduced for office and management staff, also described in more detail below, exhibited this preoccupation with behavioural characteristics unrelated to performance.

The style of management and its pervasiveness justify the use of the term management culture. It was characterised by a short-term approach to investment, and an autocratic approach to the workforce. This was manifested in arrogance over the rights and interests of the family as against the needs of the company or its employees. Behavioural expectations were given at least as much attention as outcomes in the evaluation of individual worth.

## **THE DEVELOPMENT OF BUSINESS STRATEGIES**

Strategic development of the company can be examined in three periods, defined by changes in the senior management arrangements. The first period covers the years from the establishment of the company in 1965 to the end of the eighties. At that time a series of external General Managers were employed. This second period, from 1986

to 1993, is marked by the influence of the last of the external managers, who was appointed in 1990, and faced rapid changes in the structure and expectations of automotive assemblers. He attempted to change the style and focus of the company in response to those changes. The final period, from 1993 and continuing, is one in which the founder's younger son became General Manager.

### ***PHASE 1 - FROM ENTREPRENEUR TO ESTABLISHED PLAYER***

The company's growth and development was entrepreneurial. The company began as a contract toolmaker, developing and manufacturing components for a variety of buyers, including automotive assemblers. It later expanded its activities to include the manufacture of automotive components and related products. The approach taken by the founders may be described as opportunistic, in that they sought any business that they considered within their capabilities. Moreover, they took significant gambles on those capabilities. Long serving employees related stories of a design and pre-production environment in which determination to succeed and an ability to work under very considerable time constraints were married to native inventiveness (Interview with production workers, 1996). The driving force in the development of the business from the outset appears to have been Max Albert, a toolmaker by training, whose energy and ability to develop production processes capable of meeting a variety of customer needs was at the heart of the company's growth. Its achievements at this level may be seen to be strongly associated with the character of the founder, his values and drive. However, there were four key factors that influenced the company from the outset.

The first of these was the business and regulatory climate for manufacturing during its early years. The company was formed, and grew in a period of general expansion in Australian manufacturing. In the post war years Australian manufacturing, and automobile manufacturing particularly, grew steadily. The use of various kinds of protective arrangements enhanced the ability of small business to enter and establish

a position in the industry (Department of Industry and Commerce, 1981: Industry Commission, 1988; Anderson 1987). The industry grew considerably in the period 1964-74 after the Federal government's adoption of local content rules for Australian vehicle manufacturers. These rules enhanced opportunities for automotive components suppliers. While these opportunities declined after the revised local content rules of 1974, manufacturers such as MtM, with established relationships in industry, continued to enjoy prosperity.

Secondly, a particularly important factor underpinning the company's growth, were its skilled staff. The "job shop" environment of the early years placed considerable reliance on the skills of engineering and tooling staff. Those employees were expected to respond under pressure to customer requirements. Their ability to do so reinforced the relationships with larger customers such as Ford and Mitsubishi. A particular example of this was an air-conditioning control unit developed for Ford passenger vehicles, based on a range of metal and plastics components. The design and production of this unit, which provided Ford with a product not available in Australia, illustrated the good product engineering skills, reflecting the founder's own skills, and those of experienced and able toolmakers and technical staff. For a small company there was a high commitment to such skills. However, the calibre of engineering staff, and the organisational independence given to them reflected a set of values in manufacturing which was unusual for a relatively small company. The founder's respect for engineering skills and knowledge may be one explanation for this situation.

A third advantage enjoyed by the company, was its involvement in a joint venture with the German company *Stabilus*, manufacturing telescopic gas struts for the furnishing and the automotive industry. This provided financial stability. This joint venture, built around a friendship between the founder and a former colleague in Germany, provided

the company with a profitable investment, and therefore a measure of financial security, while its investment in skilled design staff was also underpinned through cooperative arrangements. The *Stabilus* link was also important in developing the other main aspect of MtM's strategic framework, the building of customer loyalty. It provided the company with a relatively sophisticated product for the automotive sector, thereby affirming and reinforcing respect for the company amongst industry buyers. These relationships were to be the basis of longer-term business associations, which included key customers such as Mitsubishi and Ford (McIvor interview, September 1997).

Finally, the company's relationships with automotive suppliers stood it well in the period after the introduction of the Button Plan, in 1984 (Chapter 1, supra: 35). At that time Australian automotive manufacturers began to embrace new approaches to manufacturing, which included more stringent attention to quality. In 1991 the company was one of the first in the automotive components sector to attain Ford's demanding quality accreditation standard known as Q101. In spite of its early adoption of the Ford quality standard, the company sustained its relationship with other vehicle manufacturers without any clear understanding of the underlying logic and implications of the "new manufacturing systems" described earlier. While there was an obvious financial cost for a company of MtM's size in maintaining its commitment to high quality design and tooling staff, this cost was less serious than its failure to give the same or even equivalent attention to the skills and flexibility of their production employees. Quality continued to be bought through intensive, and sometimes expensive, post production testing and checking. At the same time the workforce continued to work with relatively old equipment, in jobs designed on the principle of greatest simplicity, and in a production layout that changed little until the early 1990s. It was not until 1996

that the company began to embrace the need for operator training to enable them to work in production teams.

The company's relationship with its automotive customers was also insulated to some degree from the more demanding attributes of the JIT supply by its physical distance from Mitsubishi, and by Ford's reliance on MtM as the only supplier of a key air-conditioning control unit. This underpinned a pragmatic acceptance of relatively long supply cycles by those companies, which in turn allowed greater opportunities for error detection and correction by MtM inspectors. It also insulated the company in some ways from the need to change work practices to fully accommodate the JIT regime.

### ***PHASE 2 - MANAGEMENT PROFESSIONALS***

In the second phase of development the family, but more particularly the founder, sought outside expertise in running the business. While this may have been a decision motivated by the onset of what was eventually to be a terminal illness, it was consistent with the need to bring to the company skills in managing more sophisticated market relationships and manufacturing principles then emerging within the automotive industry, as explained in chapter 1 (Supra: 21-25).

The appointment of Michael Poulton in 1988 marked the beginning of a period of reorientation towards the changing market regime, then emerging in the automotive industry. After a successful marketing career in 3-M, Poulton had been attracted to the challenge of leading a small company into a more assured position as a component supplier. His assessment of the company was that it enjoyed a good reputation, and had a good skills base, but that it lacked a clear focus, and had resisted change (Interview, 1996). Poulton took a considered and systematic approach to his task, and provided leadership in developing a new focus for the business. Before his appointment he had had a number of discussions with the company's founder which



had left him with the view that he had been engaged to help the company meet the changing market requirements in the industry (Poulton interview, 1996). One of his first actions was to seek advice from key people in the automotive industry whom he considered to understand the issues facing the components sector. These people included executives in Ford Australia, Nissan and Toyota. The conversations with these people were also used to enlist their support for what Poulton presented as MtM's engagement with the new manufacturing needs. In all of this, it is apparent that Poulton's approach reflected his background in marketing. This is further emphasised in his approach to strategic planning.

Shortly after his appointment Poulton arranged for the Board and himself to undertake a planning process. In a series of meetings in 1988-9 the Board identified a number of strengths and weaknesses in the company's market position. These are summarised in table 6.5.

**Table 6.5: Strategic Strengths & Weaknesses**

STRENGTHS	WEAKNESSES
skills appropriate to product design and volume skilled toolmakers and strong engineering skills	no design reputation internationally ageing production work force
organizational experience in dealing with variety of products underpins adaptability	large product range distracts from needs of more sophisticated market
Ability to satisfy requirements of niche markets	lack of focus
local reputation for reliability	no international reputation
good design capacity for local market	no international reputation
diversity of technology	large product range

Source: Summarised from interview with Mark Albert, 1993

The strategy that emerged had several key characteristics. Firstly, it envisaged a narrowing of the product range in order to provide better focus for production and design efforts. This led to a more exacting approach to the evaluation of new business, and the rejection of some business opportunities, a situation in marked contrast to the

more opportunistic approach of the founder (Ahmet Garib interview, 1990). Secondly, Poulton saw opportunities for the company in the pursuit of niche markets globally. He suggested that the company could operate more economically in production runs of about 60,000 units per annum, whereas most Japanese manufacturers worked with much higher production runs for components (Poulton interview, 1990). Thirdly, the company's major customers in the automotive industry, and particularly Nissan Australia, were to be the means for developing overseas markets. When its Australian plant opened in the late 1980s, Nissan had opened the opportunity for Australian components suppliers meeting its quality requirements to be included in its list of preferred suppliers around the world. Poulton set out to prepare MIM to meet the Nissan expectation, nominating a period of five years as necessary for its attainment (Michael Poulton and Bob Stannard interviews, 1990). His vision included the need for improved production methods, new plant and equipment.

The strategy also assumed an expanding local industry and improvements in both design and production systems. Design capabilities were quite substantial, with a group of 17 people, including some with advanced engineering skills as well as toolmakers. The employment of a Design Manager with doctoral qualifications, and research experience in Australia and Germany, provided significant technical leadership for the group. In this period the Production Manager was encouraged to undertake a wholesale rethinking of production layout and organization, a task that continued on an incremental basis over a period of three years, until his unexpected death in 1994. His successor continued the task, though with a somewhat different style and focus.

While there was an acceptance within the management group that all aspects of the company's operations needed improving, the approach to human resources was less

complete. Poulton extended the existing commitment to a core of skilled workers with strong support for the employment of managers with substantial professional and technical qualifications (Gharib interviews, 1990, 1991). However, neither Poulton nor any other manager expressed an understanding of the human resource challenge that might be expected from the adoption of the more exacting production methods and processes, necessary to satisfy their customers. A personnel manager was appointed in 1989, but the role was limited from the outset by its lower status relevant to Production, Marketing and Design, and by the low expectation of the role amongst the managers. Added to the low expectations of the role, the person appointed brought little experience in dealing with the demands of changing work practices. His previous experiences, and the MtM position, were oriented to providing administrative systems and support for managers. In the terms used by Tyson (1987), his role was that of a "clerk of works" rather than an "architect". His failure to initiate the kind of reforms being promoted within the automotive sector, and promoted by government agencies (AIC, 1989) cannot therefore be laid at the door of the individual concerned. Essentially the Personnel Manager was left to develop a traditional personnel function, and he enjoyed little authority within the management group.

Poulton's changes represented a clearer market orientation, one that provided a longer-term perspective than the situation that existed in MtM at that time. His resignation, in 1993, reflected in part, the inability of the family to accommodate his proposals for capital expansion and modernisation. These plans envisaged the building of a new factory, and the use of more modern production equipment including robots (Tom De Young interview, 1990). However, the plans were frustrated by the closure of Nissan Australia, which had been a major customer, and central to the market objectives then being pursued. The effect of the loss of Nissan business from 1991, together with the general turndown in the automotive market between 1993 and 1995,

was to reduce annual turnover from \$23m in 1991 to \$17m in 1995. There was a corresponding drop in the workforce, from 250 in 1991 to 184 in 1995. The founder's son took over as General Manager in July 1993

### ***PHASE 3 - CROSSROADS***

As indicated above, the appointment of Mark Albert as the General Manager restored the business to more direct family control. His overall strategic approach did not depart in any significant manner from the directions built by Poulton. However, he did exhibit a greater interest in taking advantage of government trade missions to get greater overseas exposure for the company. In pursuing this process, he used political and industry contacts close to the Victorian government (Mark Albert interview, 1995).

Some of the managers interviewed were cynical about the degree to which Mark Albert was prepared to go beyond rhetoric, in meeting the new challenges. However, it is evident that he did recognise a need to place more focus on the internal capabilities of the company (McIvor interview, 1997). In part this can be explained as recognition that the company had something to gain by responding positively to the demands of car manufacturers for rigorous quality requirements, cost reductions over the life of the product, and continuous process improvements. He described these requirements as 'barriers to entry', which would provide the company with some security within the industry. In the emerging competitive environment of the late eighties the maintenance of these barriers required increased attention to management systems and procedures.

As indicated above, MtM built a solid relationship with automotive companies over a long period. In the late 1980s, these companies were beginning to adopt new supply regimes, which involved greater demands on those working in supply and marketing departments. While the achievement of Ford's Q101 accreditation was a milestone for

the company, it was to some extent a reflection of the existing relationship supply relationship with Ford, and required little change in internal operations. However, over the next few years that situation began to change. Some managers remarked on the demands made by Toyota for changes in internal management systems, including the employment of a quality manager. The employment of a new quality manager, in 1995, reflected such demands. However, the company gave relatively less attention to human resource and work organization changes until 1995. At that time these issues were acknowledged by the General Manager, though his substantive response to the issues was less assured, and there continued to be some uncertainty over the range of human resource changes needed. This response is discussed in the following sections.

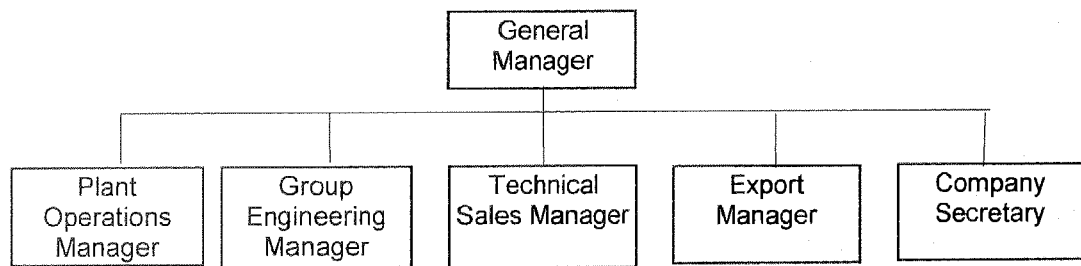
In 1997, MtM was continuing to profit from some of the attributes of the company in its early years. It had a supportive customer base, and a highly skilled technical staff, capable of designing and implementing new products. It also enjoyed a diversity of production resources, which facilitated a more flexible approach to product materials and design than was the case in Tubemakers. In general terms, the diversity of equipment and capabilities, ranging from metal fabrication and tool design to plastic injection moulding, allowed for more flexibility and diversity in the product range. It provided the company with a capacity to design or adapt products for a variety of processes and raw materials. However this diversity also created a capacity that needed to be occupied, thus maintaining the drive for product proliferation.

## **SECTION 2            ORGANISATIONAL STRUCTURE**

The current organization chart (Figure 6.1) retained its basic structure the period between 1990 and 1995. However, the way in which this structure operated was important for the ability of the company to maintain its effectiveness. An important aspect of MtM's management was the pivotal importance of the General Manager.

Meetings of the management group were scheduled by the General Manager and addressed strategic issues as he presented them. This had been the case under successive General Managers, though there was a significant difference in the exercise of this authority by externally appointed GMs. In that situation the General Manager operated within parameters decided by the board, but was able to discuss interpretations of those decisions with the management group. However, with restoration of family control the General Manager and his brother tended to use management meetings as a means of asserting detailed control, with the authority of the Board (P. McIvor interview, 1997).

**Figure 6.1: Organisational Structure, 1995**



Source: Company documents

Management meetings were chaired by members on a rotational basis. However, it became clear that the frequency of meetings and the agenda were determined by decisions of the General Manager. Several managers suggested that efforts to develop a collegiate decision making style, after 1993, were inhibited by the frequent absence of the General Manager, either on overseas business trips, or for family reasons. In such circumstances the management meetings did not take place and coordination declined. Andrew Albert's presence in management meetings also inhibited discussion, as he was seen to be checking the freedom of managers to consider alternative courses of action that might involve the family in additional expenditure (McIvor, 1996, 1997).

During 1989, when Michael Poulton was General Manager, a planning workshop was conducted, which identified a range of performance measures, summarised in Table 6.6 (Poulton interview, 1990). In a later interview Mark Albert suggested that management meetings monitored the overall performance of the company through these measures (Mark Albert interviews, 1996, 1997).

**Table 6.6: Performance Measures used by stakeholders**

Banks	<ul style="list-style-type: none"> <li>• cash flow</li> <li>• profitability</li> </ul>
The Board	<ul style="list-style-type: none"> <li>• Return on funds employed</li> </ul>
Management Group	<ul style="list-style-type: none"> <li>• sales per employee</li> <li>• MtM's percentage of Australian made vehicle components</li> </ul>
Functional measures used by individual managers, but discussed at management meetings.	<ul style="list-style-type: none"> <li>• inventory turnover</li> <li>• labour percentage of sales</li> <li>• rework time</li> <li>• material variations</li> <li>• quality returns</li> <li>• indirect labour as percentage of sales</li> <li>• purchase savings</li> <li>• reduction in production time</li> <li>• days holding of stock items</li> <li>• employee turnover</li> <li>• overtime as percentage of sales</li> <li>• production costs as percentage of sales</li> </ul>

Based on Interview with Mark Albert, 1993

However, other managers reported that the meetings were not conducive to shared responsibility over these matters, as financial decisions were effectively made outside the meeting (McIvor interview, 1996; Bob Stannard, 1996). An instance of this was the proposal for a computer system to integrate production and supply decisions put forward by the Production Manager. The General Manager supported the investigations leading to this decision. However, the Board, which included the General Manager and his brother, both of whom had agreed to the proposal in the

management meeting, rejected the proposal. The Production Manager in particular, felt he had been misled by the General Manager (McIvor, 1996)

## **PRODUCTION SYSTEMS**

As indicated in earlier chapters, the notion of lean production has become a benchmark for Australian manufacturers. For those involved in the automotive components sector the pressure to adopt quality and production systems consistent with those of the automotive manufacturers was considerable. One of the central themes of this study is the degree to which these pressures have resulted in the adoption of the paradigmatic lean production characteristics. In this section the company's changes to production systems and their management are examined.

### ***PRODUCT DESIGN AND DEVELOPMENT***

The origins of the company implied a capacity to adapt and design products for assembly or fabrication based on the skills of the toolmaker. Some older members of staff have described in an anecdotal manner, the trial and error creativity that surrounded some of the company's successful tenders. During the 1990s however, the management had given more attention to creating a substantial and advanced range of skills in the product development and production engineering area.

Between 1990 and 1995 the Engineering area was headed by an engineer with doctoral qualifications, originally trained in Germany. It consisted of 55 people of whom eight were devoted to product development. The product development area provided support for both MtM and Stabilus, and included people with either trades and engineering backgrounds, and a great diversity of experience. They were notably international in their experience. The emphasis on significant design skills was continued with the appointment of a new head of the area in 1995. That incoming manager brought considerable experience and a demonstrated ability to undertake



innovative designs. This group had its origins in the growth of the company, and the joint venture arrangement in particular. However, the strategic importance attached to the continuation of the group was the single most positive human resource attainment in the company.

### ***FACTORY PRACTICE***

The production systems and machinery varied greatly in complexity. Automated and manually operated equipment such as robot welders, plastic injection moulding machines, and presses were used to produce large volumes of sub-components. Other, more critical components, requiring precision machining, were bought in from sub-contractors. Final assembly of components such as steering columns or hand brakes was undertaken on custom-built benches with a high input of manual labour. The machinery used in fabrication reflects the "job shop" origins of the plant, and did not necessarily represent a logical choice of activities for an assembler of complex components (Hayes & Wheelwright, 1984: 176). The workforce was similarly divided in its skill capacity, with tool room employees having the highest level of formal skill.

The decision to focus the company on the production of fewer, more complex components dictated changes to the way in which workplace activities were organised. Between 1987 and 1993 the founder, and his production manager focussed on a number of incremental changes to the factory layout aimed at improving the flow of components. However, the remote location of the inwards material store, and continuation of a functional grouping of most production machinery, prevented any significant improvement in what were inefficient and expensive materials handling practices. This was demonstrated in the relatively large batches of components in the production area. While there were attempts to develop JIT delivery within the factory on the basis of batch production schedules, this was inhibited by factory layout. In the summer of 1990-91, the Plant Operations Manager undertook what proved to be the

most ambitious single re-organization of equipment. This re-organization left machinery in functional groupings, but it did result in a more logical, cleaner, and more efficient layout for the functions undertaken. The new layout entailed detailed changes to the organization of workstations, and some alterations to the tasks performed at them. However, there was no attempt to broaden jobs or increase levels of worker autonomy. The improvements in productivity claimed from this exercise relate most particularly to the improved flow of components associated with the revised layout.

### ***WORK ORGANISATION***

Until 1996, the assembly of steering columns, and other relatively complex automotive products, was undertaken in assembly areas, consisting of a sequence of workstations at which operators would make incremental additions to the column as it moved past them. Partly completed columns were held in batches between workstations. This assembly work was relatively simple and repetitive, and operators were required to move to other areas of production subject to the production levels of various products.

A single supervisor oversaw the assembly area throughout the period. He was responsible for work allocation and on the job training. In 1995 an assistant supervisor was appointed to assist the supervisor. Another aspect of work organization is the character of supervision. Between 1989 and 1993, when the company was faced with the greatest challenges to traditional ways of working the Production Manager of the time spent considerable time on the factory floor, dealing with production problems and changes. His propensity to spend time in the factory was, at first sight, a means of increasing trust and communication between management and staff. However, several of the older employees commented more negatively about his presence, suggesting that he spent over half of his time dealing with problems, expected subordinates to refer problems to him, rather than solving them themselves, and was prone to displays of temper when problems proved intransigent. While most employees respected his

technical capacity they were more critical of his accomplishments as a manager of people.

The single most significant change in work systems was undertaken in 1994-5, specifically in response to the complexity of a new steering column for a forthcoming Mitsubishi model. This product had challenged the ingenuity of the company's production and engineering staff, and, when production engineering was undertaken it became evident that the product required a more dedicated and competent assembly staff. The Production Manager, with advice and assistance from Mitsubishi, concluded that the product demanded a new approach to production organization. It was decided that a cellular production unit, dedicated to the assembly of the Mitsubishi column, would allow a higher level of skill to be applied to production and quality control related to this column. An external consultant was engaged to undertake team-building activities with selected production personnel. These activities were described by the Production Manager as the beginning of a process of introducing team working arrangements in the plant more generally (McIvor interview, 1996). However, the cell did not embrace the idea of team working beyond the rhetoric of cooperation and greater level of task flexibility embodied in the production cells.

While the arrangements for the Mitsubishi column were important, even these innovations need to be placed in perspective. There were a number of limitations to this move away from established patterns of work organization. Firstly it was confined to the Mitsubishi steering column. Secondly, operator skills were not dramatically changed. They were involved in multi-tasking, rather than multi-skilling, though the standard operating procedures did incorporate a greater array of quality checks. Thirdly, the level of supervision was unchanged (McIvor interview, 1996). Finally, the

opportunity for the group to interact and take mutual responsibility for tasks was limited by the layout of machinery and the design of jobs associated with the equipment.

Work organization, with the exception of the Mitsubishi cell, was virtually unchanged in the period of the study. While there were a number of improvements in factory layout over those years they were oriented primarily to work and materials flow, and job design continued to be based on the principle of simple routine tasks performed under close supervision. On the positive side improvements to production layout did enhance the physical work environment and did break down some social barriers between work areas. Workstations were also progressively improved with standard operations incorporating some basic quality checks.

### **SECTION 3 HUMAN RESOURCE MANAGEMENT**

#### **Workforce Characteristics**

MtM was a relatively small company with a total employment of just over 250 employees. The company's workforce was similar to other companies in the manufacturing sector. It was ethnically diverse with approximately 60% of the workforce having a non-English speaking background, and within that group, 22 language groups were represented (Table 6.2). These people were mainly employed in the production area.

The workforce has an almost equal gender balance, with females concentrated in assembly and injection moulding areas. The distribution of employees by gender and ethnicity across the production departments has reinforced divisions within the workforce.

MtM employee levels fell after 1993, largely as a result of the Nissan closure. However the average age of employees did not alter significantly, with 55% of production

employees over 40 years of age (Table 6.4). The company retained a cohort of people with over 15 years service, as shown in Table 6.7, though the majority of employees had less. However, as indicated by many respondents, the older workers retained considerable authority within the workforce, and tended to occupy the more skilled and better paid jobs (Interviews Mark Albert; Production workers, 1996; McIvor, 1996).

The workforce profile suggested a relatively stable workforce. The level of labour turnover was generally much greater amongst people employed in the assembly area. In 1990, this was estimated to be over 40% (Tom De Young interview), though the figure was reported to be much lower by 1995 (Mark Albert, 1996). The higher turnover amongst assembly workers can be explained by their generally lower levels of earnings, compared with those available in other manufacturing companies in the area (Tom De young, 1990). In the early nineties the Victorian labour market was relatively competitive for such workers, but in the mid-1990s with higher levels of unemployment there was less opportunity for workers to obtain alternative employment. While this explanation provides a rationale for the situation at MtM, it was suggested by several workers interviewed, that the work environment was generally unsatisfactory. Their complaints included instances of autocratic supervision, sexual harassment and uncomfortable working conditions (Employee interviews, 1996).

