FROM INDUSTRIAL RELATIONS TO HUMAN RESOURCE MANAGEMENT: A CASE STUDY OF THE MANAGEMENT OF CHANGE FROM THE STEEL INDUSTRY

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by

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Companies surviving the 1980s world recession have needed regularly to manage change in order to compete effectively in turbulent and often global markets. Frequently, such change has challenged the existing organization and the system of industrial relations.

Today, there is considerable evidence to suggest that the more successful companies operate with more contingent forms of organization. Such forms of organization have few layers, encourage empowerment, multiskilling and job enrichment and incorporate a wide range of Japanese manufacturing techniques and personnel systems. The impact of these changes on working practices, together with continuing high unemployment and a marked decline in union membership and influence, have influenced a move from industrial relations towards human resource management approaches. This transformation has been accelerated as businesses have both realised gains and experienced further recession in the early 1990s.

This case study examines how a steel company managed a complex cultural and structural change programme. Change commenced in the 1980s recession when benchmarking activities suggested that more successful steel companies invested in both capital and people. Since then, the company has invested in people through numerous programmes including continuous training, vocational education qualifications, job flexibility and mobility, delayering, standard and target setting, appraisal, performance pay to recognise individual behaviour and contribution, and management training to improve leadership and the company's ability to manage change. By 1988, the company had adopted an HRM approach.

In 1992, the senior management introduced a 'harder' form of HRM by establishing a fully single status company and derecognizing the four trade unions. The company has become an exemplar of HRM. This case study adds to the HRM debate by demonstrating through a wide range of measures that HRM has given the company scope for high performance.
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CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 Background

As business organisations emerge through the 1990s facing ever more intense competition, hardly a month will go by without a 'management guru' or a leading business academic, or a captain of industry, making a public statement about the need for change to survive. There are few, in any walk of life, who would freely admit that permanency is consistent with progress. To make progress requires change. What was appropriate yesterday may be unwanted, uncompetitive or even unnecessary today.

Two deep recessions over the last fifteen years have certainly promoted significant change in British business. The country's manufacturing base has sharply contracted, principally as a result of imports from countries where business is more competitive. At the same time, the service sector has grown and a 1980s enterprise culture boosted self employment. With such changes, the composition of the workforce has changed dramatically and this in turn has impacted significantly on trade union membership which has declined to early post war levels. A decade and a half of Conservative Government aided the process with a battery of anti-union legislation.

Further, the overall environment was more amenable to change after the early 1980s recession. The economy grew; an enterprise culture created an industrious community and national labour productivity grew substantially; the transfer of public ownership to the private sector changed business dealings and employee expectations; more people purchased their own home and shares in business than previously which quite possibly strengthened the effort-reward relationship; class barriers shifted as manager and worker worked more closely to promote business success; the role of professional management leading empowered teams took hold.
At the same time, business has taken advantage of the changing environment and sought radical changes in workplace practices. Often the catalyst for such change has been the introduction of human resource management (HRM) practices. HRM has enabled management to secure improvements in the contribution of labour which were not possible under conventional industrial relations approaches. Such change has prompted improvements in business performance and has been achieved largely without labour disruption. HRM, therefore, has become a critical issue for business seeking new organizational forms and industrial relations systems capable of taking it into the twenty-first century.

Few therefore, would argue with Sisson (1993:201) "that human resource management (HRM) has been the industrial relations issue of the 1980s and early 1990s". Guest (1991:150) suggested that HRM was probably the 'dominant' research issue in industrial relations in the 1980s. Why then has HRM created such a fierce debate? and can we say today that HRM is reality or is it just all rhetoric?

In trying to reach conclusions many writers have tried to contrast HRM and personnel management (Guest 1987, Legge 1989, Sisson 1989). Others have suggested no change. Skinner (1981:106-114) coined the catchy phrase "Big hat no cattle" suggesting HRM was nothing new. Armstrong (1987) asked if HRM is simply "a case of the emperor's new clothes?" (nothing really there at all) and Eldridge et al (1991) suggest HRM is simply a 'buzz term' for 'fashionable ideas'.
However, as time elapsed and the results of more research become available, writers are now starting to suggest that a paradigm shift has taken place away from IR to HRM which requires a fundamentally different approach to the management of the employment relationship. Guest (1989:48-51) states that "companies will need to take HRM seriously if they wish to thrive". He also reports that all the most recent evidence indicates that companies are thinking through their personnel policies systematically in an attempt to move towards HRM. Millward et al (1992:351), concluding on the latest workplace industrial relations survey, stated that "by 1990 there had been such widespread and marked changes in both management and trade union arrangements as to require substantial revision to the traditional characterisation of the British 'system' of industrial relations". Finally, a major study by Warwick University's Industrial Relations Research unit has provided some hard evidence on the take-up of human resource management practices by major British employers (Storey, 1992A). In fact this study, according to Tyson (1995:33), is the most thorough analysis to date.

Storey (1992A:278-285) has suggested, however, that more research was needed to clarify the extent of transformation. As a result of his experiences, he suggested further research based on a 'longitudinal study' with investigations based 'rather less on interviewing and rather more on observation'. He also suggested such research could profitably examine high-level policy formulation processes, implementation of decisions and response. He also suggested examination of the more 'nebulous aspects of working in a quality way, of offering commitment rather than mere compliance, and of securing an attitude change to work, to management, to organisation and to trade union'.

In an endeavour to take Storey's research further and in order to close the gap in the debate between the rhetoric and the reality of human resource management as a distinctive industrial relations perspective, this study investigates, over a 22 year period, the change from IR to HRM in a company seeking to gain competitive advantage from its employees.
It explains why the company adopted a classical organization structure and accepted traditional pluralist industrial relations. It accounts for how recession, and then embryonic forms of HRM, created crisis for the trade unions and how management took advantage of that turbulent environment to generate and manage a wide range of fast moving HRM changes which helped change employee behaviour and business performance. The study addresses in detail how the company adopted a very 'full' HRM perspective which included the establishment of a single status company and the derecognition of all the trade unions.