Stability in the workforce may not be an indicator of worker satisfaction. A union official explained the low turnover by reference to the ethnic composition of the workforce. He argued that people with poor English language skills and low skill levels are not confident about their opportunities in the labour market, and therefore tended to hang on to their jobs (Interview with Jack Valic, 1997). There was certainly little evidence that MtM jobs were inherently more satisfying, or that working conditions were superior to those elsewhere. Indeed there were indications from discussions with employees,

some managers and a union official, that there was very little inherent job satisfaction (Valic, 1997; Employee interviews, 1996; Pearce, 1990; Vaughan, 1990). One indicator of this was the reaction that accompanied the move by the company to instigate the first enterprise agreement in 1993, which is discussed below.

**Table 6.7: Length of Service by number of production employees, 1996**

Length of Service	Number of employees
less than one year	4
2 to 5 years	42
6 to 10 years	54
11 to 15 years	11
16 to 20 years	20
21 to 25 years	3
over 25 years	0
Total employment	134
average length of employment	7.66 years

Source: Company records

### **Responsibility for Human Resources**

The management of human resources was not given consistent or strategic attention. A Personnel Manager was employed in 1989, but his role was essentially focussed on the development of basic personnel procedures. After his resignation in 1991, one of the founder's sons, Andrew Albert, assumed the role. Several employees commented adversely on the Andrew's approach to the job. He was regarded as inflexible and authoritarian, and appeared to have seen his role as linking ensuring that employee behaviour was consistent with family values and expectations (Interviews with Andrew Albert, 1996; Production workers, 1996).

After his appointment as General manager in 1993, Mark Albert, took responsibility for personnel issues, initiating, for example a performance appraisal system, and an enterprise agreement. His approach was marked by stumbles in employee relations,

associated particularly with the negotiation of the enterprise agreement in 1995.

However, he also became more reliant on external consultants in dealing with aspects of human resource management (Mark Albert, 1996; McIvor, 1996). These consultants included people introducing team working principles, a workplace literacy teacher, and an industrial relations adviser from an industry association. While each of these consultants brought valuable specialist experience it was neither consistent nor sustained. The industrial relations adviser was used to support the move to a single union enterprise agreement. The former Production Manager commented that the adviser shaped the whole process (McIvor, 1996). Human resource advice appears to have been provided to the General Manager in a completely informal manner, as there was no evidence of that consultant talking to any employee, or providing a detailed report. The government funded English Language and Literacy advisor<sup>1</sup> was funded under a Commonwealth workplace literacy program. She was subjected to close control by Mark Albert, who insisted on reviewing figures on workforce skill level provided for the writer.

The limitations of external advice were compounded by the lack of internal experience or knowledge in human resource management concepts. This, and the Board members' assumptions about their relationship with employees prevented the development of a credible approach to human resource management. While the training expenditure increased, and an appraisal system was introduced for office staff, the company's approach to human resource management was largely ad hoc. As indicated in the discussion of family culture, the assumptions of workforce loyalty continued to inform personnel decisions.

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<sup>1</sup> ELL advisors were funded under a scheme financed by the Federal government to improve workplace communications.

At the time of writing human resource practice and policy were poorly developed. There was a lack of commitment to resources in the area, and decisions reflected the values of the family members in the company. In general these values treated employees as costs and as requiring close and detailed supervision. Such values were clearly inconsistent with the requirements of team working, involvement and open communication associated with "best practice" approaches to management. This area of management was not well developed and was one that the company appeared to have the greatest difficulty in addressing effectively. This may have reflected the influence of family interests and values, as distinct from the needs of a manufacturing enterprise facing a sophisticated competitive market. The company relied on the paternalistic style of the founder to achieve its objectives, and this was not a good basis for the development the employee skills and confidence appropriate to greater responsibility on the shop floor.

### **Employee involvement**

The 'lean production' model places great importance on effective HRM practices (Krafcik, 1989; Chapter 1: 23-4). In particular communication and consultation were critical to the integration of employee interests and abilities with the needs of the managers in producing products in the most efficient manner.

The size of the company and the location of all its activities on the one site offered some inherent advantages in ease of communication. However, as suggested above, these advantages were offset significantly by the style and attitudes of the owners, divisions between technical specialists and production personnel, and divisions within the workforce based on ethnic and gender differences.

A formal system of consultation referred to as a Communications Group was established in the late eighties, and was given greater status as a vehicle for



negotiating an enterprise agreement in 1994. The Communications Group was effectively the Occupational Health and Safety Committee with a broader role. It was made up of the production manager, the General Manager, supervisors and employees representing each of the departments within the factory. The employee representatives were wee nominated by management, but were also confirmed as representatives by a meeting in the relevant work area. The main objective of the Committee was to smooth out production and related problems (notes provided by McIvor, 1996). While staff could raise issues for discussion, the meetings were treated as an opportunity for managers to explain their policies rather than being a genuine forum for representation of employee views.

With the exception of the toolmakers and maintenance workers, MtM production employees were non-unionised until the conclusion of the first enterprise agreement in 1995. Until that time there was little contact with union officials, and skilled workers were nominal in their union affiliation. Other production workers were not members of a union. The conclusion drawn by managers to this situation was that employees were essentially satisfied with their working conditions (McIvor, 1996, 1997; M. Albert, 1996). In retrospect, it can be seen that the paternalist environment, allied with a high proportion of unskilled workers, women and people from non-English speaking backgrounds were factors which inhibited overt expressions of opposition or criticism. However this situation changed dramatically when the General Manager sought the introduction of an enterprise agreement in 1994. This initiative marked a transition in the overt character of employee involvement and relationships with management. The difficulties encountered in the enterprise bargaining process were a testament to the continuation of a 'traditional' approach to employee relations. This was characterised by an adversarial approach to union-management relations, and a desire to maintain

control over the behaviour of employees and the costs of labour (Purcell, 1987; Purcell & Ahlstrand, 1994: 193-4).

### **Industrial Relations**

In June 1994 MtM was served with an industrial claim by the Australian Manufacturing Workers Union (AMWU), which sought wage increases for its members who were covered by the Metal Trades Award. These members were the skilled workers located mainly in the tooling and maintenance areas. While the claim was originally sent to the company early in the year, the General Manager made no response to the union, and did not inform his managers that it existed (McIvor, 1997). However, he did accede to suggestions by his Production Manager, that the Communications Groups might be used to develop an enterprise specific approach to wages and conditions. The Production Manager's view was consistent with advice from the Victorian Chamber of Manufacturers. It was suggested that the company should consider developing an Enterprise Flexibility Agreement (EFA), to cover enterprise specific working arrangements, using the provisions of the Industrial Relations Reform Act of 1993, which had been passed by the Federal Parliament the previous year. Such agreements allowed conditions of work to be determined for the whole workforce in a uniform manner, regardless of union representation, provided only that a Federal award covered some employees. EFAs did not require a formal dispute notification process, and could be negotiated directly with employees, subject to safeguards provided in the Act. (Stewart, 1994:145; Naughton, 1994: 156-162).

It was evident that the General Manager and his management group were attracted to the EFA for what they saw as its potential to encourage a clearer focus by the whole workforce on issues they believed to be essential to the company's future. The General Manager may also have seen this as a means of averting the claim made by the AMWU. In August the managers introduced discussion about an EFA in the

Communications Group, and were shortly afterwards informed of the AMWU claim by the General Manager. The Group began discussion over potential clauses for an EFA in August, and these were formalised into a draft in October. The draft agreement, which largely reflected management views, included clauses for longer shifts without penalty rates, ending the Rostered Days Off system, establishing performance targets and productivity bonuses, as well as a number of "punitive" clauses covering absence and accidents. The EFA proposal also sought greater control over the behaviour of employees by making them responsible for reductions in the costs of absence and accidents (McIvor interview, 1996, 1997; and company file notes provided).

This approach to establishing the first EFA was flawed in two respects. Firstly, the non-elected nature of the Communications Group was an obstacle to gaining employee consent to the EFA proposals, as required in the Industrial Relations Reform Act. Secondly, the intention to apply the EFA to the whole workforce was based on the assumption that all employees would agree to be covered by the agreement. The vast majority of the workforce had not been previously covered by any agreement, their working conditions being based on the Metal Trade Award, while the trades skilled workers were represented by the AMWU.

The first issue was brought to a head after a small group of production workers invited a National Union of Workers (NUW) representative to advise them on the process which was emerging. Faced with the possibility that the Communications Group might not satisfy the legal requirements for employee consultation under the Act, the constitution of the Group was changed to provide for elected representatives and a specific role in negotiating industrial agreements. This was done in October, and the Constitution of the Group endorsed by a meeting of all workers, Election of Group

representatives was scheduled for December. At this time it appears (Interviews with Mclvor; Valic; September 1997) also that the General Manager offered the AMWU sole coverage of the workforce, so as to reduce the influence of the NUW and in exchange for acquiescence in the EFA. However, the greater workplace discussion emanating from the discussion with the NUW, which addressed employees late in November, and from the consideration of the draft EFA placed on notice boards in October, had the consequence of raising employee concerns over the intentions of senior management.

A range of suspicions was aired within the workforce. Some believed that the EFA would reduce their pay, and others, with memories of concessions made in work arrangements and entitlements during previous economic downturns, expressed resentment over what they saw to be management arrogance (Interviews Mark Albert, 1996, 1997; P. Mclvor, 1996. & Jack Valic, National Union of Workers, 1997). While members of the family were said to have been "dismayed", by the hostility that emerged at this time, it was clear that they had assumed employee acquiescence in many management actions, without thought for the way they might affect employees. Some employees reported how they had forgone overtime for Saturday work, and permanently lost payment for safety clothes in the economic downturn following the Nissan closure, but had never been compensated or thanked for their sacrifice. The Production Manager also argued that there were many over-paid people, which he attributed to the "cronyism" of a former Production Manager. These people were amongst the bitterest complainants, as they feared that the introduction of industry based career paths and standards would reduce their pay and entitlements (Interview, February, 1996: Mclvor). The most immediate outcome for the enterprise bargaining process was the entry of a new player in the form of the National Union of Workers (NUW). This was not only a reflection of the distrust emerging amongst employees,

but was implicitly a criticism of the role of the AMWU at MtM. The NUW lodged a log of claims with the company in November 1994.

Between November 1994 and March 1995 the industrial situation remained tense, and was exacerbated by a demarcation dispute between the NUW and the AMWU. During this period the General Manager sought to align the company with the AMWU, in an effort to keep the NUW out of the workplace. However, this tactic proved counter-productive, in that the NUW extended its demands with a full log of claims and sought a hearing before the AIRC to resolve the issue. A stop work meeting of NUW members, in March 1995, revealed their active support to be approximately 25 people. Some managers saw this number as vindicating a stand against the NUW. However, their view may also be seen as a denial of the impact history of authoritarian management style within the company. Many employees, accustomed to the history of petty discipline and disregard for their individual interests, may have been reluctant to express their opposition in such an overt manner. Between March and June the Communications Group undertook a series of workplace discussions with employees, seeking from them opinions on the issues to be addressed in the EFA. It developed a discussion paper for consideration as the basis of the final Agreement. The final Agreement was ratified by the AIRC in July 1996, and provided for joint coverage of the workforce by the NUW, and the AMWU (AIRC, 1995). The Agreement provided for staged wage increases and an additional productivity increase related to the achievement of a range of performance targets. However, contrary to managements' original wish, these targets were to be monitored by the Consultative Group (MtM Enterprise Agreement, 1995). The Agreement is discussed in greater detail in the next section.

This dispute provides evidence of underlying divisions and dissatisfactions in the workforce. The most obvious explanation of the reaction of employees lies in the attitude and approach of the General Manager. However, the dispute also exposed divisions within the workforce, which had been the source of dissatisfaction over a long period. The first of these was the patchwork of different "cultures" in the departments within production. This pattern, based largely on ethnic origins of the workers, limited opportunities to develop a more integrated and singular approach to production practices. Greek and Italian women dominate the plastic moulding area, while relatively better paid male Yugoslav, Italian and Polish workers are concentrated in machining and welding. The assembly area was more heterogeneous with Vietnamese, English, Australian and Greek women. Until the mid-nineties, they were supervised only by male Australians, until a Polish woman was made an Assistant Supervisor to reduce complaints about supervisory style. The second issue related to supervisory style. Workers commented on the autocratic style of their supervisor and more seriously, there were several complaints of sexual harassment. Although no formal complaints were laid concerning this harassment, there continued to be underlying distrust of management as was evident in conversations with women in the area (Interviews with various production employees, 1996). No formal complaints were laid concerning this harassment, possibly because there were few avenues for complaints, and these workers were apprehensive over the attitudes of managers.

Thirdly, the workforce was divided on gender divisions. The more skilled work, offering opportunities for self-pacing, was dominated by males, and there were no female employees in tooling or machining areas. Females were located mainly in assembly work, and on the plastic injection moulding machines. The latter area was, until quite recently, regarded as one of the worst places to be in the whole plant, with dirty and crowded conditions and repetitive work.

## Employment Conditions

The EFA reflected a serious attempt to develop a set of conditions relating to the demands of the competitive and production situation facing the company. The outcome of the process represented a compromise, rather than a constructive dialogue.

The agreement validated a number of existing expectations, while opening the opportunity for different ways of working. At the outset the Agreement contained a formal statement acknowledging the logic of the production situation. It places the satisfaction of customer needs at the heart of the contract and relates employment security to the achievement of that objective. Later clauses contain more substantive expression of employer objectives. One of these is the linking of 2% of the pay rise to performance achievements as indicated by three Performance Indicators. While the Consultative Committee was to be involved in administering the payments related to the indicators the indicators were clearly defined in the agreement. They were:

- Time lost due to accidents      target: 0.8 hours per 1000 hours worked
- sick and unpaid leave          target: 1.7% of total working days  
available
- in-house rejects                  target: 0.75% of value of production

Two of these indicators must be seen as regressive in that they place the burden for managing these events on employees, without offering any means of accomplishing the objective. They also create the possibility of self-destructive behaviour such as the hiding of accidents, or attendance at work while ill. The final objective is again not one entirely within the control of employees. These Performance Indicators can only be understood as part of the established pattern of control over employee behaviour.

In contrast the company expressed a strong commitment to training, the development of multi-skilling and skill based career paths. These issues were clearly of potential

benefit to employees, but they were linked quite directly to the changing production needs within the company. Training for team working, for example, was to be available to workers involved in new production arrangements. This was consistent with the approach taken in other areas of the industry, where quality and 'lean production' systems were being implemented. However, these were dependent on the company's ability and commitment to undertake the changes in work organization and supervision required in such systems. In practice, the only area in which the company had made any attempt to move in that direction, was the Mitsubishi production cell, and as indicated in previous discussion that had not altered job design or supervision to any significant degree.

The specific attention to career paths and classifications, relating them to metal industry standards, had been the object of some concern for a number of the older production workers when they were first raised. Many of these workers had enjoyed pay increases through re-classifications, without any formal assessment of change in work value. This over-grading was threatened by a structure based on clear definitions of responsibility and competence for each level. However, there was no attempt to reduce classifications, even though the agreement specified the use of skills audits to ensure that people were paid for skills used.

Pay rates at MtM were about \$10 per week above the award. However, the firm was located in the industrial suburbs of Western Melbourne, where the local labour market was dominated by manufacturing firms, many of which paid far more over the award for equivalent skills (Tom De Young, 1990). This continued to be a problem for the recruitment of workers with any level of skill. Job security was enhanced with a decrease in the proportion of casuals in the workforce from 40% to 28%, a figure closer to the industry norm. While this was a dramatic improvement for the many



employees who had been employed casually, it also exposed the degree to which the company had ignored industry standards previously.

In many ways the Agreement represent an achievement for MtM management. However, it did bring industry standards to the company's employment practice, and provided opportunities for growth in wages and skills enhancement. These were however, limited to the company's willingness to pursue the contemporary industry production standards.

### **Skill levels and skills acquisition**

Workforce skills tended to be related very strictly to particular jobs. There was little multi-skilling, though (as indicated above) multi-tasking had been established for the selected employees engaged on production of the Mitsubishi steering column. While the proportion of supervisors appeared high, this was a consequence of the company's practice of re-classifying workers to low supervisory levels as a means of improving their financial rewards. This was done with little commensurate increase in responsibility. There also continued to be strong reliance on indirect production support as distinct from building the level of multi-skilling amongst production employees.

The company participated in a workplace ELL programme funded by the Federal government. While managers talked approvingly of the outcomes of that process there was no attempt to go beyond the basic commitment. Moreover, selection processes continued to be based on unstructured interviews with little attempt to develop more rigour.

While there were attempts in the early nineties to develop a register of skills for production workers and use this as a basis for formal training, the project did not progress very far. As indicated above, the level of skills for production operators was

no high, though in contrast the maintenance and tooling areas employed people with trade and post-trade skills. However, following the appointment of a new Production Manager in 1995, a more concerted approach to skills development emerged. This was reflected in the EFA, which committed the company to the reimbursement of approved formal education programs. The General Manager also affirmed skill development as a priority area for the future, and the training budget was increased dramatically in 1995-6. That was partly explained by the greater use of consultants for human resource management advice, and in training associated with the Mitsubishi production cell

### **Career management**

While the General Manager was committed notionally to the advancement of people within the company, there were no explicit practices to obtain that objective. As indicated in the discussion of employment contracts, the company played lip service to the idea of skills based career paths for manual workers, and there were few opportunities for internal progression in the production area. For engineers and others career paths are less elusive, though career progression was frequently attributable to personal preferences of senior managers (Tom De Young, 1990; McIvor, 1996). The system of appraisal, which applied only to office staff, was based on judgements about traits and behaviours that were poorly related to individual job performance or business needs.

The General Manager introduced the personnel appraisal system for non-production workers during 1996. The scheme's validity was seriously challenged by the operating context within which it was introduced, while its overall design reflected and reinforced the paternalist and unitary approach to management discussed previously. No clear objectives were available for the scheme though the General Manager did talk of the scheme as one of evaluating performance. However, the documentation

accompanying the appraisal forms provided no background or explanation for the process or its objectives. While some provision was made for development plans, the appraisal was largely focussed on a series of performance criteria against which the employee was rated.

The appraisal form, intended for use by supervisors, included two questions requiring an appraisal of the employee, a question for target setting and personal development, and space for the supervisor's assessment of the developmental possibilities of the employee concerned. A small space was provided for employee comments. The character of the appraisal process was most clearly indicated by the question incorporating the main criteria for evaluation. Table 6.8 summarises this list, which was supplemented by a behavioural checklist for each of the general areas of evaluation. Table 6.9 provides three examples of the behavioural checklist.

There were a number of difficulties in the assessment scheme. Firstly, There was inconsistency between the table in question 2 of the Appraisal form (Table 6.8), and the behavioural checklist attached to the form (see Table 6.9), in that the sub-items in question 2 were not included in the behavioural checklist. A second problem related to the evaluation dimensions. As may be seen, the questions included some concerning personality traits, others in which a number of complex judgements were required and others which were superficially related to jobs, but which were pitched at a very high level of generality.

**Table 6.8 Selected items from the MtM Performance Appraisal**

Question 2	Appraisal characteristic (refer to attached chart)	Grading				
		A	B	C	D	E
Professional	<ul style="list-style-type: none"> <li>• knowledge/ability</li> <li>• knowledge of relevant specification, product, customer</li> <li>• knowledge of relevant policies &amp; procedures - internal</li> </ul>					
Working characteristic	<ul style="list-style-type: none"> <li>• willingness initiative</li> <li>• working methods</li> <li>• working pace</li> <li>• accuracy</li> <li>• ability to follow through to finish</li> <li>• standard of work reports</li> <li>• quality improvement</li> <li>• problem solving ability</li> <li>• cost saving proposals</li> <li>• tardiness</li> <li>• absenteeism</li> </ul>					
personal factors influencing performance	<ul style="list-style-type: none"> <li>• perception</li> <li>• appraisal faculty</li> <li>• acceptance of responsibility</li> <li>• ability to establish personal contacts</li> <li>• ability to work within a team</li> <li>• personal communication skills</li> </ul>					
leadership qualities	<ul style="list-style-type: none"> <li>• setting of targets &amp; information</li> <li>• delegation of assignments</li> <li>• leadership &amp; appraisal ability</li> <li>• development of employees</li> </ul>					
additional factors	<ul style="list-style-type: none"> <li>• interest in advancement</li> <li>• knowledge of languages</li> <li>• current additional study</li> <li>• planned study</li> </ul>					
consolidated appraisal						

Source: MtM Pty Ltd standard Practice Procedure - Performance Appraisal

The problems are aggravated when the behavioural checklist itself is examined. Table 6.9 show the checklists for three questions, which also demonstrate the effort made to evaluate minute aspects of work, unrelated to work outcomes. It can be observed in each case, that the behavioural scales are not internally consistent, with additional descriptors and ideas introduced across the scale. In the case of problem solving, there was no indication as to how this intangible skill would be measured by a supervisor. In the case of absenteeism, there was a clear implication that the company expected the best employees to attend work at any cost. Poor performance was attributed to someone who took all available sick leave in the assessed period. This

assessment appears to be totally counter to accepted medical and occupational health principles. Several items encourage close and detailed inspection of the working habits of the employee, and judgements about neatness could vary greatly between supervisors.

**Table 6.9 Appraisal Characteristics - Behavioural Checklist**

Appraisal characteristic		E	D	C	B	A
working method	Are his ( <i>sic!</i> ) duties planned and fulfilled from a logical and economical point of view	works with little deliberation, complicated	generally with deliberation, but somewhat complicated	according to experience, thoughtful & systematic	work deliberate and well planned	very circumspect; plans ahead & adapts to changed situations
problem solving ability		finds problem solving difficult	some problems easily solved	able to resolve nearly all problems within their control	resolves most problems & implements corrective actions	excellent problem solving ability & utilises other persons skills in the process
absenteeism		takes all sick days available & regularly takes additional days without prior notice	makes full use of all available sick days	supplies certificates when sick	attempts to continue with work & occasionally takes a sick day	battles on regardless

In general the appraisal form is a further illustration of the senior managers' propensity to see employees as requiring close control. It also suggests that only those who worked beyond the formal job requirements would be valued. It sought conformity to the minutiae of work practice, defied good advice in relation to absence, and appeared to downgrade the performance of those working normal working hours and job requirements.

## SECTION 4 CONCLUSIONS

The MtM experience demonstrates the importance of family values and priorities in privately owned companies. In contrast to the previous cases, this case illustrates a situation in which management attitudes, and behaviour shaped the way the company dealt with its customers and their changing requirements.

The company's strategy was built around a number of its inherited characteristics, which provided advantages in winning new contracts and sustaining existing ones. These included links with many customers, built over many years as a supplier. The company's ability to respond to customer demands during its entrepreneurial growth years won it many friends in industry. The link with Stabilus provided a source of revenue, and an ability to sustain research and development activities which added weight to its marketing to the automotive manufacturers. It was also able to offer greater flexibility in design as it was able to manufacture both metal and plastics components. Finally the company had a wide range of products, which served as a buffer to changing fortunes in different sectors. This was most evident when the collapse of Nissan removed a major part of its automotive production.

Underpinning these characteristics was a strong system of hierarchical control by the family. Employment of non-family General Managers finished in 1993, when the incumbent General manager resigned over disagreement with the family over investment priorities. The orientation to manufacturing operations was one of cost reduction, a perspective that filtered through into all operational matters, including the management of people. The strong, even autocratic control exercised by family members ran counter to the ability of the company to change and adapt. A number of dysfunctional personnel practices grew in the shadow of the unitary autocratic approach to operations.

Together these characteristics served to buffer the company from the need to undertake radical changes in its operational management. While senior managers were aware of the changing expectation of their automotive customers, these were

dealt with in an incremental manner, beginning with quality accreditation under Ford's Q101, and much later the employment of a Quality Assurance manager.

Two events challenged the priorities and assumptions that were so strongly ingrained in the operating style of senior managers. The first was, ironically, the General Manager's attempt to establish an enterprise-based agreement over working arrangements. The objectives of this agreement were cost oriented, and reflected an attempted to pass responsibility for safety and productivity to the workforce. The hostile reaction of employees to both the process through which the agreement was introduced, and its content shocked the family, who were ignorant of the underlying distrust, which their autocratic management style had engendered amongst employees. The experience had the effect of opening the General Manager to a review of some areas of people management. The second challenge came from Mitsubishi, who advised the company that a production cell would be the most effective manner of producing a new and more complex steering column. This pushed the company into new work methods in this one area. It also led to a more general commitment to creation of broader job roles and responsibilities for all operational staff. However, the proposal to instigate team building exercises across the workforce, may have had as much to do with an attempt to re-assert management authority in a more benign manner. There was no apparent commitment to wholesale changes in working methods and relationships, and the team building training was not implemented with any urgency.

MtM did not adopt human resource policies or systems of work organization likely to enhance the productivity and flexibility of their workforce. Their response to pressures for changes in internal management practice was ad hoc, and limited. The company's survival had much to do with its established advantages, which paradoxically continued

to isolate it from the full impact and understanding of the breadth of changes in these areas across the manufacturing sector. Its survival might be also be explained in part by the absence of any public scrutiny by financial markets of its operations. Customer pressure did have some impact on the management of quality with improved quality assurance and a specialist manager. However, the underlying methods of quality management were relatively unchanged, and inefficient until quite late in this study. Human resource practices, and approaches to work organization were never given high priority, with autocratic management style and 'Taylorist' work arrangements dominating throughout the period, with the limited exception of the Mitsubishi cells. The hidden costs of this approach were in goodwill, trust and flexibility. Thus there were real costs in efficiency and effectiveness, which resulted quite directly from the attitudes, behaviour and priorities of the family who owned and ran the business.



## CHAPTER 7      EMAIL: MANAGEMENT VALUES AND STRATEGIC CHANGE

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### INTRODUCTION

The three studies undertaken in previous chapters have focussed on the automotive components industry. As indicated in chapter 1, proposals for changes in automotive manufacturing were clearly articulated throughout the industry. The characteristics of successful adaptation of manufacturing processes were reinforced by government-sponsored overseas visits and the industry planning body, the Australian Manufacturing Council. The 'lean production' model, which emerged from the MIT International Motor Vehicle Program, expressed a range of propositions about manufacturing practice, buyer-supplier relationships, and more particularly, the importance of human resource management practices for survival of the industry. However, contrary to the suggestions of some of the management models proposed, the response of each of these companies to similar market and regulatory changes was not identical. It was shown that a range of organizational characteristics, and associated management belief systems, as well as differences in external pressures, accounted for the experiences.

The whitegoods industry shared many of the same imperatives as the domestic automotive components manufacturers, including reductions in tariffs and continuing pressure from imported products. However, their market situation differed significantly. In the components sector, the expectations of the major customers, automobile assemblers, were quite influential on decisions over quality, delivery and price. In contrast EMAIL was the final manufacturer, their products being distributed through retail chains and specialist distributors. These distributors were simultaneously involved in the distribution of competitive products. The establishment of a new 'state

of the art' manufacturing facility in Queensland, by the New Zealand company Fisher Paykel, was a dramatic indication of the opportunities which could accrue from better production methods and systems in meeting changing consumer needs, but it also threatened the underlying economies of scale enjoyed by companies such as EMAIL. This chapter examines the response of the EMAIL Major Appliance Group (MAG) to the changing competitive environment emerging in the 1980s.

The chapter begins, in section 1, with an examination of the evolution of EMAIL's distinctive strategies, which were shaped by external circumstances such as the regulatory environment, but also influenced by the stability of executive management structures over long periods. The outcome of this formative experience was the development of a distinctive array of business strategies, and the technical and organisational practices that it was assumed, would lead to continuing success in their chosen markets.

Attention shifts, in section 2, to the MAG created with the restructuring of the 1970s. The continuation of 'formative assumptions' can be seen behind the rhetoric of reform. This reform rhetoric placed considerable emphasis on the importance of a developmental model of human resources, and culminated in the company's participation in the Australian government's ABPDP of the early 1980s.

In section three, the chapter turns to a case study of the outcomes of the EMAIL's approach to change in one plant, the Beverley washing products plant in South Australia. This study illustrates the difficulties experienced by managers at plant level in developing the knowledge and skills to change the operating philosophies. They were constrained particularly by strategic control processes and embedded attitudes, which treated employees as malleable. The achievements that did occur owed much to

a quiescent workforce and the changes in approach by local managers. However, changes in the company's direction emerged by 1995 heralded an end to the 'human factor' approach to change.

## **SECTION 1      FORMATIVE EXPERIENCES**

Management assumptions in the years between the company's creation in 1934, to the 1970s, were shaped by a range of factors. These included the competitive pressures of the relatively small domestic market; a regime of government industry protection through import tariffs; a system of skills acquisition based on apprenticeships; and, employment conditions determined by a centralised award setting system (Robertson, 1987). In the 1970s the company adopted a multi-divisional structure in which internal control mechanisms took the form of financial controls over divisional management. Corporate strategy was focussed on reducing competition in the industry through further acquisitions. At the same time the company developed a more diverse structure that sustained its revenues and profits.

### ***DEVELOPMENT TO THE MID SEVENTIES***

#### **Management Strategy**

External factors influenced the early development of EMAIL and similar manufacturing companies formed in the twenties and thirties (McLean, 1988). These included the small size of the domestic market, the rapid growth of these markets in the post war period, and a regime of government protection mechanisms that sheltered Australian manufacturers from overseas competition. The centrally regulated wage system reduced the impact of wage differentials on domestic competition.

Until the early 1970s, growth in the domestic appliance industry was underpinned by rapidly expanding markets, and favourable tariff regimes (Rattigan, 1986; Maddock, 1987). During the early post war period there were 16 whitegoods manufacturers

based in Australia. The Industry Assistance Commission later concluded that production costs in the Australian industry were excessive when compared to those of overseas competitors, and that there were too many manufacturers in the industry (Rattigan, 1986:198). EMAIL managers faced a product market in which the large number of domestic appliance manufacturers made economies of scale difficult to achieve. The Board pursued two strategies for dealing with this situation, one focussed on managing the competitive environment itself, and the other focussed on the management of resources internally.

The first strategy was to stabilise the competitive environment by implementing administered pricing arrangements with product distributors. This shielded the company from scrutiny of manufacturing costs and efficiencies (Dufty, 1972:17). The second aspect of the external focus was to consolidate the position of the company in its product markets through the pursuit of growth by acquisition. The company later reported that its history showed "...a culture of diversity of product range..." as a founding characteristic (Annual Report, Company Profile, 1987). The acquisition policy also contributed to better economies of scale in production within particular product markets, such as that for domestic appliances. Diversification was accompanied by the use of licensing arrangements primarily with the North American Westinghouse Corporation.

The outcome of acquisition and diversification by the 1960s was a complex organizational structure, in which EMAIL was the holding company for a wide range of enterprises. In 1962 the company had 40 subsidiary companies and manufactured over 130 discrete products in 12 product groups that included such diverse groups as agricultural products; razor blades; electrical products and domestic appliances

(Annual Reports, 1959, 1960, 1962). A distinctive approach to management emerged from this experience.

### **Management structure and control**

During this period of growth, the EMAIL organization was characterised by considerable stability in its Board membership, and the maintenance of a relatively small corporate office. The founding Chairman, John Carrol, lead the company until his death in 1956, at which time the only changes to the founding Board had been additions to its numbers. After that time there were relatively few changes in the Board until the 1970s, a factor providing the basis for considerable continuity in strategic thinking.

From its inception EMAIL operated through its subsidiaries with a small corporate head office covering finance, personnel and later marketing and methods improvement. By the late 1950s the task of coordinating this diverse company resulted in a central structure consisting of a group of three functionally oriented Chief Executives covering merchandising, finance and manufacturing respectively, and a range of corporate support services. These corporate services were aimed at improving the efficiency and consistency of the company's affiliates in production methods, accounting and personnel. In 1966 the subsidiaries were consolidated into a single operating company and a new corporate structure was developed in which two and later three Group General Managers were accorded overall responsibility for finance, consumer, and industrial products respectively. The integration of the company's structure during the 1960s resulted in a clearer focus on product areas, and a more disciplined approach to acquisitions. The overall approach to the management of business units within the organization was to leave managers at the plant or divisional level to manage within a framework of financial controls developed at the corporate level.

### ***CONSOLIDATION AND CONTINUITY FROM THE 1970s***

From the early 1970s, the company faced a number of significant economic challenges, associated with high levels of domestic inflation, changing approaches to manufacturing industry policy, and instability in prices of materials and labour. The Board acknowledged the new competitive environment in its Annual Reports from 1975. The company's approach to the regulatory and market pressures facing it was the adoption of what a later Managing Director called an 'active planning' strategy. This was an assertive approach to industry structures and governmental relations that contributed to a further round of acquisitions, which in turn led to the company's dominance of the domestic whitegoods sector.

#### **Industry consolidation**

From the 1970s the senior management group began to articulate a clearer long-term direction for the company. Until that time they had adopted a reactive stance to the high local costs of production and the relatively static whitegoods market of the time (Annual Reports 1978:5). There were two aspects to the new direction. One focussed on the promotion of a more concentrated whitegoods industry structure, with the objective of reducing competition and increasing economies of scale. The other sought to diversify the company's activities as a means of reducing its dependence on the whitegoods sector. Both tactics relied on EMAIL's established expertise in acquisition. The General Manager, Cottrell, later referred to this as a move from 'defensive consolidation' to 'active planning' (Annual Report, 1977).

The focus on industry concentration found some support in reports of the Industry Assistance Commission (IAC), from as early as 1973 (IAC, 1973, 1976). The Commission observed the high degree of domestic competition in the whitegoods industry and suggested that it was inconsistent with efficiency. The Commission's Chairman later commented that (Rattigan, 1986: 198),

...local production costs for the goods were generally more than twice those of other countries with similar standards of living. The primary reason for the high production costs was the inefficient use of resources. Too many producers manufactured too great a variety of products in too many plants.

The IAC gave cautious support to the proposition advanced by EMAIL that industry rationalisation should be left to the industry itself (Annual Report, 1976:3). Government policy of the time reflected this advice (Rattigan, 1976: 199). EMAIL undertook a series of takeovers from 1974, when Metters was acquired, through to 1986, when Kelvinator was acquired and Simpson Holdings Ltd., merged with the company (Simon Jemison, June 1994; Annual Reports 1976, 1977, 1978). By the mid-1980s EMAIL had become the leading domestic manufacturer of whitegoods and other domestic appliances, with leadership in several whitegoods product markets, and a substantial presence in the whole appliance sector. Corporate ownership in the industry was, as a result, more concentrated (Wright, 1995:119). In 1982, the Annual Report stated that the company's objective was to be in the top two or three companies in each of the its markets (Annual Report, 1981-2:x).

By 1987 the company had specified three additional conditions governing its acquisition policy. They were respectively, that acquisitions be free of import competition (1985:5); that they should not experience seasonal sales patterns (ibid); and, that they should complement the company's existing workforce skills (1987:2). The growth strategy was described as one of ensuring a "reasonable balance" between the company's main markets, the growth of activities with a record of performance and a preference for areas of activity in which "Australia enjoys a natural advantage over international competition, or where there is potential for export" (1986:9).

The second aspect of the new direction was the re-affirmation of the company's long-standing commitment to diversification. This was expressed as a systematic and

disciplined approach to growth. In 1977 the Chairman stated that (Annual Report, 1977:5),

EMAIL is a composite company, engaged in many businesses in widely different fields. Its strength derives from this participation in various markets which are mostly unrelated to one another.

This philosophy is consistent with the company's action to that time, and with the decision to expand each of its operating divisions, consumer goods, industrial and commercial products respectively, through further acquisition (Annual Report, 1979:2). This policy of consolidation created a larger company with significant market shares in each of its main areas of activity. A new organizational structure was implemented to improve management of the larger enterprise.

### **Consolidating the organization**

In 1975 the company moved more explicitly to a multi-divisional form of organization with the intention of better aligning production units with their markets (Annual Report 1975: 9, 1978: 4). These changes strengthened the portfolio approach to the management of each of the company's divisions (Thompson & Strickland, 1995: 217-226). By 1996, the MAG accounted for only 27% of the company's revenues while the rapidly growing metals group reached 39% (B. Pickett interview, 1996). The MAG, the division responsible for the manufacture of domestic appliances, maintained its position as the market leader, with consistent sales, though often in a static market. It was a 'cash cow' in terms of portfolio theories, whereas the "star" would have been the rapidly expanding metals group (1995: 187). The portfolio approach suggested that different approaches might be taken to maximise the performance of each division over time (1995: 201). A decentralised management structure was an essential aspect of the portfolio approach, and the main instrument of control over these divisions was through financial targets and standards, similar to the pattern described by Goold and Campbell (1987) as 'financial control'.



The portfolio approach was strengthened in 1976, with removal of a level of management between the corporate groups and operating plants (Annual Report, 1975:7). Divisional managers were given greater accountability for the financial performance of their plants, a situation that had been less defined until that time. This effectively completed the transition from a holding company through a situation where subsidiaries were integrated into a larger structure, to a more conventional multi-divisional form of management.

After 1969 the senior management structure involved a close relationship between the Board and an Executive Committee, which undertook the day-to-day management of the company. The Executive Committee consisted of three Group General Managers covering the core areas of Finance, Personnel and Planning, while further Group General Managers held responsibility for the product based Divisional structure then adopted. This divisional structure varied from time to time, reflecting acquisitions and divestments. However, throughout the whole of this period, a Consumer, and from 1983, the MAG was devoted to domestic appliance production. MAG had been the most stable division in managerial terms, and arguably the most influential of the company's operating Groups, reflecting the fact that it was the consistently the highest contributor to corporate revenue and profits until 1995.

### **A consistent management style**

An important characteristic of EMAIL's development was the stability and consistency of its corporate management thinking. This consistency was an essential aspect of the company's later approach to the management of change. After the driving personality of the founding chairman, John Carrol, had departed from the Board, a distinctive group of executives emerged over a relatively short time. This group, many of whom shared a career path originating in the Orange whitegoods plant became key players in corporate decisions in the eighties. Their background and experience were to influence

the approach taken by the company to the critical challenges of the late 1980s. Statements by senior officers of the company attested to the stability of the company's senior management (Interviews with Pickett, 1997; Quirk, 1997). The Board itself underwent relatively little change from its inception to the late 1960s. This is illustrated in Appendix 3, which plots occupancy of board and executive positions over the period 1948 –1995. This continuity ensured consistent approaches to the issues facing the company and may well be an important factor in the company's success, as claimed in at least one Annual Report (1975).

Amongst this relatively stable group, two managers, whose careers began as engineers in the Orange plant of the company, were both members of the Board throughout the 1980s and early 1990s, a period in which significant changes were undertaken in MAG. Peter Cottrell rose from a Divisional General Manager for Consumer Products in the mid-1960s, to Managing Director in 1973, and became Chairman in 1993. Another former Divisional Manager, D. J. McNeil became General Manager of Consumer Products in 1972, succeeding Peter Cottrell. This division became the MAG in 1983. In 1978 McNeil became one of three Executive directors on the EMAIL Board, with oversight of the MAG. He held this position until his retirement in 1994. The influence of managers from Consumer Products reflected the importance of the whitegoods market. The company was consistently deriving between one third and a half of its revenue from the MAG, until the Metals Distribution Group surpassed it in 1994 (Annual Reports, 1989:29; 1994:40). The threat of imported products, and intense competition domestically, made the detailed manufacturing knowledge and experience of managers in this area of particular importance. These managers became the key players in developing strategies for dealing with the domestic whitegoods crisis described earlier, and the decision to actively acquire other whitegoods manufacturers from the 1970s. Their support for holistic reform reflected a

detailed understanding of production processes in the whitegoods area. However, it might be suggested that the influence of their earlier experiences in manufacturing in the 1960s may have shaped their perceptions of the appropriate reform strategies.

### ***APPROACHES TO HRM***

As indicated in the previous section the management of the company's human resources became an issue during the 1970s. However it continued to reflect the cost-centred approach to management strategy pursued by the company. From the 1980s a different set of themes emerged, which seemed to suggest a wholesale change in the way work was to be managed at the plant level. However, an examination of the company's organization of HRM activities suggests that such ideas had little operational support.

### **The origins of corporate human resource practice**

While 'financial control' (Goold & Campbell, 1987) was the dominant means of accountability within the company, corporate personnel management also owed its origins in part to the industrial welfare movement of the war and immediate post war years (Wright, 1991; 1994). Email was one of the several larger companies, which embraced the emerging principles of personnel management. The first personnel officer in the company was appointed to the Orange plant in 1945. However, as the company diversified, the various subsidiaries and divisions assumed greater autonomy over many routine personnel functions, and the corporate personnel office provided general policy direction to the operating divisions (Interview: Brian Pickett, 1996). Corporate advice was limited largely to training and industrial relations, where the corporate office could provide consistency for operating divisions in dealing with the regulatory framework in these areas. Training was directed at ensuring the company had a supply of skilled workers in trades and engineering areas that were central to the development of manufacturing competence. In relation to industrial relations the

corporate office set financial limits for over award payments and maintaining unity in national wages campaigns, but did little beyond these "regulatory" functions. Other aspects of human resource management were undertaken at plant level, though there was often little systematic attention to the area outside the demands imposed by the regulatory system.

### **'Active Planning' and Human Resource Management**

High inflation and extensive over award bargaining in the metals and manufacturing sector during the seventies, combined with a reduction in tariffs, produced an extremely unstable situation for the company (Annual Reports, 1975: 2; 1980: 1:2). Industrial relations became intertwined with the company's ability to develop a coherent approach to sell its products, particularly with the greater pressure then being experienced from imported products. In the first part of the decade Annual Reports consistently referred to the costs of both materials and labour as problems.

In 1974, Peter Cottrell began a practice of acknowledging the contribution of employee contributions to the company in his first Annual Report as General Manager. In successive years he announced improvements in conditions or amenities for staff. In the 1977 Report he stated that (Annual Report, 1977:10):

A climate of sound industrial relations and stability of employment are accepted policy objectives of the company, being in the best interests of our employees as well as essential to the operation of our many businesses.

He went on to announce improvement in company communication with employees, through employee reports and in-house journals, as well as improvements in benefits for disability and retirement. He also added that (Annual Report, 1977:10):

Although not listed in the Balance Sheet, our people are undoubtedly our most valuable asset.

Initiatives in human resource management such as employee communication, management development, apprenticeship training, and awards for long service were presented in the context of improved performance. Similar comments followed in the

1978 Report, where an extension of superannuation to wages staff was announced. In the Annual Report of 1978 he wrote (Annual Report 1978:7):

... our aims in terms of products and services can become achievements only through our people who serve the company as a team.

In the 1979 Report he reported that the company was committed to providing its employees with adequate rewards for the work undertaken, in the form of industry competitive pay rates at each location. In the 1984 Annual Report, in a statement headed "The people of EMAIL" Peter Cottrell wrote that (Annual Report 1984:11):

The continued challenging environment placed a requirement upon all employees to utilize fully every opportunity for productivity improvement.

In the same Report the Group General Manager of the MAG stated that achievement of international competitiveness in the "intensely competitive" whitegoods industry was dependent on a shared awareness amongst all employees of the need to take initiatives aimed at competitive improvement.

In these statements there is a direct indication that a link was seen between employee attitudes and behaviour and the achievement of competitive outcomes. However, it is not apparent, that EMAIL corporate managers understood the complexity of that relationship. There was, for example, no indication of an understanding of the more sophisticated employment relations practices such as team working or employee involvement, then being discussed more widely in the manufacturing industry. Rather, the public statements may be seen to be shoring up an older industrial culture, by offering improved amenities in exchange for industrial harmony and cooperation. EMAIL at this time continued to use employment reductions (Annual Report, 1983), together with exhortations for greater cooperation and initiative by EMAIL employees, to assist the company in meeting competitive challenges. Improved communication and benefits such as superannuation were ameliorative rather than fundamental changes in this employment relations strategy.

The company's approach to personnel policy was intimately linked to the perceptions of the General Manager and his immediate advisors. The Corporate Personnel General Manager described it as 'fair but tough' policy (Pickett interview, 1997). He explained that Cottrell exhibited a very strong commitment to the importance of managing personnel matters, taking them to the Board himself on many occasions. He affirmed that the toughness evident in personnel policy, with redundancies and a cost oriented approach evident in many areas, reflected the very tight financial margins associated with the intensely competitive domestic appliance market. The company's commitment to training in this context reflected the value placed on technical competence as the basis of efficiency and cost control. The organization of technical training, through the separate EMAIL Training Company, demonstrated the careful cost orientation even in an area regarded as central to the company's overall technical competence.

As with other Australian manufacturing companies in this period (Wright, 1995:152), employment relations at EMAIL continued to reflect established patterns and assumptions. A more significant change in emphasis was suggested in 1989, when MAG began a more aggressive pursuit of international competitiveness.

### **The role of the corporate office from the eighties**

While the company allowed a considerable decentralisation of management decision-making through its 'financial control' strategy, the corporate personnel office maintained influence in three areas. The first of these was the evaluation of the costs and liabilities of people in relation to the acquisition or sale of a part of the company; the second was industrial relations; and the third was training and development.

The General Manager, Personnel undertook evaluations of the costs of superannuation and leave liabilities and of other potential costs associated with a

takeovers or divestments. The activity was less one of human resource management than of asset valuation. However the implications of these decisions had implications for the staffing levels and deployment, and for industrial relations.

The second area of corporate activity was industrial relations, where the corporate office continued to coordinate wages policies across its plants. This practice was largely a function of the legal and institutional nature of Australian industrial relations. However, from the late 1980s, the progressive decentralisation of the Australian industrial relations systems (see chapter 1: 5-8) opened the possibility of the corporate office reducing its influence in this area. From the late 1980s the company consciously sought to decentralise decisions over industrial relations, to a situation where plants could determine their own industrial relations within notional cost limits. This position, if attained, would have brought industrial relations into the same 'cost control' approach as other activities in the company. The plan is illustrated in Table 7.1.

**Table 7.1 Changing Corporate role in industrial relations**

Phase	Years	Corporate role	Plant role	IR environment
1	1986-1990	main respondent to award restructuring determine general principles to be pursued	implementation of principles	Managed decentralism; Structural Efficiency Principle of the AIRC
2	1991-3	framework agreement max. 4.5% increase	productivity offsets	IR Act amended 1991 to facilitate enterprise agreements
3	1993-95	company guidelines	productivity offsets	IR Act Amendments of 1993 further facilitate enterprise agreements
4	1995-97	notional limit in costs of settlement	negotiate full agreement site by site	New Federal government undertakes more radical decentralisation and de-regulation of industrial relations from 1996

Source: Based on interview with General Manager, Personnel, EMAIL Corporate Office

In the 1997 award negotiations this strategy proved difficult to achieve. The corporate office was forced to abandon its attempt to leave industrial relations to divisional and

plant managers, in the face of nationally coordinated industrial action by unions in Victorian plants. The corporate role in industrial relations thus reflected the legal and institutional nature of Australian industrial relations. While legal provisions for enterprise agreements made it easier to allow autonomy to individual plants, union pressures limited the company's ability to fully delegate industrial relations matters.

The third area of corporate control over human resource policy was in the area of training. Training activities at both the production skills level and for senior management have occupied increasing attention over recent years. Annual Reports from the mid-1970s reiterated the argument that both areas of training were essential for the company to remain competitive. The company was committed to apprentice training throughout its history. In 1986 the company established a subsidiary, Email Training Services Ltd., to undertake apprentice training and associated training for workforce skills across the company. The company operated skills centres in NSW and South Australia and contracts its services to other companies, thus achieving some offset to the costs of internal training efforts. By 1996, the company was in the forefront of the implementation of Competency Based Training for its apprentices, and had achieved considerable success in developing more flexible means of delivering this training (Interview with Winter, 1997). The company's commitment to vocational training can be explained largely through the importance of such skills in its core production processes.

In the area of management development the company took an approach quite explicitly aimed at a single corporate direction, as distinct from the localised approach sought in other areas of human resource management. In 1994 the corporate office initiated a review of management development. The Review group proposed a much stronger corporate direction in this area (Report of the Management Development



Task Force, 1995), with a more systematic approach to management development. It mentioned particularly the need to develop a corporate management culture and values. It was argued that the process of growth through acquisition created a need to build a common set of values through company wide developmental programs. The management development initiative is explained by the Board's belief that joint ventures, and other overseas operations, were likely to be a critical part of its future growth. The management development initiative suggested some unease over a wholesale adoption of a decentralised structure. The identification of a need for a management cadre and a common culture suggested that the senior executive group recognised the importance of their own experience in sharing perspectives about the company's threats and opportunities. It affirms the importance of such shared values in providing normative direction in a multi-divisional company (Purcell & Ahlstrand, 1994:110).

## **SUMMARY**

The development of the EMAIL organization consolidated a range of management practices and approaches to strategic decision-making. An acquisitions policy was at the core of the company's expansion, while the importance of the whitegoods activities is reflected in the movement of managers from the company's Orange plant to senior executive positions during the 1970s. Continued consolidation of the Australian whitegoods industry, was a defensive policy, developed within a context of decreases in tariff protection and inflation. The policy did not acknowledge the strength of imported products. However, the establishment of a Fisher Paykel plant in 1986 provided an example of the changes in production being pursued in the industry internationally.