Finally, the study has been able to present a wide ranging set of measures covering both business and employee performance under different industrial relations perspectives. It concludes by presenting an advanced model of human resource management which, hopefully, will assist practitioners in their quest to promote improved business performance through greater employee contribution.

1.2 Aims of the Study

The aims of the study are to examine the structure and processes involved in a major management of change programme in a steel company. The changes, which are studied over a period encompassing three decades, examine in detail the change from an industrial relations perspective to a human resource management approach.

The study firstly examines both evolutionary and revolutionary changes over the entire lifetime of the company. In so doing it has been able to explore the underlying philosophies of management, organisational structure and culture and industrial relations systems established in the company - and more importantly, the reasons for dramatic change in all of these.
Secondly, it examines the strategies and plans used to implement major transformation, both working with trade unions and latterly through derecognising trade unions. Thirdly, it examines the barriers encountered in securing efficiency improvements during periods of traditional adversarial industrial relations practice. Fourthly, it looks at strategies for re-orientating workplace representatives and workers to company efficiency programmes through a continuing and developing programme of cultural change leading to the development of human resource management strategies and a full staff status company. Fifthly, the study compares company and people performance during two distinct industrial relations periods, namely traditional industrial relations and Human Resource Management. Additionally, key company performance measures are examined over the lifetime of the company in order to look at trends to determine how organizational and industrial relations changes may have been influential. It also draws on some international comparisons of company performance in order to assess the standing of the company and how it has changed over time. Lastly, in concluding, it develops an advanced model of human resource management as an aid to practitioners seeking to promote competitiveness through people.

1.3 The Company

The study was undertaken in Co-Steel Sheerness plc (formerly known as Sheerness Steel plc), a wholly owned subsidiary of Co-Steel Inc., one of North America’s fastest growing steel companies.

The company, established on a greenfield site on the Isle of Sheppey in Kent, a non-traditional steel area, has grown dramatically in size since it first made steel in 1972. Established to pioneer new technology, but organised in traditional form, it today combines both innovative plant and human technology. Current output is approaching one million tonnes per year with just six hundred employees, making the company one of the most labour productive in the world.
It has an excellent long term profit record. It has achieved a wide range of awards including first group of companies to receive the Investor in People Award, National Training Award, Queens Award for Exports (the 95th foreign currency earner in the UK) and ROSPA Gold Medals.

Today, business leaders from all over the world visit Co-Steel Sheerness to learn more of its innovative technology and human resource management programmes.

1.4 Study Methodology

The case study methodology is used in this study because it enabled an in-depth exploration of change spanning the entire life-time of the company and covering unique historical events. It enabled historical analysis to chronicle the critical strategic, structural and cultural changes which influenced, maintained and changed the industrial relations perspective. Qualitative research was buttressed with quantitative investigation using company data. It has tested theory in the light of a detailed examination of a particular case.

This study would not have been possible without the use of participant observation. The author has held the senior executive position in Personnel within the company for eighteen years. Because of his in depth involvement in all the change processes and programmes, - as designer, implementer or responder - the study has been able to unearth, from a considerable variety of sources, a rich supply of material not normally available to researchers.

Above all, as with all worthwhile research, it was undertaken to solve problems, expand knowledge and find more appropriate methods and practices in the field of industrial relations.
Chapter 2, after an examination of research methodology, argues that the study could not have been undertaken by any method other than the case study approach. A thorough examination is made of the participant observer role as well as information sources which includes an account of data shortcomings.

1.5 Structure of the Thesis

1.5.1 Organization Theory

The scene is set in Chapter 3 with a review of the different schools of organization theory and how they influence structure, individual behaviour and organization climate. This was considered important because the events in the company mirror organizational style and structure as developed and practiced, this century. The company was established along classical organisational lines but today a significantly different model of organization is found. There are few hierarchical levels, less management control and much more empowerment of the workforce. The structure to be found now, is based on more modern thinking which recognises not only the influence of environmental factors but acknowledges that managers may have an influence over both structure and situational variables.

1.5.2 Management of Change

Essentially this case study is about the management of change. In today's turbulent business environment, successful organisations are continually managing change in order to achieve sustainable competitive advantage. These companies have adopted new strategies and structures (as has Co-Steel Sheerness) to replace the 'one best organisational approach'.

Chapter 4 examines the development and appropriateness of new perspectives of management aimed at assisting organisations to achieve the benefits of competitive advantage. These new approaches include human resource management and a wide range of new management perspectives including continuous re-organisation, entrepreneurial approaches and empowerment.
An examination is made of the change process including the importance of both cultural and structural change. A range of change models and strategies are considered.

Finally the chapter reviews literature on how to manage change, including an examination of the conditions necessary for successful change and also barriers to change.

1.5.3 Industrial Relations Theory and Practices

Any serious industrial relations study requires a background understanding of different theories. Chapter 5 examines a number of different theories and reviews their standing. In particular it examines Pluralist Theory, where different pressure groups pursue their own self-interest through inter-group negotiation and compromise. Other perspectives considered include Unitary Theory, with its emphasis on the co-operative nature of work and work relations, and Neo-Unitary Theory which emphasises the integration of employee, customer and managerial needs in conditions of change. 'Japanization' is explored at some length as many of the practices that form part of HRM are to be found in the functional equivalents of practices found in Japanese firms and 'Japanization' has been influential in prompting changes in organization and industrial relations. The chapter also explores trade union membership trends as well as reasons for a marked decline in union membership. Derecognition is considered, including a review of the conditions under which derecognition is more likely to occur.
1.5.4 Organization and Industrial Relations in the Steel Industry

In setting the scene for the case study, chapter 6 examines organization, industrial relations and industrial action in the UK steel industry. Traditionally the industry was developed on classical organization structures and strong trade union representation. The evidence points to a 'cooperative ethos' which brought stable industrial relations up to the start of the 1960s. However, organizational change and rationalisation brought conflict and a poor strike record, at twice the all industry average, during the 1960s and 1970s. Additionally, a short account is given of the national steel strike of 1980.

1.5.5 The Case Study in a Steel Company

The case study, examining the change from industrial relations to human resource management, looks at the company through four distinct phases.

Chapter 7 examines the origins of the company from the initial feasibility study, through commissioning, to expansion. It covers the 1970s. The study explains why the company established a classical organization structure and operated on scientific management principles.

A traditional adversarial industrial relations climate was established. Although productivity bargaining was used regularly, limited gains were made to labour productivity and the company relied on capital expenditure to improve efficiency. While examination confirms that the company operated profitably, the study reveals how organizational structure, management style and the industrial relations system constantly conflicted with a maximisation of efficiency approach.
This phase also examines how a major inter-union dispute terminated steelmaking for six weeks. This occurred when three craft unions fought a successful battle for recognition in order to overturn a single union agreement with the company operated by the steelworkers union. While, at the other extreme, in this period the management, despite an ACAS enquiry, fought off a recognition challenge by the steelworkers for collective bargaining rights for white collar staff.

A conclusion is drawn that during the 1970s the management accepted periods of employee lack of compliance and regular challenges from organized labour on the basis that the management knew of no better organization or system of work. Compared to many steel companies, the management considered achievements within the company were good and acceptable to the owners.

Entry into the early 1980s brought crisis for the trade unions. This is addressed in chapter 8. It gives an insight into an event in 1980, when the steelworkers at Sheerness defied an instruction by the steelworkers union to strike in support of a pay claim in another steel company. The study investigates why, after a period of traditional adversarial industrial relations, the steelworkers at Sheerness continued to work despite almost three months of picketing, including some of the most intensive ever experienced in the United Kingdom and a threat of expulsion from the union. In fact, Co-Steel Sheerness was the only company to operate continuously through the National Steel Strike. It also gives a first insight into new management thinking including embryonic thoughts of operating as a non-union shop.

While 1980 was a unique year, the next two years were also distinctive. Due to severe recession and the manifest crisis in European steel, the company laid off workers and a period of adversarial industrial relations resumed. However, the need to survive promoted new thinking. The study reveals that a programme of harmonisation was born in which early changes were brought about on a basis of 'force majeure', including the termination of a casting crew who refused to adopt new working practices.
The remainder of the 1980s produced a paradigm shift as fast moving cultural change programmes positively changed employee behaviour, attitude and performance. Chapter 9 outlines how the company generated these changes, including positive programmes to change behaviour and work practices and methods for overcoming resistance. The chapter examines the concept of benchmarking and its value in promoting change. Each of the main change programmes is examined, including methods to break down job demarcations, promotion lines and seniority systems through the flexibility programme; the introduction of standards based training and vocational education programmes; continuous learning; withdrawal of time clocks; organizational change; annual appraisal; and a fundamental change to reward systems through firstly the elimination of overtime premia and latterly the introduction of performance pay. The study reveals that the cultural change programme almost completely reshaped the industrial relations system within the company and that by 1988 the company and the employees were actively involved in a human resource management programme.

Chapter 10 considers how changes were managed. It considers how managers were changed, principally through development and the hiring of well educated potential managers. It also addresses how the workplace representatives were re-oriented to share the company's vision and goals. Over the period of change, a wide range of resistance was experienced, and interesting examples of how the company overcame such resistance are discussed.

Chapter 11 reveals how the last hurdle was cleared to complete the harmonisation programme. In 1992 the company formed a fully single status company and derecognised the trade unions. The study explains the extensive research, planning and strategy development needed to achieve this change. It explains the change programme itself and how resistance from some employees and the trade unions was overcome. The change from Industrial Relations to Human Resource Management had been fully effected.
Chapter 12 examines the scope for high performance while human resource management approaches are applied. It does this with a quantitative assessment of the company's performance over its entire history and in addition, includes some benchmark research to assess the company's standing internationally. The trend performance data relate significant industrial relations change to step changes in performance.

The study concludes that the company has achieved high performance, remained very competitive and increased sales and output at a time of major recession. The company has enjoyed improved business performance and employees have enjoyed greater reward and benefits under Human Resource Management approaches than under traditional Industrial Relations.

Further, and supporting the case for change from Industrial Relations to Human Resource Management it draws on the leading edge work from Warwick University's Industrial Relations Research Unit. It discusses and develops the Warwick criteria to assess transformation. The performance between the IR and the HRM perspectives is judged on the three broad criteria of profitability, company performance measures and key people measures. The results show quite conclusively a marked difference in both company performance and people behaviour between the periods of the two industrial relations perspectives.
Chapter 13 draws the study to a conclusion. It emphasises that the focus is on accounting for the strategies, plans and implementation programmes required to change from a pluralistic to a unitary perspective of industrial relations. In essence it is a study of the management of change focussing on Human Resource Management, Union Derecognition and High Performance.

From the experiences gained within the company an advanced model of HRM has been developed, which together with the findings contained in the empirical chapters, should bring new knowledge and experience to both scholars and practitioners in the field of industrial relations.
CHAPTER 2

METHODOLOGY

2.1 Introduction

Methodology is concerned with both the general philosophies upon which the collection and analysis of data are based as well as the research methods through which the data is collected.