During the 1970s, in common with many other Australian companies, the company adopted a multi-divisional form of organization. This enhanced the focus of managers

within particular product markets. Management of the multidivisional structure was pursued through a 'financial control' process, which allowed operational autonomy to local managers within general profit and budget expectations determined at the centre (Goold and Campbell, 1987). An attempt was made to decentralise industrial relations decisions though, at the time of writing, this goal did not appear to have been realised. However, corporate control continued over vocational and management training. One related to the core manufacturing skills of the organization, and the other appeared to be affirming the need for a coherent corporate view of the organization to overcome the centrifugal effects of the 'financial control' strategy.

Statements about the value of employees were increasingly made in Annual Reports from the early 1980s. However, while the improved benefits offered to employees were real, little change in employment relationships were envisaged beyond this. Union representatives active in negotiating with EMAIL managers over this period did not consider that there had been any change in the approach taken by managers to industrial issues (John Royal interview, 1997). The simultaneous reduction in employment numbers attests to the underlying logic of cost control. While the reductions were attributable to loss of markets, the Chairman had simultaneously argued that the strength of the company's diversification strategy was its ability to protect earnings from changes in particular markets (Annual Report, 1977:5). The corollary of this is that this arrangement should also have protected jobs. At that time the engagement of MAG executives with human centred approaches to production mirrored examples in other industries.

## **SECTION 2      THE MAJOR APPLIANCE GROUP (MAG)**

Domestic or household appliances was the core business for EMAIL, with successive managers from the Orange plant occupying senior decision-making positions from the mid-seventies. As has been indicated the company pursued a diversifying strategy

combined with cost effective engineering. As a result of industry consolidation, MAG became a dominant force within the whitegoods market. However, it was increasingly a problem within EMAIL, as the metals division, the main focus of the acquisitions strategy, become more important in terms of revenue. This section begins with an overview of the structure and operation of the MAG, before examining its moves to deal with a changing competitive situation with a major program of cultural change.

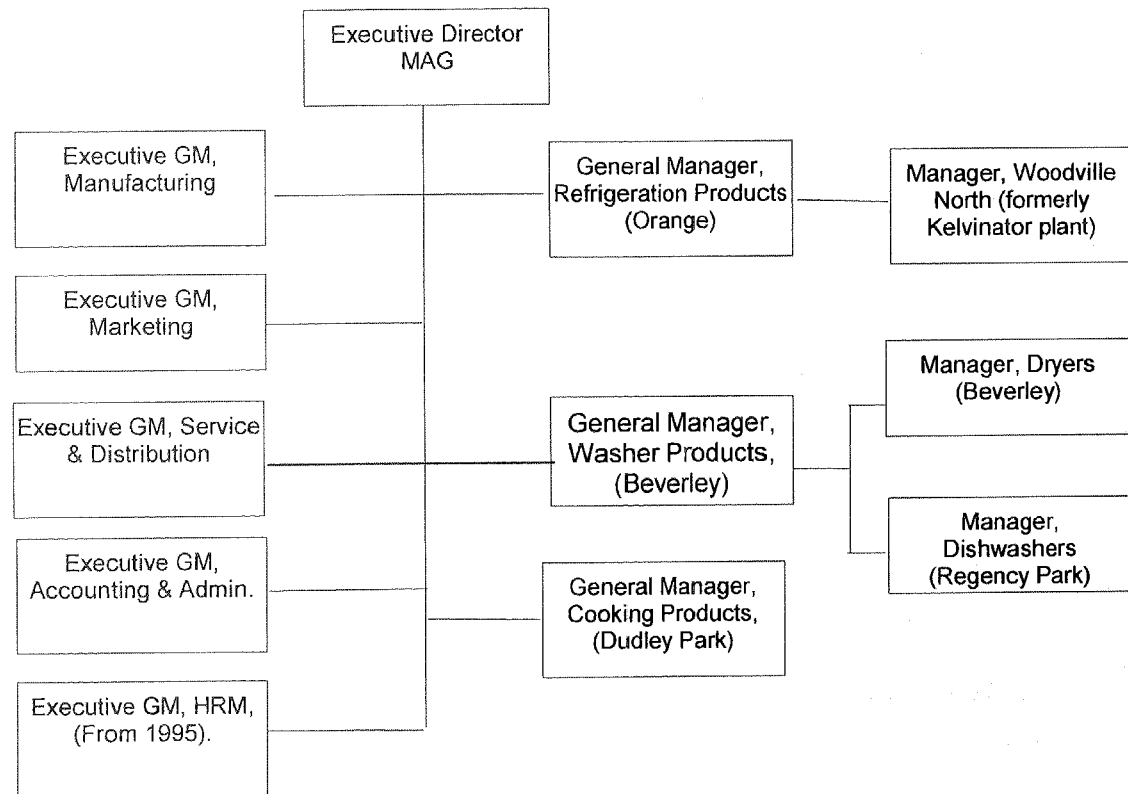
### ***ORGANIZATIONAL STRUCTURE AND OPERATIONS***

MAG operations were coordinated through an Executive committee made up of the Executive Director, Don McNeil, each of the plant managers, and the MAG finance and marketing managers. The performance of each plant was measured by a detailed scrutiny of monthly cost and budget performance figures. Review of these figures through the Executive Committee allowed a degree of collegiate management. (Interviews with Gerry Quirk 1995-7; Dick Trott interview, 1997; and EMAIL ABPDP Submission op. cit., 8). This approach is again consistent with the 'financial control' style documented by Goold and Campbell (1987). It was in this context that the change program took place.

The MAG covers plants with quite different histories and styles of operation. The Orange plant was operated by EMAIL as a munitions plant during the Second World War and was subsequently acquired from the Commonwealth government to become the main manufacturing site for domestic appliances. The Woodville North plant had been absorbed in 1979 as part of the takeover of Kelvinator Australia. The remaining plants had been part of the Simpson Group taken over in February 1986. None of the senior managers of any of the plants taken over were given any advancement in EMAIL, though the General Manager of the former Kelvinator plant was transferred to manage two of the former Simpson plants. The organizational outcome of the integration of the acquisitions into the MAG, as it stood in 1996, is shown in Figure 7.1.

The structure represents a stage in the progressive integration of the new manufacturing units into MAG, and the end of their distinctive histories.

**Figure 7.1: Organization Structure of EMAIL Major Appliance Group, 1996**



Source: Company documents

Between 1989 and 1995, a number of changes in management structure emerged as EMAIL's approach to the division of responsibility and the relative importance of various management functions led to progressive change in the old Simpson structure. The changes reduced the influence of local marketing and financial groups, and left personnel as a plant based function. Marketing and financial decision-making were centralised at the company's Riverwood site, in Sydney. The company moved to a separation of brands and production locations, which was a precursor to a rationalisation of production activities across the whole group. The outcome was the specialisation of each production unit in a particular product type, with branding based on differentiation in product specification. The Orange plant became the company's centre for refrigerator production, and an investment program of \$45 million followed to

re-equip the plant for this purpose. The workplace reforms within that plant were thus intricately associated with wholesale rebuilding and re-engineering of the product and production systems. Beverley became the focus for "washing products", and Dudley Park "cooking products" In each of the other plants product rationalisation went on beside the program of reforming work organization. While Finance and Marketing reported through senior managers in MAG to the Executive team, quality, production and personnel management were effectively left to each plant. While Product design and engineering were physically on the Beverley site they now designed washing products for the whole of EMAIL.

### **Human Resource Management within the MAG**

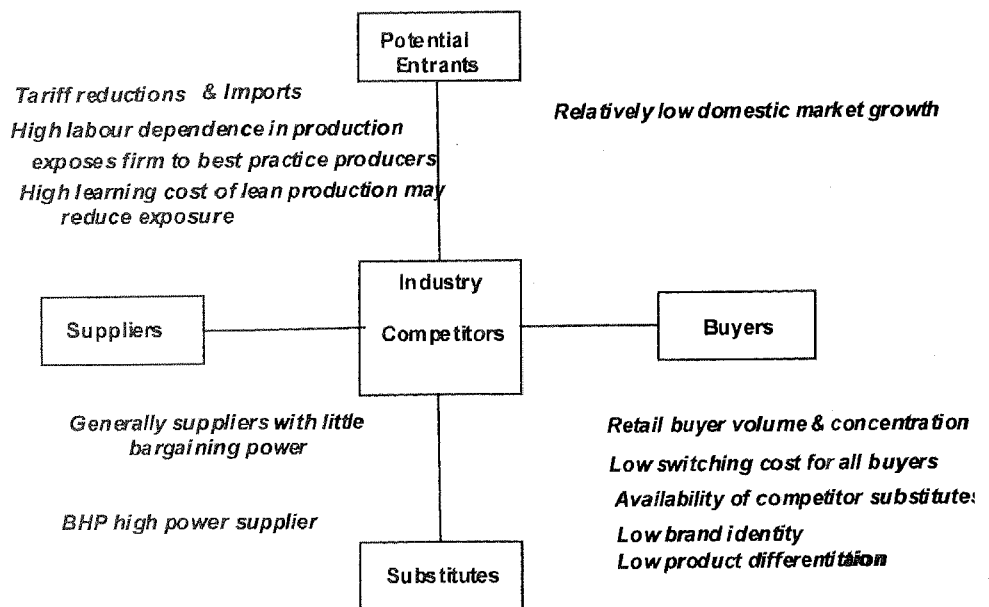
Between 1990 and 1995, at which time a divisional HR group was established for the MAG, HR expertise was reduced to the presence of personnel officers within MAG plants attending to detailed matters of workforce and salary administration. Plant managers were expected to determine overall planning for HRM as for other aspects of the plant's operation and were given a degree of autonomy over internal arrangements, subject only to financial controls determined by the executive group.

While Plant managers met at regular intervals to determine areas of common approach to personnel matters, the EMAIL structure facilitated the development of plant specific approaches to human resource management issues. As a consequence initiation of the major change program by the MAG Executive General Manager in 1990 was applied in slightly different ways throughout the group. This allowed change to be adapted to different industrial relations and work cultures, but it also made it more difficult to maintain a coherent pace of change. These differences were further confused by the impact of corporate decisions on investment and product location.

***A CHANGING COMPETITIVE SITUATION***

In 1990 the authors of *The Global Challenge* (Pappas et. al., 1990) classified EMAIL together with other Australian based manufacturers as *import substitutes*; that is their production output relied heavily on domestic markets, where they faced strong competition from overseas manufacturers. The situation facing the industry, and EMAIL in particular, is illustrated using Porter's method of depicting the forces determining competitive advantage. Figure 7.2 uses this approach to show how domestic whitegoods manufacturers were faced with reduced barriers to entry and competitors more attuned to the changing needs of the market.

**Figure 7.2 EMAIL Ltd - A map of Competitive Advantage**



Adapted from M. Porter, *Competitive Advantage*, Free Press 1985

As indicated, EMAIL's response to this situation was to further consolidate its hold over the domestic industry through acquisitions. This reflected an assessment of the costs of production in a relatively small market. Three particular factors are of importance. Firstly the reduction of domestic tariffs from 1988, which allowed increased imports and consequent competition in most product markets for domestic manufacturers. Secondly the domestic market matured, with the high levels of demand experienced in

the previous decades declining. Thirdly, the new competitive conditions also reflected a qualitative change in consumer preferences, with a heightened appreciation of quality (Interview with buyer, Myer stores, Melbourne, 1995).

In the late eighties the company acknowledged the need to develop international markets (Annual Report, 1987):

... by developing an internationally sustainable competitive advantage; through overseas expansion, particularly in the Asia/Pacific region, and through acquisitions.

However, senior executives also asserted that the company was too small to be a major overseas player. Consolidation of domestic production was seen as a precursor to overseas expansion.

The 1995 market shares are indicated in Table 7.2, which shows MAG with a substantial position in most of its product markets. However, these figures do not reveal the extent of the decline in domestic markets for refrigerators and washing machines.

**Table 7.2: Estimated Market Shares (%) - Whitegoods Industry, 1995**

	<i>EMAIL</i>	<i>Southcorp Holdings</i>	<i>Fisher &amp; Paykel</i>	<i>Other</i>
Refrigerators	55	13	14	18
Freezers	72	3	18	7
Washing Machines	33	35	14	18
Dryers	42	34	20	4
Dishwashers	20	55		25
Cook Tops & Ovens	41	45	4	10
Range Hoods	24	10	-	66
Room Air Conditioners	25	-	-	75

Source: Based on Industry Estimates reported in Financial Review 4th January 1995

In mid 1995, a former Board member became the Managing Director of Southcorp Holdings, a company that included the Chef Cooker plant. Early in 1995 Southcorp acquired Hoover Australia, and in the process became the second largest whitegoods manufacturer in Australia. The market thus appeared to be entering a phase of oligopolistic competition, with three manufacturers, two Australian owned, the other a subsidiary of a New Zealand company. While the industry had become more concentrated, the relatively small domestic market produced a high degree of competition between these manufacturers. The new entry to this market, Fisher Paykel enjoyed the advantage of a new factory and working arrangements designed around the production process.

### ***A STRATEGIC REASSESSMENT OF MANUFACTURING POLICY?***

A senior executive later suggested, that by the middle of the eighties, the company had seemingly exhausted efforts to attain competitive advantage through improvements in marketing, engineering or design (Brian Pickett interview, 1997). While these continued to be important the MAG Executive increasingly saw opportunities to improve overall plant performance through a transformation of employee relationships. The Chief Executive of the MAG (Don McNeil) indicated the direction of thinking in 1984 in his *Annual Review of Operations* where he wrote (Annual Report, 1984:7):

At the heart of the Group's capacity to grow in this environment and to generate through profits a continuing capacity for investment is a shared awareness amongst all its people of the vital need to search for, to find and implement new initiatives aimed at increasingly lifting the levels of international competitiveness ... Thus major investment in the training of each of our people continues - first to master their specific tasks and then to broaden their skills to work more effectively with others in the achievement of our goals.

In 1988 EMAIL's Managing Director publicly noted the changing character of the competitive position, stating that (Annual Report, 1988):

The level [of tariff protection] is relatively low compared with many other Australian manufacturing industries. In recent years the lower level of the Australian dollar has enabled sales growth by import substitution. While the



Australian dollar has recently increased in value against currencies of European and Asian countries with which EMAIL competes, development of new products specifically for the Asian market, together with increased manufacturing efficiency is aimed at maintaining a competitive position...

In a series of meetings of the Senior Executive Group early in 1990, the company's strategic plan was reviewed and a statement embodying a mission, vision and values for the Group was adopted to guide the new direction (EMAIL: Submission to Best Practice Demonstration Program, September 1991:8).

The statement, reproduced in figure 7.3 below, indicates the general direction the company intended to pursue. As may be seen, the statement embodies the notion of employee involvement within the organization, an orientation to customer needs and a determination to succeed and lead international growth in the industry.

**Figure 7.3 Email Major Appliance Group - Mission Statement, December 1990**

The Major Appliance Group Mission is to make a positive contribution to Email profitability, reputation and growth by:

- Manufacturing and marketing a range of internationally competitive products of such quality in terms of appearance, performance, reliability and value that this represents an essential reason for their purchase.
- Providing levels of marketing, distribution and product service which exceed customer expectations.
- Providing opportunities for employees to effectively participate in a progressive manufacturing, marketing, distribution and service organization.

Source: EMAIL company documents

Perhaps more significantly, in view of later experience, the Executive group identified the central objective for organizational change as 'cultural change'. In a letter to every employee in the division, distributed in December, the Chief Executive invited each employee to make a commitment to manufacturing excellence and competitive success by embracing what he described as (McNeil letter, 12<sup>th</sup> December 1990),

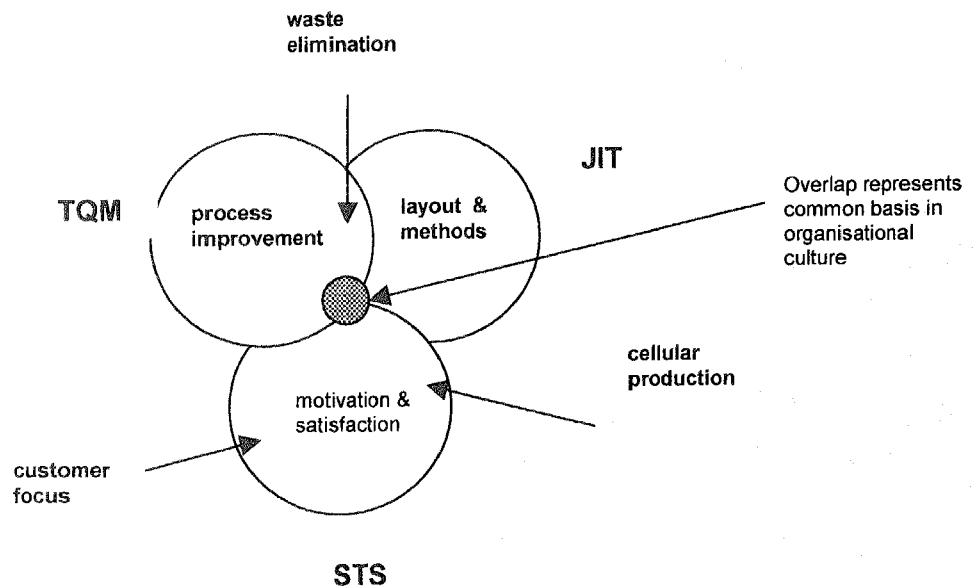
... a culture that looks first and only at the quality of service we give to our customers.

Workforce culture was seen as the link between the strategic situations identified in earlier statements and the specific activities that the company believed would allow it to respond to that situation. Those activities were, attaining product leadership, developing a customer focussed attitude throughout the organization, increasing exports, and reducing the cost of waste (Email, Submission to ABPDP, op. cit.: 8).

***THE MAG CHANGE PROGRAM***

The change program initiated by the MAG Executive early in 1990 identified 'cultural change' as the primary means for pursuing the newly formed divisional objectives. As indicated later, Socio-Technical Systems (STS) was seen as an approach to organizational design which was more likely to result in changes in employee attitudes and behaviour, through their direct involvement in objective setting and planning processes. A diagram, reproduced in figure 7.4, illustrated the main assumptions of the change program initiated at this time.

**Figure 7.4 EMAIL depiction of the relationship between key philosophies for achieving international competitiveness**



Source: EMAIL Submission to Australian Best Practice Demonstration Program, July 1991

It suggests that organizational culture was a common element in three widely accepted approaches to improving competitiveness, namely, Total Quality Management (TQM), Just in time delivery (JIT) and STS. The company identified the relevance of TQM to be its attention to systematic approaches to continuous improvement; the relevance of JIT was in developing more responsive and flexible factory and delivery systems; and STS was seen to articulate (EMAIL ABPDP submission July 1991:3):

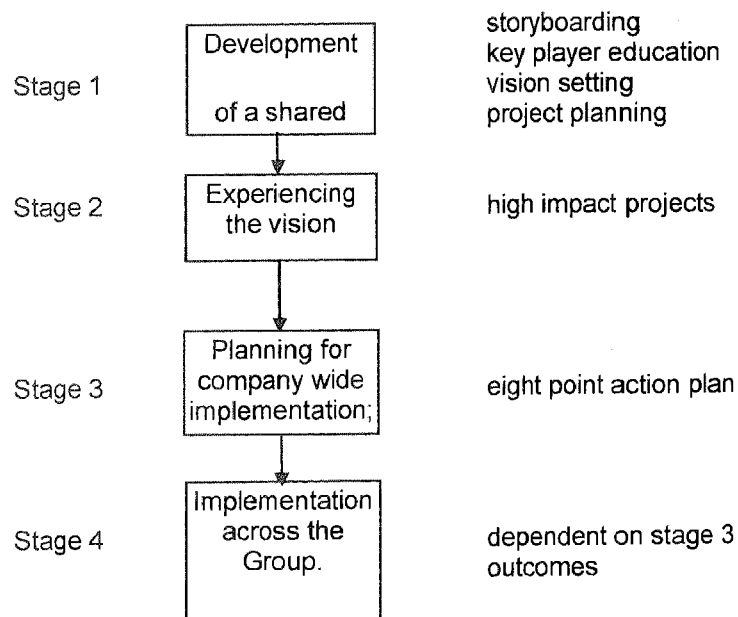
... much more specifically [than the other two philosophies] the relationship between people's behaviour and the way in which work is organised. STS provides specific tools and techniques to promote organizational change.

The submission provided an overall argument that sought to build on the commonality between these processes. They focussed on a "world competitive culture" (1991:3), as well as the specific techniques relating to customer responsiveness, continuous improvement and work organization<sup>1</sup>. The STS approach had been used in the Orange plant for some time, and many former Simpson managers were familiar with the principles, through Simpson's involvement in the South Australian government's industrial democracy initiatives of the seventies (Dunphy and Griffiths, 1998:33). The absence of an internal human resource person, with expertise in change management, predisposed the company to the views of consultants, particularly where they coincided with past experience.

The decision by the Executive to allow plants to choose the exact approach to using STS was an acknowledgement of the different employee relations traditions in each plant, though the decision was subsequently presented as reflecting the different management techniques in use in each plant (Gerry Quirk interviews, 1992-7; ABPDP Submission op. cit., 5) The Dudley Park plant, for example, chose a more directive approach on the basis that the more hostile industrial relations environment in that plant required a 'tougher' approach (Interviews with Gerry Quirk, 1992, 1993).

The STS program was initiated at Beverley in November 1990 with the activities listed beside the Stage 1 box in figure 7.5. After consultation with the unions and shop stewards a consultant was engaged to begin the program of change. A number of specific activities were initiated in various plants, within the Major Appliance Group, that corresponded to Stage 2 of the later Best Practice submission outlined in figure 7.5. These included a determined approach to accreditation under Australian Standards for Quality at Beverley, the introduction of *Kanban*<sup>2</sup> systems within the manufacturing process at Orange, process improvement at Dudley Park and cellular manufacturing at Beverley.

**Figure 7.5: The MAG Change Program**



Source: EMAIL Submission to Australia Best Practice Demonstration Program, September 1991

During 1991, the Executive sought financial support for the change program from the Australian Best Practice Demonstration Program (ABPDP), which was at the time,

<sup>1</sup> The proposal was influenced by consultants working through the South Australian Centre for Manufacturing.

<sup>2</sup> Kanban is defined as "an information system to harmoniously control the production quantities in every process" (Monden, 1983: 5).

inviting submissions for a second round of industry subsidies for best practice projects. EMAIL developed a submission, with the assistance of the South Australian Centre for Manufacturing, which was then engaged in work for the Beverley plant on STS. The Concept Proposal sent to the funding body in July 1991 identified the objective of EMAIL's change program as (Covering Letter to EMAIL Concept Proposal to ABPDP, July 1991):

...transforming EMAIL into a truly internationally competitive white goods manufacturer.

Clearly, with such ambitious goals the company had more specific outcomes in mind. Preparation of the Grant application required the change program to be documented, and the staged process reproduced in figure 7.5 summarised the way the company saw the Best Practice Grant supporting the continuation of its existing STS related activities. The Best Practice grant application was focussed on Stages 3 and 4 of the Proposal, as the early stages were undertaken as part of the STS process.

Under the third stage of the change process, the company outlined a generic framework for change, consisting of eight general categories of activity to be undertaken at each site. These were (EMAIL Concept Proposal to ABPDP, July 1991: 9):

- Strategic Planning;
- Research for Bench-marking;
- Development of Factory Grand Plans;
- Organizational structure;
- Manufacturing systems;
- Product design and development;
- Skills formation;
- Communication and consultation.

The principles embodied in this list embraced a considerable range of activities, and represented agreement between the senior managers, including the plant and divisional managers who endorsed the change program, were in agreement as to the

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areas of change needed within the company (Interviews with Qirk, 1992, 1993; Trott, 1992).

### ***SUMMARY***

During the 1980s the MAG faced increased competition from new domestic manufacturers and from imported products, in an environment of reducing industry protection. For most of the decade the company relied on engineering improvement and careful management of pay outcomes to maintain its productivity and cost advantage in local markets. However, Fisher Paykel's establishment in 1986, and the growing importance of imported products in domestic markets, served as a signal that more sophisticated methods of managing whitegoods manufacture should be considered. In 1989 the Executive Director of MAG publicly indicated the need for the company to take a new approach to manufacturing based on an attempt to enlist the support of the workforce as a whole in improved production systems and methods.

The MAG change program began in 1990 with agreement at the Executive level to use STS methodologies as a means of changing workplace cultures. Existing human resource advice within MAG was at this time focussed on the day-to-day activities within plants, and there were no other internal resources to guide the new change program. In those circumstances, consultants were used at plant level to guide the change process. The program developed through discussions in the MAG Executive Committee, where each of the plant managers was able to contribute to the emerging change strategy. However the company's application for a grant under the ABPDP, signalled a more precise identification of matters which were to be changed. These issues were identified as the focus of Stages 2 and 3 of the change process. The focus on specific tasks is generally consistent with an approach to change which Dunphy and Stace have termed 'task-focussed transitions' (Stace & Dunphy, 1994: 99-103).

As Stace and Dunphy have observed (1994: 99), 'task-focussed transitions', carry the potential for a re-orientation and integration of corporate strategies. However they also run the risk of some inconsistency based on plant autonomy. In the next section the implications of plant autonomy are examined in relations to the experience of the change program at EMAIL's Beverley plant.

### **SECTION 3 THE BEVERLEY PLANT**

The previous section outlined the development of the EMAIL management paradigm, a configuration of structure, strategic choices and experiences that informed the approaches taken by senior executives to external challenges. Until the 1980s the Managing Director had expressed the company's human resource management philosophies in traditional terms, with an emphasis on costs and productivity. The only human resource management expertise was focussed on plant operations; leaving decisions on these issues to senior managers, whose experience and the advice of consultants, moulded their approach to the management of change within each plant. The decision to place 'cultural change' at the heart of the divisional change program made these influences critical to the ability of the company to undertake real change in its operations and structure.

The Beverley plant had been the home of the Simpson group that EMAIL had been merged with EMAIL in 1986. EMAIL took an incremental approach to the integration of these plants into its MAG structure, though the 'financial control' approach to plant management was instituted in place of the more detailed Simpson planning processes. Further integration of the former Simpson plants followed with a rationalisation of production across MAG, the move to brand management as against product management, and the centralisation of strategic functions of marketing and product design. Human resource management was given little emphasis until the change program was well established.

#### ***ORGANIZATION AND MANAGEMENT***

##### **Organizational structure**

In the years immediately following the EMAIL takeover changes in organizational practice were minimal. However the changes that did take place changed the



approach to management significantly. The Simpson emphasis on a five year planning cycle was dropped and the Simpson plants managed through a monthly review of cost and budget reports, and of profit levels annually. Outside these financial controls local managers were left largely to their own devices, provided that their financial expectations were realised. The two companies shared an emphasis on engineering and manufacturing skills, and EMAIL's incremental approach to the integration of the Simpson group into the functional structure allowed a period of adjustment, which deterred outright clashes between the styles of the two companies.

EMAIL managers ignored the more sophisticated approach to human resources, which had developed at Simpson. A former Simpson General Manager, who had been one of the prime movers in introducing the more sophisticated personnel practices, later offered the view that EMAIL took the company backwards in personnel practice, and in the philosophy of management generally (John Uhrig's address to MBA students, 1998). Moreover, the absence of any specific statement of management philosophy from EMAIL left managers in a position of ambiguity. The General Manager Human Resources later commented that (Interview with Alexandra Cannon, 1988):

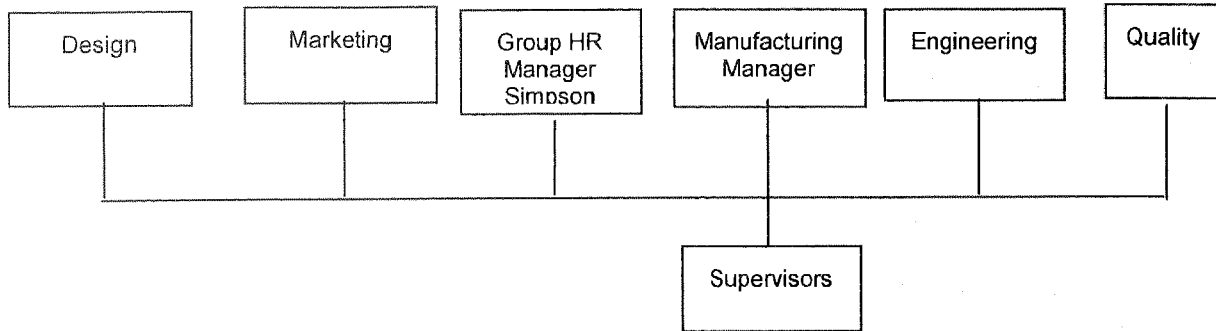
...many of the managers will still remember the Simpson philosophy and some of them have still got it on their walls. Most of them don't know the EMAIL one. It isn't communicated at all.

One effect of the apparent autonomy was that the South Australian plants retained one Personnel officer from the old Simpson corporate unit until 1993, to complete the process of implementing SEP decisions, and associated changes in the classification of employees.

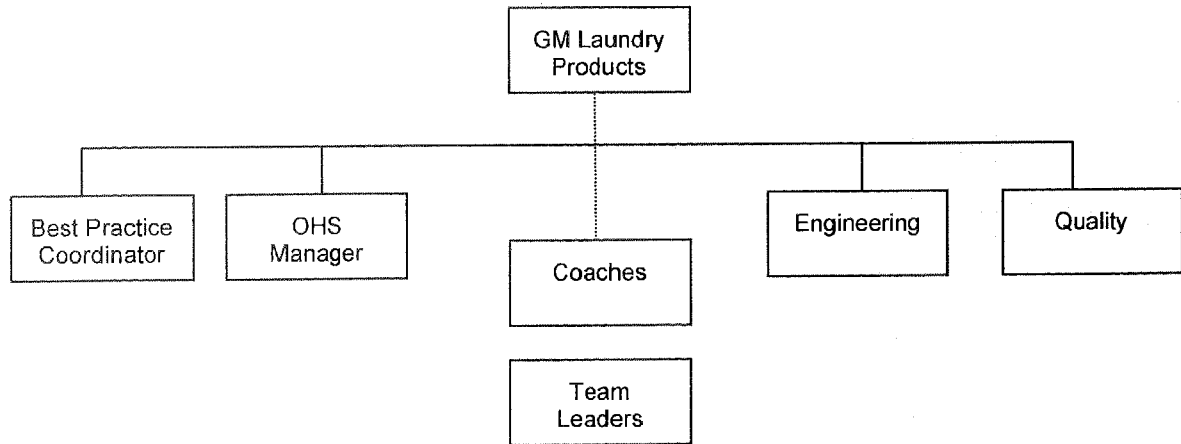
During the period under discussion the organizational structure underwent some relatively simple, though significant changes as indicated in figure 7.6.

Figure 7.6 Changes in plant organization between 1987 and 1997

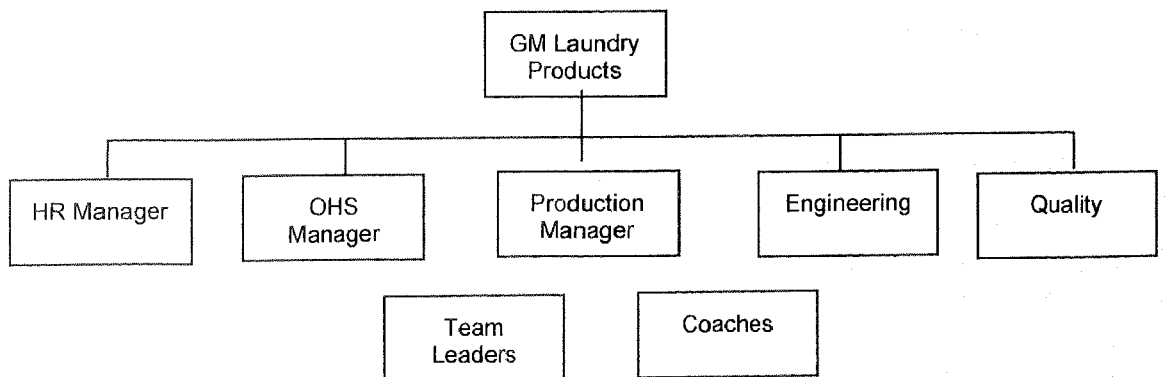
Plant organization in 1987



Plant organization in 1992



Plant organization in 1994



Source: Company documents

There were three principles evident in the structural changes. The first was a change in functions between divisional and plant level. This entailed the transfer of control over Simpson marketing and engineering design from Beverley to the MAG divisional office in NSW, though many staff remained on the Beverley site. The second was the change in the range of support functions at Beverley. The old Simpson Corporate Human Resource unit was closed in 1991, and no similar position was created until 1995. At that time the Best Practice Coordinator, an engineer seconded to provide support to the Australian Best Practice Demonstration Program in 1991, was moved into this role. A position of OHS Manager was created in 1991 to provide leadership in developing a more effective approach to reducing the costs associated with Occupational Health and Safety. That position represented a significant shift in the company's away from a concern for injury management towards injury prevention through education and employee involvement (MacIntosh, 1992, 1996). Both the Best Practice and the OHS Management functions were focussed on the development of a more participative employee relations. To some degree they continued employee relations activities associated with the Simpson corporate human resource function. However their focus was, in each case, more programmatic and focussed on tangible production or cost outcomes.

Finally the organizational changes resulted in a greater focus on factory autonomy. The appointment of a Production Manager in 1995 provided a greater focus on plant management as distinct from engineering management. The greater control given this manager over Engineering and Quality Assurance departments provided a clearer focus on plant outcomes. The role of the Production Manager was much broader than the engineering oriented role that preceded it. His role encompassed recruitment, production engineering, work organization and factory performance. As one manager remarked at the time the position was created, the company was seeking a

'sociologist' rather than an engineering manager (Gerry Quirk interview, 1992). The reference was a way of indicating the greater attention the person was expected to give to developing work organization and employee effectiveness. The appointee brought with him a successful record in implementing workplace change.

### **The management of employment relations at plant level**

Under Simpson management the South Australian plants, which included Beverley, had experienced quite innovative human resource management policies. There were three aspects to those policies, experimentation with psychological approaches to employee relations, policies for the management of numerical flexibility, and reform of bargaining arrangements at the plant level.

The first was the attention given to psychological aspects of the employment relationship. Employee feedback surveys, and grievance systems were used to improve the individual employment relationship. Simpson managers also expressed interest in employee involvement schemes, and improved job design. However, many of these innovations were not continued after the merger with EMAIL, and the closing of the old Simpson HR office in 1991 left such policies without any support. The attention of MAG managers shifted at that time to the major change program, and the appointment of a Best Practice Coordinator. Nevertheless, there were a number of managers and engineers within the Beverley plant whose early exposure to psychological approaches to management made it easier for them to accept the direction begun under the major change program (Bates interview, 1990).

The second area of Simpson policy was its approach to workforce flexibility. This was informed by an attempt to marry psychological aspects of workforce relationships and the industrial. There were two aspects to the Simpson's approach to numerical flexibility. One was its commitment to employ a stable group of full-time staff with

job security linked to the economic health of the company. The other was a redundancy scheme that provided for a systematic approach to the management of redundancies and compensation for those made redundant which exceeded industry standards. This included attention to the psychological needs of those made redundant and the 'survivors'. The existence of redundancy benefits, and the targeting of casuals and older employees made the redundancy process more acceptable industrially, while counselling was provided to supervisors and managers involved in the process (Interviews with Cannon, 1991; Uhrig, 1998).

The third area, in which the Simpson management had undertaken changes, was in the area of industrial relations. These reforms provided a substantial basis for the development of plant level initiatives including the later major change program. The reforms included a rationalisation of union representation across plants and a simplified pay and classification structure. Union representation across the plants was rationalised through a process of negotiation, which resulted in a principal union on each site (Interviews with Alexandra Cannon, 1991; Alan Wheeler, 1991, 1994). The orderly representation of unions across the former Simpson sites was accompanied by a high degree of union security through informal closed shop arrangements. These two factors produced a relatively quiescent employment relations environment. The principal union at Beverley was the former Australasian Society of Engineers (ASE), leaving a minority of trade employees under the coverage of the Amalgamated Metal Workers Union (AMWU), and the Electrical Trades Union (ETU). The ASE represented over 90% of the workforce, and 1% was represented by the AMWU and the Electrical trades Union together<sup>3</sup>.

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<sup>3</sup> The ASE subsequently amalgamated with the Federated Ironworkers Association (FIA) to become the Federation of Industrial, Manufacturing & Engineering Employees (FIMEE), which in turn amalgamated with the Australian Workers Union to become AWU-FIME (see glossary). The AMWU also went through a series of amalgamations, which are summarized in the glossary.

There was little direct involvement of full-time union officials in the affairs of the plant. Managers attributed the quiescent character of industrial relations to the cooperative stance of the principal union. In contrast, the Dudley Park site, where the AMWU was the principal union, had a tradition of industrial activism. This was attributed in part to the Union's use of the plant as a focus for launching wage campaigns across the industry. As a consequence of this situation the closing of the former Simpson corporate human resource management function had little effect on the day-to-day employee relations, which were managed by a plant-based Personnel Manager. The Union's willingness to cooperate with management initiatives was tested in 1991, when the company sought the establishment of a Consultative Committee to negotiate an Enterprise Agreement. The Agreement was strategically important to the change program then underway, in that the company wished to incorporate enterprise objectives into the agreement. It pursued the enterprise orientation in the composition of the Committee, by seeking direct election of employees without union intervention. The union initially expressed its opposition to the company's failure to include shop stewards on the Committee. However, following the election, in which one shop steward was elected by default, they acknowledged that the employees were satisfied with the arrangement, and did nothing further to impede its work.

Another legacy of the Simpson management style was the simplified pay and classification structure within the plant. This pay structure, known as 'the Simpson fair rate of pay system', provided career paths and salary growth for semi-skilled workers well before the award restructuring of the late 1980s. Ironically this posed some difficulty after the Australian Industrial Relations Commission's Structural Efficiency (SEP) decisions of 1988 and 1989 resulted in new classification and pay structures in the Metal Industries Award. The Metals pay structures were more numerous than the simpler structure then operating at Simpson, and a lengthy process of alignment was

needed for the new structure to be implemented. The classification structures were eventually embodied in a consent agreement with the Unions representing EMAIL's South Australian employees in 1990, and a Consent Award approved by the AIRC in 1992 (AIRC, 1992).

Translation of the Simpson structures into the new Metals standards took place in the same period as the company was initiating its STS reforms within the workplace. As a result the Agreement embodied the planned process of reform, in the form of a statement entitled "Our Vision". The statement included a discussion, in general terms, of the specific areas of reform to be pursued, including, STS, flexible work practices, flexible leave arrangements, and pay through Electronic Funds Transfer. Apart from the pay scales appended to it, the Agreement was quite unlike traditional Awards and Agreements in the way it incorporated statements about managerial and production processes.

### **The workforce**

The workforce itself included a mix of skilled and semi-skilled workers. Most of the employees were employed in semi-skilled occupations for which they would have received on-the-job training. A small group of trades people was employed in the maintenance, foundry and machining areas.

The workforce was also ethnically diverse with 29 ethnic groups represented. The high priority given to English language and literacy program during the period of workplace reform was recognition that the literacy could be a limitation on the capacity of many employees to be effectively involved in the greater levels of responsibility implied in team working arrangements.

**Table 7.3: Workforce profile, 1997**

	Laundry Products	Washing machines
Total employees	482	323
Direct	354	239
Indirect	128	84
Maintenance	30	18
Managers	9	n.a.
casuals	15%	15%
% women	19%	19%

Source: Email Personnel Officers

**Table 7.4 Labour Turnover and Absenteeism - Washer Plant (1987 – 1992)**

	1987	1989	1990	1991	1992 (To June 30 <sup>th</sup> )
Labour Turnover	40.7 %	46.4 %	49.5 %	24.8 %	16 %
Absenteeism	7.2 %	9 %	4 %	5 %	4.8 %

Source: Simpson Ltd. Personnel Records

**Table 7.5 Washer Plant - Length of Service of Permanent Production Employees (1992)**

Years of Service	up to 5 years	6 - 10	11- 15	16 - 20	21 - 25	26 - 30	31 - 35	36 - 40	Over 45 years
Number of Employees	64	57	24	25	22	13	5	2	1

Source: Simpson Ltd. Personnel Records

### Factory Organization

The Beverley site manufactured washing machines and clothes dryers. Production was undertaken in a large complex of buildings on a suburban site built some 40 years previously. While the physical environment was consistent with the age of the site, there were a great number of improvements in the layout and physical arrangements within the plant during the late 1980s and early 1990s, which resulted in a relatively



pleasant, well lit work situation. Staff facilities, including a number of rest and lunch areas with cooking equipment and television were amongst the more obvious symbols of change in the early 1990s.

The plant incorporated several processes. They included casting and machining of some sub-components; bending and spot welding sheet metal into cabinets; the incorporation of moulded plastic component into the cabinets; machining components; painting; assembly of electrical panels (splash back panels); and the assembly of all these components together with a variety of bought in products ranging from hoses and clips to electrical motors. The production systems incorporated a relatively low level of automation, with the exception of the production of drier cabinets. This process used an automated machine to form sheet steel into the cabinets, which then house the mechanical and electrical components of the dryer. Much of the assembly and minor working of components is undertaken in production lines, with sub-assembly activities feeding the main line. At the time the reform program was initiated the production arrangements were seen to be very traditional (Eagles interview, 1995)

### ***THE MANAGEMENT OF CHANGE***

The change process can be reviewed in three phases. The first deals with the initiatives taken from 1990 based on the use of STS principles. The second corresponds to the program developed under the Best Practice Demonstration Program and the third period relates to the period between the ending of that grant in 1993 and 1997, at which time changes in the senior structure of the company heralded a change in priorities for the reform process.

#### **Phase 1 - Developing a shared vision through STS**

The change process at Beverley was initiated in November 1990, with the engagement of consultants to implement STS approaches to the changing work practices. As

indicated above, the objectives were ambitious, seeking the development of substantial change in employee attitudes and behaviour, through greater levels of involvement and responsibility for the production process. In terms of the classification scheme developed by Stace and Dunphy's (1994) the program is consistent with a 'developmental transition' change strategy. This is one in which the focus is on values and change is expected to be constant and incremental (1994: 215).

The consultants' used extensive workforce involvement as part of their approach to the change process. After initial briefings for management during November the whole workforce were engaged in a series of workshops - referred to as *story-boarding* workshops, where participants were invited to develop a *storyboard* of ideas in relation to a series of general questions posed by the workshop facilitators. These included contributions on the perceived strengths and weaknesses of the organization, and the characteristics that individuals thought the Laundry division should seek to have "if it were to be the best it could be" (Cother and Douglas, STS Workshop Notes, various dates, 1990). These ideas were subsequently used as a basis for developing a Vision statement for the Beverley plant. This task was undertaken by a consultative group of managers and employee representatives. Though the resulting vision is a rather wordy document, the process used to develop it, which involved the greater part of the workforce, may have been the more significant outcome from this project.

After this, the process of cultural change continued with the identification of problems that the workshops had identified in the operation of the Division. The problems were chosen as a means of focussing the energy of joint worker-management teams on shared problems, on the assumption that such a problem solving process would demonstrate the advantages of a "new way of working". The production-related problems identified through this process were later referred to as "high impact projects"

for the purposes of the Best Practice grant application (EMAIL Ltd., Application to ABPDP, 26th July 1991). The projects included the implementation of a *Kanban* delivery system, and quick die change mechanisms in the production area. The Project teams were promoted as practical expressions of the notion of "learning together" which was seen as central to the STS methodology. It may be noted that these projects had a plant wide orientation, and reflected management objectives.

The plant was divided into a number of work areas and each work area was the basis of a specific Work Team. The notion of *team working* was originally presented in terms of sporting analogies, with title of Supervisor changed to Coach to express this notion. Training materials indicate that Work Teams were asked to accept responsibility for quality and production control in the workplace. This implied changes in the role of all supervisory staff. The Supervisors were expected to remove themselves from the detailed supervision of the production process, and provide general guidance in problem solving, information and advice on request from Team Leaders. In practice this transition proved to be quite difficult to achieve.

There was clearly some confusion over the consultants' promotion of the STS approach and the management pre-occupation with improving organizational culture. Interviews with Coaches and Team Leaders suggested that those managing the workplace change project represented team working in a very idealized manner. Self-management was presented as the pattern of future production work organization. This created on-going problems for the fixing of work targets and standards, as the change program gave no attention to the way team objectives would be set and measured.

In retrospect, EMAIL senior managers conceded that the STS program had been overly ambitious for the time period, and that the complexity of the practice of team working in particular had not been appreciated (Gerry Quirk interview, 1997). A Team Leader offered the view that, while shop floor workers initially embraced the move to teams enthusiastically, their reactions became more negative after the experience of continual meetings, and lack of management support (Sante interview, 1994). A former Supervisor expressed the view that team members were not ready for the wide degree of autonomy initially given to them, and that the training they received was too abstract (Ron interview, 1994). Another Team leader pointed to the lack of financial rewards for the more onerous administrative tasks now expected of him, while a manager observed that 'Supervisors were left out, in the rush to teams' (Tremethick interview, 1994).

Such criticism points to a failure to see team organization in a holistic manner. As Thompson and Marks (1997) suggest, team working relies on changes in three dimensions of work, viz. normative, governance and technical dimensions respectively. The normative element relates to the internal relationships of the team. Training is the means by which this is most often achieved. In the case of the EMAIL employees, training was seen as abstract and was focussed on developing a vision statement, rather than team operations. The technical dimension refers to the way tasks and skills are integrated with production arrangements. At Beverley, the early formation of teams took place before any substantial changes to production arrangements had been made. Governance refers to the structure of authority within the organization. Here, the expressions of frustration suggest that the ability to exercise authority and the 'removal' of the supervisory levels of management was not approached in a systematic manner. It can be concluded that the STS initiative did little on any of these

dimensions, though there was an appreciation that changes were needed in each of them.

### **Phase 2 – Developing Best Practice**

The rationale for EMAIL's application for a Best Practice grant was set out explicitly in the company's final report on the program in July 1993 (Final Report, 1993: 3):

The Best Practice program acted as a catalyst for the 'change program' being undertaken by EMAIL MAG. It assisted in providing a structured approach to the many and varied initiatives being undertaken.

A central characteristic of the program from its inception in July 1992 was the formal and systematic structure given to the activities proposed, as outlined above (chapter 1: 29). The application argued that there was continuity with the STS initiative and that that initiative had provided, "tangible evidence that the vision is achievable" (ABPDP Submission: 3). However it is apparent that the greater formality reflected some concern that the previous activities had not been as successful as hoped. It also suggested a faith in the potential for a range of formally rational management processes to create a new manufacturing culture.

The grant itself was the subject of a Memorandum of Understanding with the unions involved on the site, and during 1992 an Enterprise Award was concluded which embodied the principles of change (AIRC, 1992). The Award included wage increases based on the assumption that the company would obtain progressive productivity improvements through the change program, though no measures of the expected improvement were included.

### ***Managing the new direction***

The grant provided the Beverley plant with the opportunity to review its Vision Statement, and to establish "action teams" to address issues identified by a further series of workshops involving management and staff. This problem-oriented approach

had the virtue of demonstrating the value of cross-disciplinary teams in solving technical issues, but as before it was focussed at the plant or site level, rather than individual workplaces. Over twenty such teams were set up to deal with a diverse range of issues including quality systems, communications within the division, quick die change, the further development of *Kanban*, English language training and a divisional training plan. In some respects the list of projects resembles a 'wish list' of things to be done, though the inclusion of such issues as English language and literacy training was recognition of the importance of the ability to communicate effectively in the new working environment.

The idea of a 'Factory Grand Plan' reflected the more traditional aspiration of production engineers, and appears to have had its origins in a corporate view that scale and efficiency of production for every product would be a strategic issue (Interview with Colley at Orange, 1995). At Beverley, the concept of a wholesale reorganization of production was abandoned quickly, replaced by a more incremental approach to improvements. However, some production cells were introduced, a move which affirmed the plant managements' commitment to team working arrangements (ABPDP, Progress Monitoring Report, April 1992). As the company's Progress Report indicated at the time, this decision was also consistent with the idea of team based continuous improvement that had emerged as the main means of change on the site. That approach had the advantage of dealing with agreed problems, and reinforcing the 'joint ownership' of those issues. Any wholesale reorganization of the production lines and machinery on the site would have involved substantial outlays of capital. The pragmatic path allowed evolution though it inevitably limited the degree of change in work relationships and organization.

### ***Team Working and Organizational Structure***

The main structural changes in the plant related to the flattening of the hierarchy and implementation of team working in production areas. The removal of Supervisors and technical specialists from direct control over production workers formally created a much flatter hierarchy. It was one in which production workers reported through Team Leaders, to the Manufacturing Manager, who in return was directly accountable to the General Manager.