Sociological studies generally fall within two main types. The first type may be termed 'Scientific Quantitative Methodology' which was primarily followed by the early sociological researchers who capitalised upon the methodology of scientists who had a consistently good record of producing objective knowledge to solve human problems and increase human productive capacity. [see Durkheim (1938) and Comte (1986)]. However, later sociologists challenged this approach as they saw the study of human behaviour as far different from the study of the natural world. These sociologists developed a second type known as 'Humanistic or Interpretive and Qualitative Methodology'. [See Haralambos and Holborn (1991:698-764), Blumer (1962) and Cicourel (1976)]

While exponents of each approach have criticised the other, few have adhered rigidly to their own philosophy. Today sociologists regularly combine both approaches in single studies. Bryman (1988) suggests that methodological pluralism may be used to gain a more complete picture of the social group being studied.

Layder (1993:121) acknowledged that while there are different aspects of such multistrategy research "they all have the same function of testing the reliability, validity and generality of findings". For other examples illustrating the advantages of combining research methods, reference should be made to Barker (1984), Delamont (1976) and Corrigan (1981).
There are a wide range of research styles (see Bell 1987:4-10) and often the nature of the investigation will determine which style is used. Here the case study style is used.

2.2 Case Study Style of Research

There are two principal types of case study. The first attempts to derive general conclusions from a limited number of cases (Gummesson 1991:73-129) while the second type seeks to arrive at specific conclusions regarding a single case because the 'case history' is of particular interest (Strauss and Glaser, 1970:182-193). In this latter respect this study should add significantly to the current debate as to whether HRM is a reality or purely rhetoric. Indeed, the final two chapters will suggest that HRM is for real in Co-Steel Sheerness and has influenced company performance. Further, one of the most comprehensive models of HRM (Storey, 1992A) has been refined and built upon to suggest a more advanced form which may be of interest to HR practitioners and business managers seeking improved business performance and academics seeking to advance the HRM debate.

Case studies may be used to 'generate theory' and as a means for 'initiating changes' (Kjellen and Soderman, 1980:30-36). They suggest that for change processes to succeed the researcher should be knowledgeable of the organization and its actors and concentrate on processes likely to achieve understanding and acceptance. That has certainly been the case in this study, for the researcher was the senior personnel practitioner in the Company.

Another important reason for case study research was the opportunity for an holistic view of a process. As Valdelin (1994:47) states - "The detailed observations entailed in the case study method enable us to study many different aspects, examine them in relation to each other, view the process in its total environment...." This study examined all the processes and events involved in changing from one industrial relations perspective to another.
Longitudinal research, which studies a group over an extended period, has advantages over research which relies on selecting new samples from time to time. The particular advantage of longitudinal research is that one can study processes of change as they unfold rather than making assumptions about processes from a succession of 'camera shots'. Bryman (1988) has suggested that there is 'an implicit longitudinal element built into much qualitative research, which is both a symptom and a cause of an undertaking to view social life in processual, rather than in static terms'. This has been very much the case with this study. In fact Storey (1992a:284) called for longitudinal studies into industrial relations transformation, and this work should provide a response to that call.

The case study approach adopted here has also made it possible to address the issue of the link between HRM and performance from a longitudinal perspective. Storey, (1992a:40) suggests that "the demonstration of a causal linkage between different human resource practices and business performance is fraught with immense difficulty because of the vast range of confounding variables". His major study on industrial relations in transformation did not therefore address impact on company performance. Other researchers have supported this view, such as Baldamus, (1961), Lupton, (1963) and Guest (1990) who have argued that evaluation of worker performance is influenced by management subjectivity, while Nichols (1986) found that 'hard evidence' often failed to withstand close scrutiny. Scott, (1994:35) in one of the most recent investigations into industrial relations transformation also abandoned the prospect of measuring worker contribution on business performance. This case study is able to show how changes in management strategy led to changes in worker behaviour and contribution, which in turn led to improved company performance.
Gumnesson, (1991:73) suggests that case study research, especially in doctoral theses, "is becoming increasingly widespread in management research". He stresses further the benefits of using a wide range of information gathering techniques and the value of participant observation in gathering information. Rudberg, (1979:218) supported the value of first hand knowledge and understanding acquired through case studies.

This study would not have been possible by any other method than the case study approach with continuous participant observation. Case study research enabled the historical analysis to chronologe the critical strategic, structural and cultural changes which influenced, maintained and changed the industrial relations perspective. It provided scope for a holistic study. It enabled qualitative research to be buttressed with quantitative investigation. It allowed existing known theory to be tested in the light of detailed examination. Finally, as with all worthwhile research, it was undertaken to solve problems, expand knowledge and find more appropriate methods and practices in the field of industrial relations.

This study demanded an investigation of both strategy and action which only the case study approach would support. The study investigated an extreme or rare case of full union derecognition which followed a period of cultural and structural change. Further, the study followed a planned after-care programme to examine any changes in performance. The change programme was an extreme version of industrial relations trends taking place, in recent years, in a growing number of UK businesses.

The case study approach permitted a rare in-depth analysis of these changes. Further it has sought to propose generalisations for the management of change which may be of value to both the current industrial relations practitioner and the industrial relations researcher.
2.3 Sources of Information

There are two principal sources of information. Primary information refers to data collected by the researcher and secondary sources consist of data which already exists such as Government reports, official statistics etc. Both sources are used in this study.

2.3.1 Primary Sources; Participant/Practitioner Observer Approach

Participant observation allows the researcher "to live in and understand the new world" (Lacey, 1976:65) so that he or she can "describe and analyse this world as accurately as possible" (Layder 1993:40). Because of the nature, complexity and timing of the study, participant observation was essential. It was undertaken by the author in the dual capacity of 'practitioner' and 'researcher'.

The author joined the company as Personnel and Industrial Relations Manager in 1976. In that role he reported directly to the Works Director, and was responsible for personnel, industrial relations, training, safety and occupational health services. In 1985 he was appointed Personnel Director reporting directly to the Chief Executive/Managing Director. He has held that position ever since, although the role has been expanded to add responsibility for environmental issues, and public and community relations. In addition, he was responsible for developing a subsidiary training and consultancy business. That business now has an active client list of in excess of one hundred companies stretched across four continents. He chairs the Divisional Board. He is also a director of the Steel Industry Non-Statutory Training Organisation and the Steel Industry Qualifications Board.
The practitioner-researcher is, in many respects, better placed than the academic researcher because he or she: is familiar with the organization, its actors and its environment; is able to obtain first hand knowledge of the experiences and attitudes of the stakeholders involved in industrial relations change; is often required to both promote and manage change as part of his responsibility to improve business performance and ongoing company success. In fact, this approach is termed 'action science' and is a very demanding approach to case study research. However, the value of action science is that it meets two goals, namely it solves a problem for the client or organization and it contributes to science, (Gummesson, 1991:103).

In the company, the practitioner was for many years the principal change agent in assisting the company transform its industrial relations. The new model of HRM applying within the organization is offered as evidence of a new industrial relation perspective and one which suggests that it positively influences business performance.

The practitioner/researcher approach enables the practitioner to advance his continuing professional development, so important to both the success of the 'personnel profession' and the impact of its practitioners on business performance. In this respect it should be noted that the author's expertise as a practitioner was gained from his own professional development which included part-time study for a masters degree in law and employment relations and considerable benchmarking travel. He received no 'technical' advice from corporate head office in Canada, nor were any consultants or other experts used, at any time, to guide the company through the major change programme detailed in this study.

Further, the participant observer approach enables the observer to understand subjective feelings and emotions, to recognise empathy and hostility, to distinguish truths from untruths, and to understand reasoning. As Whyte (1995) once observed, "As I sat and listened, I learned the answers to questions I would not have had the sense to ask if I had been getting my information solely on an interviewing basis".
Some drawbacks ought to be noted concerning the practitioner/researcher approach. Firstly the study could not easily be replicated so all the data concerned and the results obtained cannot be easily checked although the author believes them to be validly stated. Secondly the research has been written from a management perspective and about management change strategies and it is possible on occasions that other points of view have not been taken into account. Thirdly, there may have been a level of over familiarity whereby the researcher/practitioner took for granted behaviour which would have been problematic to an academic observer. The author has kept these draw-backs in mind and tried to exercise as much detachment as possible. Alternative perspectives have been sought through discussions with union representatives and outsiders.

Participant observation took place at all levels of decision making in the company over the period 1976 to 1994. Without the extent and continuity of author participant observation, this study would not have been possible. Observation took place in a range of meetings, including directors meetings, management meetings, company wide meetings, management-trade union meetings and one to one meetings with employees normally resulting from plant 'walk-abouts'. In addition, observation took place on visits to other companies and on all benchmarking exercises.

As a result of the practitioner/researcher activity, a wide range of data became available. Contemporaneous notes were taken at the time by the participant observer (author). They had been kept since 1980. The benefits of such notes are that they are the most accurate form of recording, often recording subject remarks word by word. They avoid the interpretation and precis approach of the official minute taker. These notes have been of great value in fitting together the key chronology of IR events.
The minutes or notes of (Management-Union (JRC) meetings) were collected. Many of these had been written by the author. However, apart from monthly consultative meetings with the JRC, few other meetings, including labour contract negotiation, were 'written-up'. As a result the importance of the contemporaneous notes kept by the author became invaluable to this study. The author added balance to his contemporaneous notes by acquiring notes/minutes written by the JRC Secretary, and which recorded the union perceived outcome of meetings with management.

2.3.2 Primary Sources: Interviews

As a result of the contribution of the practitioner/researcher role and the strong documentary evidence used throughout, the author considered that supplementary data collection through interviewing was largely unnecessary. While it is accepted that on many occasions divergent views were to be found amongst management and trade union representatives, to conclude an agreed (or disagreed outcome) there would be action. This research is based on the known actions of the parties to the industrial relations process.

The author experienced difficulty in obtaining 'hard' data for the period before he joined the company. This was either because it never existed (outside substantive agreements few formal documents were ever prepared concerning the day to day regulation of industrial relations) or it had been lost in office clearouts or just abandoned. To overcome this difficulty the author decided to interview a number of long serving staff.

Different types of interviewing are available to the researcher. Grebenik and Moser (1962:16) see the alternative types as ranged somewhere on what they call 'a continuum of formality'. At one extreme is the completely formalised interview where the interviewer follows a set format. At the other end is the completely informal interview in which the shape is determined by individual respondents (Bell, 1989:71). Interview types may fall between these two extremes.
Interviews have a number of advantages. As a compromise between structured questionnaires and the time consuming participant observation, interviews can use larger samples making generalisations more valid. Additionally, it is easier to replicate the work to check results. Sociologists who prefer qualitative methods have the opportunity of exploring subject responses in more detail. Hence, interviews can be used for exploring new hypotheses.

Interviews have disadvantages too. Interviewees may simply be untruthful or have severe difficulty in recalling events accurately. It is possible that some interviewers could influence or direct the interview so biasing the response, e.g. getting the response the interviewer expects. See Labov (1973) on influence and Rice (1914) on bias.

In this case study, unstructured interviews were used in order to avoid pre-conceived bias and in an endeavour to obtain as much data as memory recall would allow. Eight engineers and maintenance staff were involved. Specific information was sought on industrial relations structures and behaviour during plant commissioning and during the recognition strike. Significant problems were encountered as there were no operational managers from that early period left in the employment of the company. Of the maintenance management there were a few, although memory recall was very poor. A few remembered quite small details but only because they directly affected them or their staff. Few had memory recall of company wide issues. A majority of employees interviewed were keen to offer interpretation of events. Because of the inconsistency of these interpretations, interviewing was extended to include shop floor employees. Four groups, each comprising three or four employees, were involved. This group interview approach allowed individuals to prompt each other and that improved memory recall. This was particularly relevant when an incorrect statement was made and challenged. That generally had the effect of recollecting what actually did take place. Some employees assisted memory recall by comparing with current day practices. This approach provided useful information on prevailing employee attitudes to existing industrial relations programmes. This was helpful to the author in his practitioner role.
From experience in this study, gathering relevant qualitative information from the long past, say over twenty years, is an extremely difficult task and data collected requires considerable testing for validity.