For their part the Coordinators exhibited some difficulty in adjusting to their changed role. One was moved to an engineering department as a result of his directive style. Each of the coaches described his job in terms not very much different to the past, in spite of considerable training about delegating decisions to team leaders. While they inherited many of the organizational functions previously undertaken by engineering staff they still saw themselves as providing guidance and expertise in many aspects of production organization. They were frequently involved in the solution of technical problems on the line (Interviews with Sante, 1993; various employees, 1994; Coaches, 1993)

Management chose Team Leaders who were in every case previously Leading Hands. The role of the Team Leader certainly became more demanding, as indicated by the way in which they described their jobs. They were directly responsible for the maintenance of adequate workforce levels and for the supervision of quality standards and monitoring. They spent a great deal of time negotiating with their peers over staffing and production arrangements. However all of these functions continued to take place in close consultation with Coordinators (Interviews with Hagen, 1993; Jarman, 1992; Dryer Team, 1994; Sante, 1993).

To some degree the changes in role and job title are misleading. The behaviour and orientation of many employees did not change significantly. Some exhibited frustration at the changes, while others were compliant. As indicated above, there continued to be some confusion over both the direction and content of the change process. In spite of a large financial commitment to training, production workers were not given a clear definition of their job goals, and as a result failed to comprehend their new roles. With the exception of one area, the factory layout limited the degree to which adjacent workers could share tasks and responsibilities. The STS workshops raised expectations about a change in work methods that were not attainable without clearer delegation and definition of leadership roles, and better defined group objectives in each area. Production layout was an underlying difficulty as few really radical changes were contemplated in the plant for financial reasons.

The experience with team working is not surprising when one considers the very broad picture of team working provided by the original training. There were some real achievements in the program, most evident in the work of project teams, and in one area of production. The most ambitious experiment in employee-management cooperation was the instigation of cross-disciplinary teams to pursue improvement in occupational health and safety practices (MacIntosh, 1992). However, it is evident that management did not anticipate the real difficulty in changing behaviour, motivation and performance of operators who had, in the past, been totally reliant on their supervisors for the direction and definition of work. The re-focussing of discussion on to lean manufacturing principles, described below, was a recognition that a greater degree of definition of job standards and outputs was a preliminary to developing the ability of teams to control those processes.



***Affirming the culture? Communication and participation***

With strong support from the plant General Manager there was considerable time spent on improving the flow of information between management and shop floor workers. One of the most coherent actions was the establishment of a cycle of verbal 'briefings' across the plant. These briefings began with a meeting between the General Manager and other Managers, and continued with meetings between those managers and Supervisors. Supervisors then briefed Team Leaders, who in turn relayed the daily reports to their work groups. This cycle was repeated daily, shortening the time needed to get information to staff, and minimising the flow of distorted information through rumours (Communications Team, 1993; Trott, 1992; Quirk, 1992, 1993; Coaches, 1993). However, the communications cycle did suffer from excessive and abstract information, and was sometimes criticised by employees as 'top down' (Sante interview, 1994). Such complaints may have reflected long-standing grievances over equipment or facilities that had not been resolved. The rhetoric of change and communication also appears to have raised employee expectations of improvements in their work situation. However the strong senior management support ensured that the process continued, and became part of normal workplace processes.

The commitment to communications strategies was further illustrated by the formation of a *Communications Team*, consisting of several staff and a manager, was established to develop other communications strategies. This group implemented a "hot-line" system, to enable employees to contact the General Manager directly, through appropriately located "hot-line" telephones in the plant. They were also responsible for the production of a plant newsletter, videos for communication and training, and a video information system displaying messages and information throughout the plant.

While there was commitment to these innovations the process of change continued to be closely controlled by managers. More seriously, middle managers, who were involved in one of several cross functional teams, tended to use this involvement as a means for reinforcing or maintaining their existing control over aspects of production. This was observed by the ABPDP Monitoring Team, which visited the plant, and by the Manufacturing Manager appointed early in 1994 (Kilpatrick interview, 1993; Eagles interview, 1995). One manager interviewed asserted quite strongly that the Manufacturing Engineering group were an obstacle to change the established practice of compartmentalised decision-making (Tremethic interview, 1993).

In summary the changes were at some levels superficial and based on a presumption that information shared would lead to common objectives. However at other levels, work practices were changing, and while more limited than the rhetoric used to describe them, represented a real determination to change workplace organization. Failures may be attributed to naiveté and lack of internal expertise in change processes and human resource management. The manager given the task of coordinating the best practice program was an engineer, and while sensitive to the issues which arose was himself learning about those issues.

### **Phase 3 After Best Practice – Implementing Lean production concepts**

During the latter period of the Best Practice program, the external monitoring committee had provided important guidance to the company in its adaptation of team working arrangements. The Chairman of the Monitoring Committee, a body appointed as part of the Best Practice grant, had worked for Toyota in Melbourne, and had been given extensive training in Toyota production systems in Japan (Interview with Ewen Kilpatrick, 1993). His advice to the company became a critical element in the transition to, what was to become, a commitment to the introduction of lean production methods. This manager had been particularly critical of the STS approach used for the original

part of the change program. He argued, on the basis of his own experience that team working practices needed to have clear performance criteria and readily identifiable targets (Kilpatrick interview, 1993). This advisor was also influential in the appointment of a Manufacturing Manager for the plant early in 1994. The new Manufacturing Manager brought significant, and widely acknowledged experience in the implementation of 'lean management' principles at Hardie Pipes. That company had also participated in the Best Practice Demonstration Program. The scope of the new position went beyond production control to embrace the whole philosophy of management.

The new manager was critical of the team arrangements and work organization he found on taking up his position. He suggested that the teams had been given too little guidance and too much freedom to work in a manner that suited them. His criticisms exhibited a belief that effective teams needed defined goals and clearly defined tasks. His view was consistent with the arguments advanced by Adler (1993) in their comparison of team working practice at Volvo Uddevalla and the Californian General Motors-Toyota joint venture plant (NUMMI). Adler attributed the poor productivity at Uddevalla as against that at NUMMI, to differences in the way teams were organized in the two plants. In particular he argued that standardized work and effective feedback on work outcomes were the characteristics of the NUMMI approach that made it more effective (1993: 89). The Manufacturing Manager took a very pragmatic approach to the re-orientation of team working, choosing one team to demonstrate a more effective approach. This team, the 'splash back team' was involved in wiring and assembling the control panels on washing machines. Membership of the team included a number of operators who were well regarded by managers and included a number of women, including one who had been a Secretary in the company for some time. He introduced standardised work practices, as a means of improving accountability of team

outcomes. The process used to develop the standardised work practices was itself a means for demonstrating the mutual inter-dependence of team members. It resulted in an arrangement of tasks that achieved a better balance of tasks between team members, but which required them to work together to achieve them.

A criticism of the team development under the original STS arrangement had been the absence of any clear standards of task performance for the teams (Kilpatrick interview, 1993; Eagles interview, 1995). A program of simple performance indicators, modelled on the pattern established at Toyota, was initiated in the final stages of the Best Practice grant. This was continued and affirmed as a central characteristic of local work arrangements, with team members involved in monitoring many of the measures displayed in work areas. Under the new Manufacturing Manager's guidance the splash back team demonstrated the virtue of clear goals. One member explained that it enabled them to manage their work outcomes, as a group, far more easily over the day (Marie Hagan interview, 1993). She explained that the absence of target numbers in the older system had created shortages and continual panic between sections of the production system. Her views were supported by the Team Leader, whose role as the link to other parts of production was enhanced with the greater stability of work within the group.

The initiatives taken by the Manufacturing Manager were inevitably developed in a steady manner. The considerable time spent in developing the 'splash back' team illustrated the difficulty of changing the way in which people worked. To add to the difficulty of the change process, the plant had three identifiably different types of production systems operating on the site. By 1995, these included a traditional line, a cellular manufacturing unit, and a small team. As a result the workforce experienced

change at different rates, depending on their location. Some confusion and uncertainty was undoubtedly to be expected in such situations.

### **SUMMARY**

The change process at Beverley demonstrated some naiveté in the management of a major program of change. While the change process was incremental, management expectations were for a rapid transformation of employee attitudes and behaviour. The quiescent character of workplace relationships masked many of the feelings of insecurity and confusion within the workforce during the earlier period of change. The later changes under the Best Practice grant provided a more tangible framework to which employees could relate. However, the initiatives were in many ways captured by middle managers at that time and managed as technical projects, rather than as part of the 'joint learning' experience identified at the outset by the change consultants. The main exception to this was the experience with Occupational health and Safety (OHS) management. In that area the company's response to a regulatory requirement that OHS practices should be audited was dealt with in an innovative and relatively creative manner (MacIntosh, 1992, 1997).

The use of 'lean production' principles to guide change in work organization from 1995, enabled other managers and employees to relate the changes more clearly to work targets. The less ambitious expectations regarding 'cultural change' reduced the frustration felt by employees in the earlier process. The early phase of the change program were presented as based on common interests. However, the underlying assumptions were the need for managers to achieve workplace cooperation and consent to the new ways of working. Quality and productivity outcomes were presented to workers as goals from which all would gain. The later move to problem-oriented cooperation within the workplace provided a clearer and less ambiguous direction for the workers involved. Its success may be seen as endorsement of an approach based

on more focussed problem solving on matters of direct concern to production workers. The engineering of consent was thus achieved to greater effect by an unambiguous demand that certain objectives needed to be achieved, and that they would be best achieved through group problem solving. The appeal of involvement in cultural change was less successful than this more directive management style.

After 1994, when the Executive Director of MAG retired, the MAG commitment to the program of reform began to decline. Attention to financial outcomes took precedence over relatively costly processual change methods. The actions of a new manager in the Dudley Park plant, where unions were confronted with a more assertive management style, were indicative of a more self-righteous approach to workplace relationships within the MAG management group (Andrewartha interview, 1997; Quirk interview, 1996).

## **SECTION 4            CONCLUSIONS**

This case illustrates the way in which a major domestic appliance company dealt with the changing economic and institutional environment that emerged from the middle 1980s. It demonstrates the importance of organizational structures and management practice in shaping responses to change. However, the case also shows how management perspectives and priorities, relating to the growth and development of the business, operated as an important intervening variable in determining responses to competitive and institutional change.

By the early 1980s EMAIL, through its MAG division, had become the dominant player in the domestic appliance market in Australia. This position had been achieved with a strategic focus established in its formative years. From its earliest years the company faced considerable domestic competition in the appliance market, which limited the achievement of economic scale of production. This led to a strategic focus on growth

and consolidation of its key markets, and maintenance of efficient, cost effective production systems. The approach taken was progressively formalized by the mid 1970s into what was called, an 'active planning' approach to the company's growth, which included reliance on a deliberate program of acquisitions and divestments. 'Active planning' reflected the company's commitment to strong manufacturing systems and control over the costs of production. By the 1970s, concern over the costs of production, and increased import competition, led the company to broaden its managerial focus. While it retained a focus on costs and efficiency in production, greater emphasis was given to stabilizing and motivating the workforce. This was done through the introduction of a range of financial benefits, such as voluntary superannuation, and a 'fair but firm' approach to wages and conditions. The general orientation of this approach to human resource was a paternalist one, in which employees were expected to react to the benefits with greater levels of motivation and commitment to the company.

The adoption of a multi-divisional structure, in the mid 1970s, had the effect of leaving operational decisions to plants and subsidiaries. As indicated, the company based its control over business units and subsidiaries on what has been termed a 'financial control' approach. A small corporate office was retained to deal with strategic financing, corporate relations with government, and other matters that could only be handled efficiently at that level. Major initiatives in employment relations such as superannuation, and employee share ownership schemes, were managed at that level. Industrial relations continued to be coordinated by the corporate office because of the centralized approach to Australian wage determination until the decentralization of Australian industrial relations, in the early 1990s. At that time, the corporate office sought a delegation of industrial relations responsibility to business units, under general budgetary guidelines. That initiative failed in the face of determined industrial

action to prevent the breakdown of company wide industrial settlements. Day-to-day management of human resources was handled at plant level, and until 1995 there was no substantial support for human resource policy at Divisional or plant level, and the company was wholly reliant on consultants for specialist advice. The overall approach to human resource management was consistent with what Purcell and Ahlstrand (1994) have termed a 'third order' strategy in multi-divisional companies. Such strategies are essentially derived from the overall strategic direction, and the differentiation of activities between levels of the organization (1994: 42-44).

The company faced a number of novel challenges from the mid 1980s. New entrants to the domestic industry, the removal of tariff protection for the industry, and reduced domestic demand led to a review of MAG strategies. MAG managers concluded that a transformation of employment relationships was the key to enhancing competitiveness. The announcement of a major change program in 1990, linked future competitiveness to the building of a 'new workplace culture' in which employees would understand and contribute to corporate objectives. The change program that emerged was pursued through separate plant based change programs, coordinated by MAG management.

The Beverley case illustrated the deficiencies and naiveté that underpinned the major change program. The major change program adopted techniques for building common objectives, and adopting new methods of working without a clear understanding of the complexity of the processes involved. They stumbled into an ambitious program to establish team-working arrangements based on STS. Subsequently, a grant under the ABPDP, led to a highly structured framework for the establishment of teams and a variety of other changes. The staging of that program assumed that changes in management systems, planning indicators, technologies and skills could all be



accomplished within a strict project timetable. In 1995, advice from managers outside the company, and associated with monitoring the ABPDP project, suggested a more pragmatic approach to change. A new manufacturing manager, with experience in applying 'best practice' ideas in another company, was employed. He led a problem oriented, outcomes focussed, approach to changes in work methods and systems which proved to be more effective. The key to its relative success appears to have been the less ambitious and more immediate focus of the activities undertaken.

EMAIL's approach to undertaking major change was weakened by its organizational structure and control mechanisms, and by a failure to understand the need for specialist management skills within the company to guide changes in employment relations, work organization or employee behaviour. The company's failure to prepare more adequately for this new direction was linked quite directly to the strong support for established strategic responses. That strategic direction was developed and refined by a Board whose composition remained remarkably stable over several decades, and by managers whose careers had been intimately involved in formulating and applying the operational aspects of the strategies developed early in the company's history. Management stability underpinned shared views about the importance of maintaining leadership in domestic appliance markets, and the relative priority of human resource management issues. A configuration of organization characteristics and management assumptions about the business shaped the company's response to change.

## **CHAPTER 8 SUMMARY AND CONCLUSIONS**

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### **INTRODUCTION**

In chapter 1 it was suggested that the immediate reaction of managers to changing market and technological conditions was influenced by a range of factors, some external to the organization and others within. At the conclusion of chapter 2, it was argued that every organization has a configuration of unique internal characteristics, which shape the way the organization is adapted to external changes. The case studies provided an opportunity to examine the way selected aspects of such internal configurations shape responses to external challenges. The particular role of management attitudes and beliefs, identified as of 'pivotal importance' by one writer, were given particular attention (Wright, 1995). However, the research was focussed on understanding the way various elements of the configuration in each company interacted with one another, and with the external environment.

### **WHAT DO THE CASES TELL US?**

The focus of this research was on the way in which business strategies are linked to choices about work organization and employment practices. The framework, developed by Pettigrew and Whipp (1991), which has guided the research activity, provides for the examination of organizational evolution in terms of three categories; the context within which the organization operated; the content of change, or the activities undertaken by managers; and the processes used to manage and direct changes (Chapter 2 supra: 84-5). These headings are used to organise a more detailed summary of the research.

## *THE EXTERNAL CONTEXT*

### Product Market challenges

As indicated in Chapter 1 the manufacturing industry has been faced with significant changes in its operating environment over the last decade. The research covered two sectors within the manufacturing industry, automotive components and home appliance production. The case studies were undertaken in EMAIL, the dominant manufacturer of home appliances in Australia, and four companies manufacturing automotive components. Each of these components manufacturers was involved at one time in production of steering columns, though each also produced other automotive components. The product market challenges facing the two sectors were different in some important respects, though the studies were all undertaken against a similar background of economic and institutional change.

For EMAIL it was observed that domestic production was consistently threatened by imported goods, and later by the establishment of the Fisher and Paykel 'greenfields' factory in Queensland. While EMAIL clearly acknowledged these threats in its public statements, it also asserted that development of a large domestic base was a pre-requisite for overseas expansion. EMAIL's promotion of larger scale domestic production fitted well with their established approach to acquisitions, and consolidation in the whitegoods industry. The other side of this competitive strategy was a focus on costs and productivity, which were continuous themes in the company's management of its manufacturing base. Employees were treated instrumentally in this context. The move to the 'major change program' in the company's MAG in 1989 was conceived as a highly ordered and staged program of activities. It also involved recognition of the importance of attending to employee attitudes and behaviour. While senior managers in MAG clearly recognised the importance of changing work arrangements the major

change program suffered from poor internal advice on the complexities of change management, and a presumption that the change could be managed in an ordered manner. The program to change employee attitudes and behaviour were treated as an engineering change in the way they were staged and programmed.

In the components sector the influence of major automotive manufacturers was evident. The changing requirements in quality, the introduction of 'cost down' contractual arrangements, and more stringent delivery arrangements were a direct challenge to existing production arrangements. These practices were documented in the "lean production model", and used by automotive manufacturers as a benchmark for supplier relationships. The practices under challenge included reliance on specialised quality inspectors at the end of the process, fixed price contracts and the use of local 'buffer' stocks both within the plant and in product stores, to enable the supplier to maintain supply.

For Tubemakers the challenge proved beyond the capacity of the existing systems of control and internal labour market arrangements, which owed their origins to a wholly different industry and product. The immediate challenge in meeting automotive customer requirements was its implications for work organization and internal labour market arrangements. Work practices and arrangements were inflexible and inefficient, with high manning levels, inflexible skill demarcations and 'taylorist' job design practices. Little change was attempted in any of these areas, and managers appeared to find it difficult to recognize the extent of changes required to enable the product market requirements to be met. In part the lack of response at this level was associated with the preoccupation of the management group within Automotive Components with new 'financial control' mechanisms and the greater autonomy of the business unit, which had exposed underlying inefficiencies in scale of production and reliance on resources

from other parts of Tubemakers. This situation was not sustainable without change in business volumes.

At AIGL, the company set out with the objective of building its automotive component business in a way that would allow it to respond to product market requirements. The company had a clear view of its potential competitive advantage in the components sector, based on superiority in assembling complex components. The use of normative control in place of strict output requirements was the company's response to the need to encourage their employees to take responsibility for quality. The relative autonomy given to AIR within its corporate structure, the open approach to problem solving and management, and the opportunity to start with a greenfield plant allowed a positive response to these arrangements.

The MtM response was more evidently associated with the wish of the family to maintain close control over the company. The predominance of autocratic management styles, based on the notion that detailed control of employee behaviour was a function and right of ownership. This was a major obstacle to change in work and employment systems. At first sight the company's attitude to quality management was an indication of a positive response to changing customer demands. However, closer inspection of the quality system revealed that the earliest quality standards were accomplished largely through documentation of checking procedures. The autocratic approach to management limited their ability to envisage a system of work organization in which employees might take some responsibility for quality outcomes at their own work stations, rather than waiting for errors to be discovered by inspection. This system of 'quality at source' would have required a wholesale reconsideration of the relationship between managers and their employees. The company responded to many of these external pressures as a cost of production by investing more administrative time, and

accumulating stock buffers to ensure time to check quality. Mtm managers exhibited some reluctance to consider work systems and processes that would allow greater levels of employee involvement and control. It was only the intervention of Mitsubishi in the pre-production planning for the new steering column in 1995, which led to more flexible work arrangements being adopted for that product. The company's persistence with autocratic control over employee behaviour, coupled with poor job design, limited the potential for employee energies and abilities to be fully used in responding to changing customer needs.

### Societal influences

Maurice et. al. (1984, 1986) demonstrated through their comparative study of French and German industrial conditions that nationally specific factors such as education systems, industrial relations systems and patterns of authority in industry shape employment systems within organizations. As Osterman has suggested, national approaches to the management of employment systems may be relatively unique (Osterman, 1984: 18). The particular importance attached to the influence of educational systems raises questions about the influence of national vocational education and training systems in shaping internal labour markets in Australian manufacturing. While investigation of the issue lies beyond the scope of the present study the importance of such factors was observed in two of the companies in this study.

Both Tubemakers and EMAIL shared many commonalities in their treatment of apprenticeship and technical training. These appear to have emerged from the particular experiences of these companies in the immediate post war period, when labour shortages, particularly for skilled labour, dictated positive measures to build a suitable internal labour market to ensure supply of those skills. The rules governing skill

development and utilisation were closely related to industrial awards. At Tubemakers the internal labour market reflected the skills requirements of the basic steel processing industry, in which steel ingots were formed into tubing. As a result the work systems developed around these skills requirements were inconsistent with the needs of the different mix of skills required in automotive components manufacture. In contrast, the skills requirements in EMAIL plants were more closely aligned to the core processes involved in manufacturing whitegoods and associated products. As a result it may have been relatively easier to accommodate changes in skills requirements emanating from outside the company.

Smith and Meiksins (1995: 259) developed a more specific interpretation of this view with the suggestion that the formation of engineers was a critical factor in the adoption or rejection of best practice principles. The cases provided some evidence related to this point, though the limitations imposed on the research suggest that this area is one in which further research is necessary. In each of the cases, with the exception of MtM, there was evidence of a strong engineering orientation amongst managers. This was related to the critical importance of engineers and trades people in maintaining and developing the production system. In the larger companies, EMAIL and Tubemakers, the internal labour market reflected an earlier period, when the recruitment and development of skilled and professional workers was a primary aim of human resource policy. However in neither company did these engineers act as the proponents of best practice in a recognisably unified or concerted manner.

The role and influence of engineers in the two smaller companies was less strategic. At MtM engineers were departmentalised and decisions were dominated by family priorities. Nevertheless it was apparent that most of the initiatives for production systems reform did emanate from production managers, whose role gave them an

oversight over the social and technical aspects of production. At AIR the interest and initiative in adopting more innovative work arrangements came from senior managers. One of these had a very clear philosophy based on personal experience as an apprentice and later as an engineer in technical organizations. The other had a background in marketing, and saw the issue as a management issue. The patterns of engineering organization summarised in Smith and Meiskins (1995) cannot be easily related to the Australian situation.

### The reform of Australian industrial relations

Between 1986 and 1997 a wide range of changes took place in the framework of Australian industrial relations. These have been summarized elsewhere (Wailes & Lansbury, 1997). The impact of these changes was progressive, beginning with decisions of the AIRC and moving to legislative reform. They facilitated greater local decision-making over industrial conditions. Few employers could have predicted the trajectory of change which, in one view, moved Australia from central regulation of labour markets, to a system in which individual bargaining between employers and their employees were given greater influence (1997:55-62). There is some evidence that these changes were related to organisational change in a contingent manner, rather than as cause and effect. (Curtain et. al., 1992: 36-43). Many organizations embraced successive levels of decentralization, as part of wider programs of change (Curtain et. al., 1992; MacIntosh, 1991; McNeil, 1997; Manning 1990; Mealor, 1992), but as the MtM and Tubemakers cases in this study suggest some did not. The systemic changes in industrial relations created opportunities to change internal labour market structures so as to enhance various forms of labour flexibility, but other factors may have intervened to prevent this occurring. The implications of these systemic changes are examined in the context of the way in which internal labour markets were structured and changed in each of the companies.



## The influence of external relationships

There are a variety of ways in which the management of these companies were exposed to the demands of the new manufacturing models. These included the work of industry groups, government promotional programs, customer requirements, the spread of quality accreditation and overseas tours by senior managers.

The changes in automotive product markets outlined in the previous section attest to a change in supply chain relationships in extending ideas and disciplines from one level of the industry to another (Berggren, 1992). Supply chain influences are evident in contractual arrangements, personal contacts, collaboration in design and quality auditing requirements. Contractual arrangements requiring open books and associated "cost down" principles, placed suppliers under heavy pressure to improve productivity. While such contractual arrangements did not in themselves dictate any particular outcome for employment relationships, it was apparent that the "advice" of customers as to appropriate management systems and processes was influential. This clearly occurred with MtM in the late eighties when Nissan production personnel introduced the company to the principles of team working. The company's failure to act on those proposals reflected the internal priorities and attitudes of the senior management and owners of the company. Later, customer pressures dictated the appointment of a Quality Manager, and, in 1995, Mitsubishi influenced the company's adoption of a cellular production arrangement for a new steering column. Quality accreditation may also be a means of reinforcing preferred management principles and systems. The greater interaction between customer and supplier personnel also served to demonstrate differences in work arrangements.

In Chapter 1 (pp.17-21) the development of a best practice management program by the Australian government was described. As indicated in Table 8.1(below) each of the company's in this study was influenced in some manner by government support for 'best practice' management proposals, though it was more direct in the case of EMAIL and AIR. In both cases participation in the ABPDP was of considerable importance, with participation in an overseas study mission a determining influence for AIR. For MtM there was generally less direct contact with the prevailing policy environment. Nevertheless, from 1994, the General Manager maintained a wide range of links with government advisors within Victoria. As a member of FAPM, the company had also been exposed quite directly to information about shape of new manufacturing practices since the early 1990s. The relatively ad hoc approach taken by senior managers to changing work organization, and associated production practices were to a large degree a reflection of management values and priorities.