2.3.3 Secondary Sources: External Data

External data comprised all information, both qualitative and quantitative, gained from sources external to the company.

Books, journals, magazines, case studies and learned papers, were used to review theories, practices, and experiences in other organisations and to obtain background information to the study. A very useful case study was undertaken by IMD by on the company start up. Interestingly, no senior manager possessed a copy and neither was a copy available in company files. It was obtained from an ex-employee, and came to light in unstructured interviewing.

Government Publications and Official Statistics were used principally to obtain quantitative data. Such information is freely available but bases change, making trend data difficult. Further, data is frequently re-defined making historical comparison difficult.

Newspapers and other media sources were used with care because of their commonly perceived lack of reliability. Nevertheless, in the absence of other sources of data, then media reports have value. For example, they supported information obtained from interviewing concerning the recognition strike of 1974. They also amplified and supported the author's notes and company documents on occasions such as the 1980 national steel strike. The author found it useful where more than one media source was available so that a degree of cross-checking could be made.
In terms of media reporting of industrial relations, the author noticed a useful feature is the degree of attention placed not just on events but on prevailing legislation and politics which influenced industrial relations attitudes and behaviour. These added commentaries were useful signposts to new sources of data.

Finally, trade union documents such as journals, special leaflets, posters and letters were used where available. These ranged from macro-political to micro practical. They provided both qualitative and quantitative data and were frequently relevant to the investigation.

2.3.4 Secondary Sources: Internal Data

These sources comprise company documents and data produced by the industry trade association.

The company Annual Report and Accounts was the only accessible document to cover every year of the company operation. Regrettably, company reports seldom include data on industrial relations and people issues. For example, two of the biggest industrial relations events in the company history were the six week strike in 1974 and the establishment of a single status company with union derecognition in 1992. Both were mentioned in the Annual Reports, the former with 140 words of text and the latter with just 37 words. The monthly accounts, and the only other form of official and detailed company statistics, were only available as far back as 1980, the previous eight years having been discarded. Again these contained extremely limited qualitative information.

The Annual Report and the Monthly Accounts were extremely valuable for quantitative data used for business performance assessment. However, they were of limited value qualitatively.
Company letters and memoranda were valuable and especially those between union representatives and company management which often provided not only detail, but evidence of their different perspectives. Many of these have been used in this study to best illustrate the mood, feelings or decisions at critical times. Regrettably much correspondence from the early years had been lost.

Employment Handbooks, Union Agreements, and Labour Contracts (Collective Substantive Agreements) were available from the mid 1970s and dealt with the conduct and regulation of industrial relations. In their own right they contained significant qualitative and quantitative data. Departmental Agreements were rich in detail of organizational and manpower practice change. Often they included statements on reasons for change; aims; efficiency expectations; job roles; ways of dealing with employees not prepared to make change; even red circling, severance and redundancy terms on occasions. They were particularly valuable to the research.

Labour Contracts, which were the principal substantive agreement, were very informative. Often many pages long, they recorded company philosophy; efficiency requirements, changes to manpower and working practices; pay increases; pay rates; and dealt with a range of employment conditions. They also detailed quite precisely the terms of productivity bargaining.

Performance Appraisal Forms, available from 1988, provided a wealth of both qualitative and quantitative data. This was particularly useful in accounting for behavioural change and it linked neatly with a range of overall company performance measures. Further, appraisal criteria demanded collection and analysis of a good range of employment data, most useful to the study.
The Company Newspaper (The Billet), issued three or four times a year, recorded a wide range of qualitative and quantitative data. However, the most important newspapers to this study were those prepared to communicate information on a special event, e.g. staff status change, introduction of statistical process control, etc.

Company Trip Reports record the findings of an individual or team visiting another company in the UK or overseas. These are mandatory for employees making such visits. Often trip reports not only recorded significant new data on the company visited but frequently compared that company with Co-Steel Sheerness. Such visits may involve research, knowhow exchanges or inquisitiveness. They provided very valuable qualitative and quantitative data to this study and also are used as examples illustrating the importance of research to the change process.

Finally, the Personnel Department held a wide range of qualitative and quantitative data on employment, training, safety, industrial relations, productivity measures and so on which was used extensively in the study.

2.4 Data Shortcomings

The study highlighted major data shortcomings.

Firstly data are easily and regularly discarded. This process can take place without executive approval. Spring cleaning secretaries, papers thrown out in office moves, or simply random throw outs to ease bulging filing systems were evident within the company.

Secondly, industrial relations data were not regarded as important data for retention in company reports. For example, even though strike activity was rare, other than in 1974, it was not officially recorded. There was no system for recording industrial sanctions of any kind.
Thirdly, during the period of the 'industrial relations perspective' applying in the 1970s, no attempts were made to relate employment change to company performance, unlike under HRM in the later 1980s and 1990s. As a result, there was a shortage of statistical information on employee behaviour and performance.

Fourthly, much knowledge of the history of a company is retained in employees' minds. As they leave company employment, knowledge of company history is depleted. The company has no historian or archivist and, like most companies, is far more concerned with the future than the past. This approach, if widespread, will add to the difficulties for researchers contemplating longitudinal studies and is perhaps a major reason for their current shortage, particularly in the field of industrial relations.