**Table 8.1 External influences on each company, 1989 - 1996**

	<b>Tubemakers*</b>	<b>AIR</b>	<b>MtM</b>	<b>EMAIL</b>
Participation in Overseas Mission	No	Yes	No	No
Participation in ABPP	No	Yes	No	Yes
Industry association involvement	Closely involved in FAPM	Closely involved in FAPM	Involved in FAPM	Involvement through corporate head office in MTIA
Customer audits	NO	YES GMH, FORD, TOYOTA	YES GMH, FORD, TOYOTA	Not Relevant However development of measurement tools with suppliers initiated
open book supply contract	No	Yes	Yes	n.a.
Involvement in design	Strong design contribution		Strong design contribution	Yes
ISO9000	No	Yes	Yes	Yes
QA9000*	n.a.	Yes	Yes	Yes

\* The Tubemakers case reflects a situation to early 1992

It appears that largely similar external contacts and exposure had quite different outcomes. The AIR participation in an overseas mission, and the enthusiasm with which the participant embraced lean production methods, are testament to a readiness to try different ways of operating a manufacturing company. Rimmer et. al. (1996) described this situation as organisational readiness. At AIR, this was evident in the coherence of corporate and divisional planning, and considerable agreement between senior managers on an overall approach to the business and its employees.

Within EMAIL participation in the ABPP was quite consistent with other aspects of the corporate change strategy. EMAIL's Board structure and orientation were clearly influenced by its position as the largest domestic whitegoods manufacturer. Interaction with industry policy makers, and engagement in public discussion over economic and industrial matters, are indications of a company that was conscious of its importance in the domestic economy. The ABPP was, in this context an affirmation of the company's importance in the Australian community of businesses, while being consistent with a direction then favoured by its senior decision makers. It allowed the immediate costs of the change to be offset against a government grant. However, the activities addressed through the grant also bore the marks of a formal and somewhat rigid approach to planning and change, which reflected the highly structured decision-making of the past.

In the later 1980s, industry leaders had identified both Tubemakers Automotive and MtM as companies well placed to adapt to the new environment (Interviews with Malcolm Stewart, FAPM Executive Director and FAPM committee member N. Ballantyne, 1989). In the case of Tubemakers, this judgement reflected the company's involvement, at the corporate level, in significant change strategies including the TQMP. These expectations were betrayed in part by the inadequacy of corporate 'cultural change' processes that were embodied in TQMP. They were also limited by

the impact of local accountability within the new business unit arrangements introduced in the early 1980s. These arrangements exposed the economic dependence of the steering column business, for example, on the larger company, making it increasingly difficult to justify investment. However, the company's greatest failure was its failure to embrace opportunities to change the established approach to employment relations and work organization. They failed to embrace the opportunities inherent in the award restructuring process, and, at the time of the closure, had shown an inadequate understanding of the 'best practice' proposals then being discussed and promoted through government agencies.

### *INTERNAL CONTEXT*

#### Organisational structure and control

Under the present heading a number of issues are raised concerning organisational arrangements, which emerged during the research. These are issues associated with ownership and control of each of the organizations. There were two main types of organisational arrangement. One was the family firm governing through a unitary management structure, and the other was the multi-divisional company.

The study of MtM provided some insights into the factors influencing management in family companies. The first of these was the unification of corporate governance and day-to-day management. This was the situation for much of the study period, and had been the case since the founding of the company. In this situation strategic decisions were easily confused with the needs of the family. The situation appears to have inhibited major investment decisions on two occasions during this period, and two former senior managers suggested that 'the family' were influential in a great range of other decisions (Interviews with Poulsen and McIvor, 1996). The other aspect of organization is the way in which ownership was seen to influence management style.

The personalised and often autocratic approach of members of the family in recent years illustrated the disadvantages of a style in which ownership of production can be interpreted as imparting a right to dictate behaviour and attitudes of employees.

The second form of organization was the multi divisional company, which can take a number of forms as was illustrated by the cases in this study. In both AIR and EMAIL the importance of multi-divisional organization was evident, with each of these companies adopting somewhat different approaches to divisional control. Using the framework developed by Goold and Campbell (1987) it was shown that AIR adopted a 'strategic planning' approach, whereas EMAIL's was closer to that of 'financial control'. The differences between the two companies in their overall approach to managing production and work organization appears to have been parallel to this distinction with EMAIL treating such considerations much more as a cost issues than AIR.

At Tubemakers, the adoption of the multi-divisional structure in the seventies did not replace the hierarchical and relatively centralised system of authority. However, the subsequent identification of business units, in 1988, did lead to greater delegation of authority to that level, and formal reporting based to a greater extent on financial outcomes. These changes exposed the economic fragility of the Automotive Components Group. The local managers were both unprepared for greater management responsibility, and the changed reporting arrangements exposed the difficulties of providing the financial return necessary to continue the business.

Formal hierarchies were reduced in each of the multi-divisional companies during or at the outset of the study period. These reductions were in each case aimed at improving product focus. At AIR and EMAIL they were also seen as part of the strategy of

improving communication between management and the workforce. At MtM the sole location and size of the plant obviated the need for a reduction in management layers. Attempts to improve communication were very limited, and were, to a large degree undermined by the paternalist management style. At Tubemakers traditional formal status divisions continued and managers, many of them engineers, tended to make decisions with little employee involvement.

### Production systems and technologies

The choice of technology may be related to access to capital or to more complex considerations of product volume, and the comparative cost of more labour intensive methods. Such considerations go beyond the scope of this study, though the question of equipment investment options was evident in each case. In the Tubemakers case it was suggested that the adoption of the multi-divisional form of corporate structure made it more difficult for the Automotive Components group to establish its claim for investment monies, which were increasingly judged against other investment opportunities both outside and inside the company (Chapter 4 supra: 136). At AIR, the long-term view taken to acquisition, and the investment in a new plant is testament to a commitment to building the steering components business. Within EMAIL investment in new plant and equipment was built into the longer term plans to consolidate the company's domestic production base for each of its products, and as a basis for overseas activities. For MTM, investment decisions were postponed without direct reference to the potential costs or benefits of the investment proposals. Family priorities were the determinant.

Technology also influences internal labour market arrangements. It was observed that the levels of technology in each of the plants were relatively unsophisticated. Each plant continued to rely on semi-skilled labour undertaking routine tasks, to accomplish

their production objectives. While each plant in the study had some automated equipment for sub-components, the assembly of the final product was undertaken on simpler equipment and involved repetitive and routine tasks. However the picture at plant level does not give the full picture, as skills development was, in two cases related to the needs of the company in a more general sense. At Tubemakers, for example, production skills in the steering column, and other Automotive components plants was dictated by the needs of the company's core processes of tube drawing. There were, as a result a relatively large number of skilled trades workers undertaking maintenance and set-up activities. In contrast the skills required of production operatives in the steering column plant were inconsistent with the work systems associated with 'lean production' principles (Womack et. al., 1990: 99). The company's skills development strategy was focused on trades and maintenance skills, and there was a failure to consider multi-skilling, skills in basic machine maintenance, and the ability to undertake some quality checking, which might have used the skills of the steering column workforce more productively. At EMAIL the introduction of advanced production systems, incorporating a high degree of automation, at its Orange plant, suggested a trajectory for the introduction of similar processes, and associated skills in other centres of production. At the time of this study Orange was the first example of the company's commitment to advanced production technology, though its strategic plans suggested other plants would follow.

At MtM and AIR the scale of production appears to have been a key factor in relying on the skills mix evident. The response to low scale of production at AIGL was to move towards multi-skilling as far as possible in the assembly area. The person occupying the position of *Machinist*, responsible for the automated lathes, was also expected to undertake other operations, rather than maintain a distinctive specialist position. This may be contrasted with the situation that had been used at Tubemakers. At MtM, family

opposition to the investment cost defeated plans for a wholesale upgrading of technology on two occasions. Tensions continued between the need for low skills for routine work, and the need to change the skills mix to deal with more complex products such as the Mitsubishi steering column.

### The influence of established beliefs and assumptions

One of the objectives of the research was to examine the way in which management attitudes and beliefs influenced changes in human resource management and work organization. The research suggests that the way in which attitudes and beliefs influences choices in these areas varies a great deal according to the particular circumstances of the company.

At Tubemakers it was concluded that management and employees shared a set of values intricately associated with the internal labour market arrangements, and hierarchical structure. These organizational arrangements were an obstacle to the company's ability to adapt its production systems to changing customer requirements. However, the failure to act can in part be explained by the way in which those values limited attention to areas of change. The working arrangements at Tubemakers would have been quite difficult to change for a variety of reasons, including the difficulty of negotiating with the several unions represented on the site. However, attachment to established ways of working were an initial obstacle, and few managers appear to have recognized the deficiencies in those practices. Johnson's review of literature on approaches to strategic change suggested that such 'paradigmatic' views could constitute a significant barrier to change where they were widely held (Johnson, 1987: 40-45; 1990: 239; Chapter 2 supra: 90). His analysis is consistent with the situation found at Tubemakers.



At AIGL management values and priorities were important at two levels. Firstly, they set the framework for the overall direction of the parent company, Futuris Corporation, and its subsidiaries. This was evident in the long-term perspective on investments and the 'strategic planning' approach to its management. The integration of decision-making and planning between the corporate level and the operating divisions in the company enhanced the strategic orientation and the way the subsidiary was managed (See Chapter 5 supra: 165-170). Secondly they shaped the approach taken by AIGL managers to the management of people. In particular, their shared priorities and values, which were focussed on the attempt to build an organization around common values and objectives, were a recognition of the importance of people in achieving a competitive advantage in assembly processes. Shared management beliefs and priorities were a critical element in the ability of this company to integrate steering column production in an efficient manner. It may be observed, however, that these values were intricately associated with organizational structure and process, and in the specific case of steering column production, the opportunities presented by a greenfield site. As in the previous case these attitudes and beliefs were important in reinforcing and sustaining a strategic direction already taken.

The MtM case demonstrated a quite different situation. The values and attitudes of members of the family, who owned the business, were evident in strategic and operational decisions. The unitary organization and involvement of family members in management positions reinforced the family influence. The value systems sustained an autocratic and instrumental view of employees, which was not consistent with the need to build trust in employment relations, and encourage operators to take greater responsibility for quality and productivity. As demonstrated in the case, changes to production and work arrangements were late in coming, partial and ad hoc. The failure to separate ownership and control lies at the heart of this failure, a situation observed

in other studies of small businesses (Arthur & Hendry, 1990: 243; Stanworth & Curran, 1973: 154-5; Chapter 2 supra: 212-213).

At EMAIL, it was argued that the considerable stability in senior management and Board membership over a long period, underpinned shared perspectives on the strategic focus for the production of domestic appliances. These business perspectives included close attention to costs and productivity. The adoption of a multi-divisional structure, with management control exercised mainly through financial measures, left divisional and business unit managers to work within a general framework determined at corporate level. Human resource management strategies were 'third order' choices, reflecting the technical and cost control orientation. In later years the company moved towards a more explicitly paternalist approach to the management of its workforce in an effort to improve motivation and commitment within the workforce. However, this change was presented within a general framework that sought to limit wage increases and relate conditions of employment as far as possible to local needs. The apparent change implied in the major program initiated in the MAG, in 1990, can be seen in retrospect to have had relatively shallow roots. The organization was not 'prepared' for the complexity of the changes implied by an attempt to build a 'new work culture'. There were no specialists within the organization to guide the inherently complex behavioural and attitudinal changes sought. A manager involved in the process commented, in 1996, that by the time the Executive Director of MAG retired in 1994, the impetus for the program had begun to wane, and preoccupation with costs and technical capacity had returned as the main priority at MAG management level (Quirk interview, 1996). The EMAIL case is one in which the values and beliefs of senior managers created a framework within which decisions about operational matters were undertaken. While this group articulated with some strength the need to attend to work culture and other issues, the organization of the company, and the 'cost control'

approach to its subsidiary operations inhibited long term views, and adequate in-house expertise to undertake the type of program it began. The major change program did not challenge the match between management approaches to strategy and the organizational structure and operational objectives.

### ***THE CONTENT OF CHANGE***

#### **Reforming workplace industrial relations**

Each of the companies faced a changing industrial relations environment, whose characteristics were summarised in Chapter 1 (Supra: 5-8). The relationship between changes in industrial relations institutions and management practice has attracted commentary since the initiation of award restructuring in 1988. Three aspects of these changes had potential for changing management strategies, the nature of union representation, bargaining structures and bargaining outcomes. A summary of the main characteristics of each company is set out in Table 8.2.

#### ***Union representation***

Management in two of the companies, AIR and EMAIL, substantially determined union representation. At AIR the decision was one taken explicitly by the new managers who took over the company in the late eighties. The objective was to stabilise bargaining arrangements and provide for a less adversarial employment relationship. It reflected a conscious strategic decision, and was accompanied by other organisational initiatives that were designed to create a workplace relationship based on trust and equity. As indicated in Chapter 5 the decision reflected the values of senior managers.

The reduction of multiple unionism in the EMAIL plants was undertaken by the former owners, Simpson Holdings Ltd., who undertook negotiations with the (then) several

unions operating across their plants to create a dominant union on each site with minority representation by other unions. This situation represented an efficient outcome for both unions and management, and simplified the administration of employment relationships.

**Table 8.2 Comparison of union coverage, bargaining structures and outcomes, 1989 - 1996**

		TM	AIR	MtM	EMAIL
<b>Unions</b>	<i>number</i>	6	1	2 one dominant	3 one dominant
	<i>how chosen</i>	historical	management	through union membership competition	management through negotiation
<b>bargaining structure</b>	<i>level of agreement</i>	site/Division	Site	company - single site	business unit - site
	<i>role of Head Office</i>	indicative - financial	No restriction	financial	no role now sought
	<i>number of agreements</i>	6 supplement award	1 certified agreement	1 certified agreement	1 certified agreement
<b>bargaining outcomes (last agreement)</b>	<i>term</i>	n.a.	2 years	2 years	2 years
	<i>pay relativities</i>	17% above award, with bonuses determining this amount	20% above	average	
	<i>standard hours</i>	8	8	8	12
	<i>productivity targets</i>		none	absence	none
	<i>training</i>		clause	clause	
	<i>job security</i>	not defined	commitment	no statement	commitment
<b>future directions</b>		n.a.	maintain bargained conditions	not clear	greater flexibility - possibly AWA

At the Beverley plant this resulted in a relatively harmonious bargaining relationship, sustained to a degree by a General manager seeking a high degree of accommodation with the workforce (Interviews with Cannon, 1989, 1990, 1991; Bates 1990; Uhrig, 1998). The situation at Beverley stood in contrast to that of its sister plant at Dudley Park in South Australia, where the dominant union, the AMWU, inherited the more adversarial experience that continued to mark that plant's employment relations. Bargaining relationships were, as a result more adversarial.

In the other plants covered in the study union representation reflected situations of far less management control or foresight. In the case of Tubemakers, multi-unionism had created a complex system of awards and agreements governing work arrangements. Dedicated industrial relations specialists managed this system. Inter-union rivalry was often manifested in convoluted bargaining processes over rules and arrangements. The award restructuring decisions of 1988 and 1989 were in part aimed at stimulating a re-negotiation of such complex arrangements. As noted in Chapter 4 (Supra 155-157), the company did not engage with the opportunity presented by these decisions, and the Personnel Manager's strategic proposals were overtaken by the decision to close the business. It is likely that a rationalization of union coverage would have been a more ambitious, and potentially more risky path, than the Personnel Manager's proposals.

The situation at MtM emerged from a failure of the management to deal with workplace issues positively. Before 1995 union representation had been confined to a small group of skilled workers. However, the bungled management attempt to introduce an enterprise agreement in 1995 was instrumental in unionising the production workers. MtM managers were unwilling to accept that the union could have contributed to workplace reform. While the final agreement included many clauses sought by the

managers, the overall strategy left the managers with a more overt level of distrust, and a union prepared to pursue grievances on behalf of the production workers. The NUW's entry into the workplace prevented the management from pursuing its more extreme cost reduction policies. However, the opportunity to build a more effective channel for communication and discussion over work methods was lost in lowered trust and respect for management.

Union representation was thus only an issue in adapting to change where the managers sought to maintain discretion and control over working arrangements. It is apparent that the only managers willing to negotiate such changes were those who were already committed to a vision of more flexible and mutually advantageous working arrangements. It may also be noted that EMAIL inherited their rationalized arrangements from Simpson, which had displayed considerable initiative in a range of human resource practices in the late seventies (Chapter 7 supra: 290-293; Uhrig interview, 1998).

### ***Bargaining Structure***

In each company the bargaining structure also revealed quite different experiences. A key element was the relationship between the level at which agreements were struck and the relative influence of head office as against local managers. All but one of the plants studied were part of multi-divisional companies. That plant, MtM, was the only family owned company, and as indicated the General Manager largely determined arrangements, until the intervention of the NUW in 1995 (see Chapter 6).

In each of the multi-divisional companies there were clear moves to decentralise the bargaining to operational areas. However there were qualitative differences in these arrangements. The Tubemakers experience pre-dates many of the institutional and

legal changes that took through changes in Federal and State legislation in the period 1994-6. Industrial relations decisions were focussed on the Precision Products Division, which covered the Adelaide site, and included a diversity of activities. In 1991 these arrangements were decentralised to the main business units, including Automotive Products, along with Finance and Information Technology. Employment conditions were formally defined in Certified Agreements registered with the State Industrial Commission. These conditions maintained the industrial customs of an earlier period, with clear job demarcations and other conditions related to the (then) Metal Industry Award. While there were some efforts to reduce critical demarcation barriers in the company the pattern continued. Pay movements were related to industry and national pay decisions supplemented by plant specific 'allowances'. An attempt to develop a more strategic focus to industrial relations at this level was initiated just before the decision to close the plant was made.

At EMAIL, while industry wage patterns were acknowledged, agreements (originally Enterprise Awards) were used increasingly to relate working arrangements to local production objectives. In 1992 this took the form of an agreement containing little more than a mission statement and acknowledgment of the need to change. By 1995 the Agreement was more focussed on changes in specific aspects of work. At the time of writing a further agreement was being negotiated in which managers were seeking further concessions in relation to hours and absenteeism in particular. A clear strategic development can be seen in this sequence of agreements and negotiating positions. This was further mirrored in the attempt to decentralize responsibility for negotiation outcomes, which were described in Table 7.1 (Chapter 7 supra: 269). This development is quite consistent with comments by Purcell and Ahlstrand (1994: 70-72), regarding the difficulties in managing multi-divisional companies from the centre. The attempt to delegate industrial relations was facilitated by the progressive

decentralization of industrial relations in the early 1990s. It is evident that EMAIL followed the evolutionary approach adopted by the main industry association, the MTIA.

AIGL also pursued local agreements, but from the time that Futuris took control, the Corporate office played little if any role in determining industrial relations strategies. Bargaining was related to the main sites, irrespective of the formal definition of business or product units. The agreements at AIR reflected a workplace in which management priorities were largely been accepted by workforce and union. While the company showed willingness to concede in areas affecting employee welfare, and paid well above the award rate, the agreement was closely related to production needs.

By 1995 each of the plants in this study (with the obvious exception of Tubemakers steering systems plant) had more direct responsibility for bargaining over working conditions. Bargaining outcomes were in each case evaluated more directly in terms of their impact on commercial expectations. The Agreements did, however, differ in qualitative ways. At one extreme is the Tubemakers Industrial Agreement, which provides a benchmark for the kind of industrial agreements once developed in the context of a relatively centralised system of award regulation. That Agreement contained no reference to flexibility, and was primarily related to rates of pay. Though negotiated in a different institutional environment the MtM agreement incorporated productivity linked pay arrangements that reflected a principle of placing the burden of improvement on employees. The EMAIL and AIGL Agreements on the other hand attempted in a very direct manner to relate changing market demands to employment conditions. The EMAIL Agreement was more focussed on cost reductions than that at AIGL.



This review of bargaining arrangements suggests that each company was involved in enterprise specific bargaining, but for different reasons. In each case the direction taken in relation to unions and enterprise agreements exhibits qualitative differences in spite of very similar production arrangements and other external influences. MtM unionised its workforce, but with the intention of intensifying work rather than building a dialogue about working arrangements. Tubemakers used many local agreements, and management initiated industrial practices to overcome difficulties in the application of the national award or to reduce local grievances over relative pay. Changes in bargaining structure can be related in the other two cases to attempts to construct a more positive employment relations climate. In the EMAIL case those changes were really a legacy of prior ownership by Simpson holdings, where there had been a strong commitment to innovation in human resource management. The decentralization of bargaining initiated by the EMAIL corporate Personnel Manager was consistent with the decentralization of Australian industrial relations generally, and with the company's approach to control of its subsidiary business units. In contrast the situation at AIR was more distinctively related to an overall business strategy, and intricately associated with a desire to build strong relationships of trust between management and employees.

### ***PATTERNS OF WORKPLACE MANAGEMENT***

Osterman (1984) described the internal labour market (ILM) as a set of administrative rules and procedures governing pricing and allocation function for labour within the firm (1984:2). Use of this notion allows consideration of a variety of management and other contributions to the internal regulation of jobs and hierarchies within the firm. However the notion of ILM does not fully comprehend the informal and normative elements of workplace regulation. In this thesis management values have been referred to throughout as a defining element in those relationships. Here the contributions of Fox

(1974), Burawoy (1979) and Frenkel (1994) are instructive. By combining these two concepts, we can characterise what we can term workplace management more sensitively. There are a number of elements to the patterns of workplace management that can be used to distinguish the case companies. They are, the influence of national industrial relations systems, the extent of local bargaining, the coherence of recruitment and career paths, pay systems, training & the way management values and ideas are used to shape the substantive arrangements. The firms differed considerably in the way these internal arrangements were managed.

Workplace management in both EMAIL and Tubemakers was characterised by a focus on skilled workers at trades and professional levels, with semi-skilled workers enjoying relatively less status in the production system. Career paths for professional and technical specialists began with recruitment after school, or University, and were built through education and training over what was expected to be a long-term career. At EMAIL there was relatively a greater tendency for lateral recruitment of professionals and managers, partly reflecting its acquisition strategy. Semi-skilled operators at Tubemakers were relatively better paid than the rate in local labour markets, but were less secure in formal terms. They were also paid on a piece-rate system, a factor that provided a significant element of management control. EMAIL provided a higher level of security for all of its employees, with casual workers used to absorb seasonal variations requirements for semi-skilled production workers.

MtM offered a markedly different pattern of workplace regulation, reflecting, to a considerable degree, the intricate control by the owning family over the organization. Until 1995, the regulation of work was based on conditions contained in the Metal Industry Award, though this award formally covered only a few of the workforce. Aside from the formal and legal situation related to this Award, management discretion was

the overarching characteristic of MtM workplace arrangements. After 1995, the Enterprise Agreement provided a broader set of formal rules covering work arrangements. However, management priorities and interests were strongly reflected in the terms of the agreement. Pay rates were little different to those in local labour markets, but internal pay differentials were provided for selected employees through de facto re-classifications. These were, again, strongly influenced by management preferences, and appeared to have little to do with job requirements. Such re-classifications were more an instrument of control within the workforce than an attempt to reward people for performance or market pressures. While the workforce at MtM was relatively stable, this reflected the ethnic origins and skill levels rather than any coherent career opportunities. There was little training, beyond that related directly to the tasks undertaken, though there were signs that that situation might change. A succession of production managers experienced frustration, while toolmakers were accorded a special and privileged position in relation to other workers. Only in the design and tooling areas was there any real recognition of technical skills. Late in that case the impact of the design problems of the new Mitsubishi steering column forced some re-consideration of this position, but the response was at that time relatively confined. Managers continued to exercise control over all critical decisions. There was a high degree of management control over working conditions, opportunities and job definitions. This was not balanced by any consistent degree of worker resistance, reflecting the relatively subordinate position of the production workers. The pattern of workplace management may be described as autocratic, reflecting the origins of authority, and degree of authority over detailed regulation of behaviour and conditions. An ethnically mixed and gendered workforce made this possible. This system encouraged acquiescence in management directions.