Despite these shortcomings, this major longitudinal study into changing industrial relations perspectives found multiple sources of data which provided a wealth of information about the development and implementation of managerial strategy.
3.1 General Introduction to The Study of Organization Theory

Organisational theory is basically the study of the structure, functioning and performance of organisations, and the behaviour of organizational members both as individuals and as groups. An organisation is created by its designers in such a way as to ensure the purpose of the entity is fulfilled. This requires that individuals and teams of people who work within the organization will do so co-operatively under management control and leadership, to achieve clearly understood and accepted goals. As such, organizational designers need to take a view on the structure in order to bring the best out of the members.

Throughout this century a number of different theories or models of organisation have been developed and offered as the most effective way of meeting organizational purpose. The various 'schools of thought' are considered in this chapter in order to understand how each model can promote efficient operation. This is considered an important precursor to a major study of the management of change where considerable organisational re-design took place. It is also important that HR practitioners understand the pros and cons of different organisational models as in the authors opinion, and especially in current times of rapid change, the HR practitioner should be a principal in the design and development of organization structure.

Finally, while some schools of thought suggest that environmental issues condition organization structure, others argue that managers can influence both organisational structure and the situational variables affecting an organisation. As a result the strategic choice of organization and its environment may be critical to success.
3.2 Organization of Work

The Industrial Revolution led to dramatic changes in the organization of work. The ad hoc systems of very small organizations were replaced, by the end of the nineteenth century, by a system of industrial organization based on hierarchical division of labour. In the UK, this system owed much to the work of Smith (1776) who believed that 'specialisation' led to more efficient production. However, the growth of industrial organization was greater in the USA and mainland Europe. While the British business was still small and family owned, in the USA there was a huge growth of monopolies and conglomerates. For example, in 1900 Carnegie sold his steel mill in the USA to financiers who merged it with other mills to create a monopoly steel producer employing 200,000 workers. At the same time the British steel industry, which a little earlier led the world, comprised 100 blast furnaces owned by 95 separate companies (Burnes 1992:10). It was in the USA and Continental Europe that the early work was undertaken to find an organizational design which would legitimise managerial authority and improve business performance. Three people, Taylor in the USA, Weber in Germany and Fayol in France, were the key architects of a new approach to the organization of work. While their work emerged separately their three approaches later jelled into the Classical school of formal organization theory.

3.3 Formal Organization Theory

Formal organization is organization prescribed by rules. According to Tannenbaum (1966:1) "it is a kind of blueprint that reflects the social, psychological, and administrative assumptions of the designers". Presthus (1958:50) saw a formal organization where "...individuals are differentiated in terms of authority, status and role with the result that personal interaction is prescribed..." Mooney (1947:5-8) saw "the orderly arrangement of group effort to provide unity of action in the pursuit of a common purpose" as the first principle of organization.
Thus an organization is viewed as a product of rational thought concerned largely with co-ordinating tasks through the use of legitimate authority. It is based on the fundamental assumption that the behaviour of people is logical, rational and within the same system of 'rationality' as that used to formulate the organization.

Weber (1952 and 1964) coined the term 'bureaucracy' as a label for an 'ideal type' of formal organization in which rationality and impersonality were developed to the highest degree. Weber (1952:337) considered this to be the most efficient form of social organization "superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability". Krupp, the German steel baron, applied this model in his steel plants stating "...nothing of importance shall happen or be caused to happen without the foreknowledge and approval of the management..." (Nussbaum, 1933:6). In fact Giddens (1971:59) suggested that bureaucracy is the only form of organization which is capable of coping with the immense tasks of co-ordination necessary to modern capitalism.

Fayol, like Weber, was concerned to develop a universal approach to management which was applicable to any organization. He saw fourteen principles of organization as: division of work; authority and responsibility; discipline; unity of command; unity of direction; subordination of individual or group interests; remuneration of personnel; centralisation; scalar chain; order; equity; stability of tenure of personnel; initiative; esprit de corps (Mullins, 1989:202-3).

Taylor (1911), at the turn of the century, helped launch a movement called 'scientific management'. This form of organization pays greater attention to the organization member, his work behaviour and job motivation.

Taylor was hired by the Bethlehem Steel Corporation in the USA, in 1898, in order to introduce more efficient work methods. Through his work in the steel industry Taylor developed what appeared to be a "logically unbeatable combination: efficient motions, efficient tools, optimum working arrangements, together with strong incentives" (piecework) (Tannenbaum 1966:16).
Taylor recommended the most detailed division of labour that was practically possible: relatively complex tasks should be split up into the maximum number of sub-tasks. More significantly, he insisted that the skills which had built up within a workforce - skills of hand and eye, knowledge and experience - should be absorbed within the management function and converted into formal procedures. Braverman (1974:112-13) noted the arrangement should assume "the burden of gathering together all of the traditional knowledge which in the past has been possessed by the workmen and then of classifying, tabulating and reducing this knowledge to rules, laws and formulas".

Taylor (1947:39-73) also recommended the "divorce of conception from execution". All thinking about work - planning, the securing of supplies, maintenance of equipment - should be managed by specialist staff. The worker should simply have to execute the task in hand, or become an 'operator' to use the modern term. It was Taylor who stressed that "All possible brainwork should be removed from the shop and centred in the planning or laying out of the department" (Braverman, 1974:112-130).

Taylor's strategy for capital and the manner in which it transformed existing labour practices is well explained by Abercrombie and Urry (1983:101)" ... As long as workers knew more than their managers, then management would have to persuade the workers to cooperate. This could clearly be seen in relation to piecework - since management did not know how long in fact it took to do each piece of work; it was rational for workers to ... restrict output. Taylor realised that the only long-term solution to this from the viewpoint of capital was to devise a new system of capitalist control that would overcome the rational tendency for workers to restrict output ... this could only be achieved by transforming the very form of knowledge possessed by workers".