The situation at AIR International was less structured and more benign. Working conditions were formally determined by enterprise agreements, which were negotiated with a relatively acquiescent union. Union agreement was secured to a degree, by the company's overt commitment to the 'rules of the game' and to avoid exploitive work practices. AIR stressed the relationship between job security and product market success for all of its employees. Employment was to a particular position, and promotional opportunities were based on immediate human resource needs in the company, and the availability of skills within the workforce. Some attempt was made, however, to provide opportunities to individuals for development, based on their performance, and the judgement of managers as to their long term potential. There was little overt status differentiation in the workforce, and the key factor governing work processes at AIR was the ability to work together with common objectives. While technical skills were valued, there was equal attention to management skills, and to the ability of people to work 'as a team'. The company adopted a normative approach to the effort bargain and to other aspects of behaviour which are similar to those advocated by Walton (1985) and Pfeffer (1994). However, it was also clear that such standards were a product of the particular circumstances of the company. This situation at AIR could be termed 'benign control' reflecting the style of management, and the reality of management control.

### ***WORK ORGANIZATION***

Work organization is identified as a critical element in best practice models, and particularly in the 'lean production' model. Notions of team working are proposed as a central factor in obtaining the flexibility, competence and cooperation of production workers. The dimensions of team working developed by Thompson and Marks (1997), which were used to evaluate the EMAIL experience, provide a useful means for assessing the degree of change in more traditional work practices. They argue that these dimensions, governance; technical competence; and the value systems binding

the workgroup; are together critical to the achievement of effectiveness in team arrangements.

Team working was only really attempted to any degree at EMAIL and AIR. At Tubemakers the hierarchical organisational structure and the constraints of internal labour market arrangements inhibited any consideration of team working arrangements. The Automotive Components managers exhibited little understanding of the potential, or meaning of team arrangements. At MtM the only team was in the Mitsubishi steering column area, where technical changes allowed task sharing within the small group of employees involved. Extensive team building was undertaken, for this group, but the rest of the workforce were not exposed to training or changes in technical production arrangements. There were no changes in governance, even for the Mitsubishi group, where supervision was unchanged. In general, it was not clear that senior managers at MtM really grasped the fuller implications of the MtM initiative for their future as a supplier of advanced components.

At AIR the advantages of a greenfields site were a production layout that fostered greater communication. A carefully selected workforce was chosen on the basis of personality tests, which were used to indicate the potential of individuals to work together in a cooperative manner. The open and communicative style of management reinforced a situation in which group communication processes and norms were well developed. While there were clearly defined differences between the roles of machinists and production workers, these were deliberately minimised by posting skilled workers into the assembly area. Similarly, the participative style of managers, in which open communications were encouraged throughout the organization, minimized the vertical distance associated with hierarchy. The outcomes were work groups based on trust, rather than on any fundamental differences in authority or competence.

The experience at the EMAIL Beverley plant attests to the limited change that might occur without substantive changes in governance, the technical division of labour or the values. The most successful application of the team idea was the problem-focussed activities of the 'splashback' team. In that area the personal involvement of the production manager, and the possibility of improving work roles in one of the most menial areas, produced a positive example for the rest of the plant. Again, a more open management style, under the then General Manager, and formalised communication between him and the shop floor through the daily briefings, were important in persuading employees that the team idea could go beyond rhetoric. However, without changes in skills structure, and physical plant layout it is doubtful that any really widespread use of teams could have eventuated. In a neighbouring EMAIL plant, recently built by the company with new equipment, the term *team* is used in a far more general sense to describe a collectivity of otherwise scattered and unrelated workers.

In summary, the three dimensions of team working were each addressed by EMAIL and AIGL managers, though more completely by the AIGL managers, given their relatively greater discretion over working arrangements and factory layout. AIGL was the only place where the 'team' arrangement was the normal method of work organization. In EMAIL it was more successful in some area than others. AT MtM it was used in one area, and there were few changes in the governance of the workplace limited, while at Tubemakers there was no attempt to build teams.

## *THE CHANGE PROCESS*

### Change leadership

Rimmer's discussion of change leadership (1996: 53-4) is consistent with the notion of leadership used by Pettigrew and Whipp (1991: 142-144). This view, summarised in their use of the term "leading change" places more emphasis on the context of leadership behaviour, and allows attention to the processes through which leadership is exercised. This approach to leadership is apparent only in AIR, though EMAIL's Beverley experience is also marked by a whole of organization approach to involving people in the change process. In Tubemakers, it is not only the failure of leadership in the psychological sense (see Pettigrew & Whipp, 1991:140-141) that accounts for the closure, but the failure to develop a process of leading change which involved all employees and managers of the Automotive Components group, in resolving the problems they faced. At MtM, the centrality of family values and assumptions about employee relationships reduced that company's ability to mobilise its staff towards a set of shared objectives.

### Did the companies conform to Best Practice models?

While the only company formally involved in a program associated with best practice was EMAIL each of these companies was exposed to such ideas through government promotion, industry contacts or through participation in government sponsored study tours. This section examines the degree to which each of the companies conformed to the elements of the two 'best practice' models introduced in chapter 1.

The first is the framework developed by Rimmer et. al. (1996) (henceforth referred to as Rimmer's model) to study the experience of companies involved in the ABPDP. Table 8.3 is a qualitative summary of the experience of each of the companies against the elements of Rimmer's model. It can be seen that the plants differ in the degree to

which they adopted change. This is entirely consistent with Rimmer's own findings (Rimmer et. al., 1996: 212).

**Table 8.3 Degree of conformity to Rimmer's Best Practice principles\***

Best Practice dimension*	Tubemakers	AIR	MtM	Email Plants
Integrated strategy	None, except for "TQM"	Yes, clearly articulated	not clearly articulated	Yes clearly articulated
Process improvement	Quality circles	Management through normative expectations	engineering led	Rhetorical commitment to principles; some teams work on continuous improvement principle
Organizational structures	little change	flat organization and advanced group working	hierarchical relationships	flat organization and managed team working
Technology	Design innovation; no change to production technology	Design innovation; no change to production technology	design innovation; no change to production technology	recent technology upgrades
Measurement & control systems	inspection at line end	quality at source; some measurement skills	quality by supervision	quality at source; measurement skills training
People management	traditional	productivity enhancement	cost minimisation	mixed cost minimisation and productivity enhancement
External relationships	traditional manager to manager	worker and managers involved directly in supply chain and quality	minimal worker involvement; traditional management relations	worker and managers involved directly in supply chain and quality
stable change leadership	Yes, but focussed on structure and limited cultural change program	Consistent articulation of objectives & values	Not evident	Clearly stated, some differences corporate/plant level
Employee empowerment	None	Employees involved in decisions	none	Managed team

\*The terms used here are those used and defined by Rimmer et. al (1996: 47-55).



Five explanations for the outcomes they observed were given. These were the limited nature of many ABPDP objectives; the ability of many companies to attain competitiveness without conforming to the model; limited experience in organisational change; inadequate resources; and inadequate time to undertake the detailed work necessary. As a whole these explanations have resonance with the experiences of the companies in the present study, which were summarised previously. They also underline the prescriptive origins of Rimmer's model. If companies did not need to subscribe to the principles to succeed competitively then it may well suggest that they will not be interested in the model.

The other main model introduced in chapter 1 was Krafcik's summarisation of the idea of lean production (Chapter 1 Table 1.3). Krafcik was a member of the MIT team, which undertook the studies for the International Motor Vehicle Program, and contributed to the development of the lean production idea. A similar qualitative assessment was made against the elements within Krafcik's explanation of lean production. This is shown in the Table 8.4. Regardless of the source of the influence, it is apparent that only AIGL and EMAIL Beverley made any significant changes towards a realization of the principles embodied in the model. The other companies demonstrated a very limited degree of change.

Table 8.4 Degree of conformity with Krafcik's definition of Lean Production

Element of Best Practice*	Tubemakers	AIR	MtM	EMAIL
<b>Factory practice</b>				
Low inventory	High inventory	Low inventory	High inventory	Low inventory
Small work in progress	High	Low	High	Low
Frequent stock delivery	No	Yes	Partly	Yes
Small re-work	No	Yes	No	Moderate
Economical factory layout	Improved layout limited by existing building	Yes, greenfield site	Planned, but not undertaken	Improved but limited by existing building
<b>Work systems</b>				
Multi-skilling	No	Yes (multi-tasking)	No (except for multi tasking in new Mitsubishi cell)	Some multi-tasking; skills demarcations continue
Team working	No	Advanced group	No (but emergent in Mitsubishi cell)	Advanced group
Low proportion of quality inspectors	No	Yes	No	Yes
Quality at source	No	Yes	No (except in Mitsubishi cell)	Yes
Maintenance by operators	No	Partly	No	Some
Employee problem solving	No	Yes	No	Yes
<b>HRM</b>				
Rigorous selection of production operatives	Reasonably selective but less than for skilled workers	Yes	No, poor selection & appraisal	Reasonably selective but less than for skilled workers
No barriers between management & employees	Hierarchical relationships	Low barriers	High	Moderate barriers remaining
High commitment to training	No	Yes, but slow implementation	No	Yes
Pay related to factory performance	No	Enterprise Agreement begins process	No but some attempts in 1995 agreement	No
Training for problem solving	No, but some start in 1996	Some	No	Yes

\* Source: Adapted from Krafcik J.F. & MacDuffie, J.P., Explaining High Performance Manufacturing: The International Automotive Assembly Plant Study, IMVP International Policy Forum, May 1989.

## CONCLUDING REMARKS

The research material in this thesis was organized in a manner generally consistent with the explanatory model developed by Pettigrew and Whipp (1991). That framework was devised to describe the process of decision-making in their study of companies undergoing strategic change in the UK during the 1980s. The virtues of this approach, its holistic and cross-disciplinary approach, outweigh its weaknesses, which include its derivation from the experiences of so-called successful companies, and its ambiguity. However, there was no explicit attempt in the cases to relate the experience of any of the companies to this or any other overarching theoretical explanation. The study rests on the belief that an inductive approach to the material facilitates a more sensitive understanding of the situations facing market-oriented organizations in adjusting to external pressures for change. In particular it allowed the unique aspects of each case to be identified, while remaining faithful to the overall framework of analysis adopted. The balance between this overall approach and the attention to unique experience, while difficult to sustain, reveals with greater clarity the way in which managers in each of the companies responded to some similar general conditions, their specific milieu, and the organizational circumstances they inherited or created.

A number of questions arise from the study. The first relates to the influence of externally promoted ideas about production and work practice, so-called 'best practice' proposals. Two groups of such proposals were discussed in chapter 1. One of these was the approach which emerged from Australian government agencies, and which was promoted through the ABPDP. The other, the 'lean production' model, has its origins in work undertaken by a research program undertaken by MIT under the auspices of major automobile manufacturers. In chapter 2 it was proposed that while they constituted a heuristic device for managers, they had the potential to conflict with the unique circumstances of each company. The research demonstrates that no

company undertook the range of changes specified in either of these models, though there has been some activity in regard to some elements within each of them.

The literature review suggested that the kinds of change being experienced by manufacturing companies could be usefully seen in an evolutionary perspective, and that the process of evolution could be explained by the way in which a unique configuration of factors inside the company worked together and interacted with the external environment. The evolutionary perspective had its origins in an attempt by economists to provide an explanation for the way in which firms respond to changing external markets. The work of evolutionary economists provided a bridge between neo-classical theories of the firm, which assumed homogeneity between firms, and the work of organizational theorists interested in the behavioural and sociological aspects of decision-making. Robertson's (1987) study of the post war development of two Australian manufacturing companies, REPCO and National Consolidated Ltd. demonstrated the value of attending to management behaviour and attitudes to explain strategic decisions. He sought to improve the 'flexibility and realism' of his explanation by incorporating consideration of management perceptions and the 'corporate culture' into his explanation of strategic decision-making (Robertson: 1987:4-6). He linked his definition of that term to the definition of organisational routines described by Nelson and Winter (1974). His study concluded that, in spite of the similar market situation facing each of the companies at the end of the second war, they adopted different paths, which he argued could be (1987:36)

... attributed above all to differences in the subjective outlooks of their managers and in their corporate cultures.

The evolutionary view stands in contrast to the presentation of a presumptive cause-effect relationship between environmental (or specifically market) changes, and management decisions. Where such links are presumed, as was the case in Arthur's

study of minimills, 'facts' are adduced to explain why a company is, or is not conforming to what may be seen as an economically logical path of action (Arthur, 1992, Chapter 2 supra: 76-77). In contrast, the evidence emerging from the case studies presented in this thesis suggests that a unique configuration of internal characteristics associated with each company shaped its response to external changes. The study has shown how these configurations acted to enable or inhibit adaptation.

In the case of Tubemakers corporate structure and control mechanisms exposed inefficiencies, while patterns of work and employment relations inherited from a different era limited the ability of the business unit to adapt. In contrast AIGL approached the production of the same product with a wholly different configuration of organizational capabilities. These included a corporate structure that supported long-term approaches to new investments, and allowed a planned approach to their renewal. Management in the AIGL also shared the view that employee skill and motivation was the key to manufacturing success. They sought to build an organization around the building of a shared interest and responsibility for production outcomes through communication and involvement. In the MtM plant the values and beliefs of the owners intruded dramatically into the operation of the company, and limited the ability of senior managers to embrace change in autocratic approaches to work and employment relations characterized by close supervision and high differentiation of tasks. Customer pressures were the most critical source of changes that did take place. At EMAIL a set of entrenched corporate policies relating to competition were associated with the structure and orientation of the organization. Nevertheless the MAG was able to achieve significant levels of change because the internal industrial relations history and experience favoured adaptation.

It may be observed that management values and behaviour played a different role in each case. For MtM it was a critical explanatory variable, while at Tubemakers management approaches to production organization were intricately attached to the way in which the internal labour market arrangements and management authority was defined. It expressed a set of structural constraints on change that had their origins in an earlier phase of the company's operations. At AIGL the values and beliefs of the management group were a means of expressing the overall vision of a shared mission, and were a means of promoting more normative ways of managing day-to-day-employment relations. These value systems were heavily dependent on the stability of senior management groups, and the corporate structure that supported their independence within the Futuris group. At EMAIL the values and beliefs of the corporate management group provided a framework within which decisions in MAG were made. While not a critical element in determining the particular actions of the major change program, these values formed an unchanging attachment to the primacy of building the company's market leadership through cost effective, technologically sound, production systems. What this suggests is that a dominant set of management values and beliefs may shape responses to change, or even provide the means of defining a particular set of work relationships. However, in each of the cases aspects of organizational structure were also important. The formal mechanisms of control over the operating units within multi-divisional companies, internal labour market arrangements and industrial relations at the plant level each influenced the responses observed.

This documentation of change and adaptation in this thesis has allowed an explanation to be developed about each company's behaviour, which may be reviewed as more evidence is adduced. While the approach taken to the research did not lead to a 'spectacular' discovery of key variables, it does demonstrate the infinite variability that

may occur in spite of superficially similar circumstances. It is a caution against the notion of the 'one best way'.

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## APPENDIX 1 LIST OF PERSONS INTERVIEWED

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### 1. TUBEMAKERS PTY. LTD.

Breeding, G., *Apprentice Supervisor*, Tubemakers, Precision Products, 19/2/97.

Collis, G., *Assistant Secretary*, ASE, 11/7/90.

Daminato, P., *Maintenance fitter*, Tubemakers Automotive, 20/2/97.

Fawke, C., *Production worker*, Tubemakers Automotive Products, 20/2/96.

Fisher, J., *Personnel Manager*, Tubemakers Automotive Products, 11/7/89; 24/9/89; 28/9/89; 13/11/90; 305/91.

Hall, B., *General Manager*, Tubemakers Automotive Products, 24/2/89.

Hills, B., *Production Superintendent, Steering Products*, Tubemakers Automotive, 8/11/90; 22/3/90; 21/4/96.

McCabe, J., *Industrial Officer*, MTFU, 11/7/90.

Natt, B., *Production Engineer*, Bundy Tubing, 16/4/96.

Nilson, M., *Former development engineer*, Tubemakers Automotive Products, 27/2/96.

Pink, W., *Production Engineer*, Tubemakers, 27/2/96.

Reynolds, C., *Manager HRM*, Tubemakers, TM6, 17/2/97.

Richer, C., *Personnel Manager*, formerly, Tubemakers, Precision Products, 27/6/89; 23/4/96.

Schild, W., *Finance Manager, Automotive components*, Tubemakers Automotive Products, 19/12/90.

## Appendix 1 Interviews

Tessarello, D., *Machine setter*, Tubemakers Automotive, 17/4/97.

Thompson, R., *Manager, Steering Products*, Tubemakers Automotive, TM6,  
23/5/89; 25/10/89; 6/6/90; 13/6/90; .

Tucker, G., *Quality Manager, Automotive Products*, Tubemakers Automotive, TM6,  
23/3/90.

Various employees, Tubemakers Automotive Products, 24/2/89.

Ward P., *Manager, Fabricated Components*, Tubemakers Automotive Products,  
8/11/90.

## 2 AIR INTERNATIONAL

Baldock, C., Product Manager - Steering Systems, AIR International, 22/4/96

Bond, L., *Production clerk*, AIR - Steering Systems, 17/4/97.

Breeding, G., *Team Leader*, AIT - Steering Systems, 19/2/97.

Daminato, P., *Team Leader*, AIR - Steering Systems, 20/2/97.

Doyle, B., *General Manager, Operations*, AIR - Steering Systems, 7/4/97.

Fawke, C., *Production worker*, AIR - Steering Systems, 20/2/96.

Hills, B., *Production Manager*, AIR - Steering Systems, TM6, 21/4/96.

Kane, J., *Assistant Secretary*, AWU/FIME, 26/8/97.

Koenig, C., *General Manager, HRM*, AIR International, 28/4/97.

Milton, R., *General Manager & Director Group Operations*, AIR International, 28/4/97.

Nilson M., *Engineering Team Leader*, AIR - Steering Systems, 27/2/96.

O'Connor, G., *Product Development Team Leader*, AIR - Steering Systems, 20/2/96.

Pedler, L., *Human Resource Manager*, AIR International - Adelaide, 20/2/96; 17/4/97.

Pink, W., *Development Engineering Manager*, AIR - Steering Systems, 27/2/96.

Tessarello, D., *Machine setter*, Steering Systems Australia, 17/4/97.

Various production workers, Steering Systems Australia, 17/4/97.

**3 MTM PTY LTD.**

Albert, *Production worker*, MtM Pty. Ltd., 9/2/96.

Albert, A., *Export Marketing Manager*, MtM Pty. Ltd., 20/6/96.

Albert, M., *Finance Manager*, MtM Pty. Ltd., 20/11/90; 5/12/90.

Albert, M., *General Manager*, MtM Pty. Ltd., 6/2/96; 20/6/96; 6/10/97.

Gharib, A., *Production Manager*, MtM Pty. Ltd., 20/11/90; 5/12/90; 6/12/90.

McIvor, P., *formerly Production Manager*, MtM Pty. Ltd., 6/2/96; 7/2/96; 21/6/96; 4/9/97.

Neef, J.D., *ESL Educator*, MtM Pty. Ltd., 6/10/97.

Pearce, G., *Quality Assurance Manager*, MtM Pty. Ltd., 20/11/90.

Poulton, M., *former General Manager*, MtM Pty. Ltd., 16/8/96.

Poulton, M., *General Manager*, MtM Pty. Ltd., 19/11/90.

Rosencrantz, H., *Engineering Design Manager*, MtM Pty. Ltd., 3/12/90.

Stannard, B., *Company Secretary*, MtM Pty. Ltd., 20/11/90, 20/6/96.

Steve, *Industrial Sales clerk*, MtM Pty. Ltd., 1996.

Valic, J., *Organiser*, NUW, 25/8/97.

Various Production workers, MtM Pty. Ltd., 7-9/2/96.

Vaughan, M., *Supply Manager*, MtM Pty. Ltd., 3/12/90.

Williams N., *Marketing Officer*, MtM Pty. Ltd., 6/2/96.



Appendix 1 Interviews

Young, T.D., *Personnel Manager*, MtM Pty. Ltd., 21/11/90.

## 4 EMAIL

Andrewatha, L., *General Manager*, Dudley Park, 2/2/95.

Arnold, M., *Operations Manager*, EMAIL, Dudley Park, 8/9/94.

Alderston, G., *Engineer*, EMAIL Regency Park, 8/7/93.

Bates, G., *Production Manager*, Simpson Beverley, 29/6/90; 27/7/94.

Beer, B., *Accountant*, EMAIL Beverley, 25/4/94; 26/7/94.

Bennett, C. *Best Practice Coordinator/Materials Management*, EMAIL Dudley Park, 1/9/94; 7/9/94.

Cannon, Alexandra, *formerly Manager Human Resources*, Simpson, 20/7/89; 15/10/90; 10/5/91

Colley, G., *Personnel Manager*, EMAIL Orange, 22/11/94.

Communications Team work group, EMAIL Beverley, 13/9/94.

Daley M., *Group Human Resource Manager*, MAG. EMAIL MAG, 19/11/96.

Dryer Team, EMAIL Regency Park, 13/9/94.

Eagles G., *Plant Manager*, EMAIL Beverley, 25/7/94.

Gage S., *Supply Manager*, EMAIL Beverley, 26/7/94.

Hackett D. and Silvestri R., *Managers*, EMAIL Regency Park, 8/7/93.

Hagen M., *Splashback Team Leader*, EMAIL Beverley, 11/11/93.

Jackson, G., *Eaton Controls (Melbourne)*, 4/8/94.

Jarman, P., *Safety Representative*, EMAIL Beverley, 6/7/92.

## Appendix 1 Interviews

- Jones, B., *Manager*, EMAIL Regency Park, 9/7/93
- Kemp, S., EMAIL Beverley, 26/11/90.
- Jonas, M., *and other shop stewards & team leaders*, EMAIL Dudley Park, 2/9/94.
- Nihil, T., *Manager*, EMAIL Woodville North, 5/9/94.
- Parsons, T., *Marketing Manager*, Email Woodville, 5/8/94.
- Pickett, B., *Corporate Personnel Manager*, EMAIL Corporate Office, 19/11/96;  
17/2/97.
- Popplewell, A., *OHS Manager*, Beverley plant, various dates, 1991, 21/8/1992;  
14/9/92; 22/9/92; 15/12/92
- Quirk, G., *Best Practice Coordinator*, EMAIL Beverley, 14/9/92; 24/9/92; 1/7/93,  
17/2/1994; 7/4/94; 26/7/4; 1995; 1996.
- Ron, *Coach:Washer line*, EMAIL Beverley, 1/7/93.
- Royal, J., *Industrial Officer*, Metalworkers national office, 17/2/97.
- Sante, *Team Leader: Machining*, EMAIL Beverley, 13/7/93.
- Stella, A., *Manager*, Burton Cables (Melbourne), 5/8/94.
- Trott D., *General Manager*, EMAIL Laundry Products, Beverley, 21/9/92
- Tibbets, E., *Quality Assurance Manager*, EMAIL, Beverley, 25/7/94.
- Teece, D., *Manufacturing Manager, Dryers*, EMAIL Beverley, 1994.
- Tremethick, D., *Quality Assurance Manager*, EMAIL Beverley, 27/7/93; 27/7/94.
- Uhrig, John. *Formerly General Manager Simpson Holdings Ltd.*, 31/10/98

## Appendix 1 Interviews

Various production employees, EMAIL Dudley Park, 8/9/94.

Various production employees, EMAIL Beverley, 1993

Wheeler, A.. *Employee Relations Manager*, Simpson Beverley, 10/5/91;  
28/6/91; 11/2/92; 16/6/92; 7/9/94.

Winter, R., *Training Manager (NSW)*, EMAIL Training, 17/2/97.

Woodward, D., *Manager*, EMAIL Regency Park, 9/7/93.

## 5. OTHERS INTERVIEWED

Ballantyne, Norm., FAPM committee member (at Tubemakers), 11/10/89

Collis, Garry., formerly Sate Secretary FIME. September 1992.

Jackson, Garry., National Sales & Marketing Manager, Barfell Industries Mordialloc Victoria. 5/8/94

Kane, Joseph., Branch Organiser, AWU-FIME Amalgamated Union, 1994

Kilpatrick, Ewen., General Manager, ACL Engine Parts,. Melbourne, Chairman of ABPDP Monitoring committee. 13/7/1994.

Newman, T. *General Manager, Supply*, Mitsubishi Motors Australia,, 1994, 1997.

O'Halloran, Peter., Plant Manager, Simpson Appliances (N.Z.) Limited, 1994.

Poulton, Michael., General Manager, Exthene Pty. Ltd. (ex MtM), 1996

Rickard, Brian., Sales & Marketing manager, Eaton controls Pty. Ltd. Somerton, Victoria, 5/8/94

Scheckenback, Alan., Research Officer, FAPM, Canberra, 1/8/91

Stewart, Malcolm., Executive Director, FAPM, Canberra, 1/8/91.

Stella, Angelo., Burton Cables, Melbourne, 5/8/94

## Appendix 2 EMAIL - Occupancy of Board and Senior Executive positions, 1934-1995