The advantages to employers were clear. Labour is cheapened by reducing its skilled component, the flexibility of labour is increased by simplifying tasks, and there is greater potential for streamlining production. Unnecessary work is eliminated, physical layouts are improved and work output is speeded up.
Systematic measurement and methods of standardising tasks made it a scientific study of work which was taken up enthusiastically in both North America and Europe, especially in the industrialisation period of the 1920s and 1930s. Chandler (1977) emphasised the importance of "scientific" or "systematic factory management" to the emerging integrated Iron and Steel plants in the USA.

The major characteristics of formal organization may be summarised as: purpose - to produce goods efficiently; specialization - to break jobs down into simple and repetitive activities; coordination - to organize work through teams; order - to plan the behaviour and activity of members; authority - to enable management to determine, decide or influence what others do and implement through a hierarchy or chain of command; uniformity - to achieve common behaviour; replaceability - to minimize or eliminate disruptions caused by personality, individual idiosyncracy or labour wastage (Tannenbaum, 1966:2-5).

In effect, this 'bureaucratic' or administrative form of organization was concerned with the allocation of work which in turn shaped the organization structure. Basically, the large formal organization is very tall or hierarchical with possibly ten to twelve levels between bottom and top; requires close supervision of workers (ie. a narrow span of control); and is distinguished by a distinctive line (production) and staff (service/indirect activities) structure. The classical organizationalists (see Pugh et al. 1971:95-121 for a more detailed account) considered their approach to be 'the one best way' for all organizations to be structured to achieve maximum efficiency. The approach was founded on legitimate managerial authority with people motivated to work solely by financial reward. Finally, all forms of human frailty and emotion needed to be avoided in order to eliminate inconsistent behaviour which was contrary to maximum efficiency and business goal attainment. This form of organization has been widespread throughout the whole of this century although it has been challenged by other schools, which are now addressed.
Informal Organization Theory (The Human Relations School)

The Human Relations school of organization challenged the Classical view in the 1930s and 1940s. That school's approach was diametrically opposed to the classical school. It suggested (Burnes, 1992:27-28) that man is an emotional rather than an economic-rational being and his emotional and social needs can have more influence on his behaviour at work than financial incentives. It also stated that organizations are co-operative, social systems rather than mechanical ones where people seek to meet their emotional needs through the formation of informal but influential workplace social groups. Finally, organizations are composed of informal structures, rules and norms as well as formal practices and procedures and that these informal arrangements are created by people to meet their own emotional needs. As a result they can exert far more influence on both their individual behaviour and performance and company achievements than they could as members of a purely formal organization.

In 1938 Barnard emphasised the importance of the informal organisation - the network of informal roles and relationships which strongly influence the way the formal structure operates. His definition of informal structures was "the aggregate of the personal contacts and interactions and the associated groupings of people" He added that they have no common purpose and are in fact "indefinite and structureless" (Barnard 1938:115).

In the same year Roethlisberger and Dickson (1964) reported on the Hawthorne Studies, the first ever large-scale study of productivity and industrial relations. These studies were launched during 1924 in the Hawthorne Works of the Western Electric Company and their surprising and dramatic results rocked the foundation of traditional management theory. The research team, headed by Professor Elton Mayo, spent almost a decade investigating the relationship between working conditions and productivity. In so doing they discovered the power of informal organization.
Mayo and his team began with the assumptions of scientific management believing that the work environment, worker aptitude and financial incentives were the principal determinants of productivity. They, therefore, examined the relationship between productivity and such variables as levels of lighting and heating, the length and frequency of rest periods and the value of monetary incentives. The results were inconclusive.

The Hawthorne Studies emphasised the importance of the informal group. They saw behaviour as a response to group norms rather than simply being directed by economic incentives and management designed work schemes. [See Roethlisberger and Dickson (1964:86)]. Informal work groups develop their own norms and values which are enforced by the application of group sanctions, and Roethlisberger and Dickson argue that the power of such sanctions derives from the dependence of the individual upon the group. Individuals have a basic need to belong, to feel part of the social group. They need approval, recognition and status, needs that cannot be satisfied if they fail to conform to group norms. As Tannenbaum (1966:24) put it "the girls were ego involved".

Other researchers have conducted studies on the effects of the group on worker productivity. Coch and French (1948:512-33) examined methods of introducing changes in production methods and piece rates among women workers in a pyjama factory. They found that workers in informal social groups lowered their productivity in order to resist innovations in work methods introduced by the company, and that more cohesive groups - those with strong "we feelings" - provided greater support to members who opposed the innovations.

It was generally agreed (Mullins, 1989; Rose, 1988) that the Hawthorne Studies brought in a new concern, by management, for employees and their working arrangements. In the future there would be a greater concern for leadership, employee involvement and effective two-way communication in order to win the hearts and minds of employees.
3.5 **The Behavioural Science School**

In the 1960s a number of 'behavioural scientists' developed further human relations school thought. The most notable of these contributors were McGregor, Likert, Argyris and Herzberg.

McGregor (1966: chapter 3 and 4) examined assumptions about human behaviour which underlie managerial action. He classified his assumptions into two theories. 'Theory X' is the traditional view that human beings dislike work and have to be coerced to do it. 'Theory Y' is the progressive view that, given the chance, employees will not only accept but also seek responsibility. For an examination of the characteristics of Theory 'X' and 'Y' see (Pugh 1971:149-51).

The central principle of organizations that McGregor derived from Theory Y is that of integration - the process of recognising the needs of both the organisation and the individual and creating conditions which will reconcile their needs so that members of the organisation can work together for its success and share in its rewards.

Rensis Likert (1967:47) derived his concept of organizations based on 'supportive relationships'. "The principle of supportive relationships is a general principle which the members of an organization can use to guide their relationships with one another". The principle is "The leadership and other processes of the organization must be such as to ensure a maximum probability that in all interactions and in all relationships within the organization, each member, in the light of his background, values, desires, and expectations, will view the experience as supportive and one which builds and maintains his sense of personal worth and importance" (Likert, 1961:103).
Likert and his team have shown that departments which are low in efficiency tend to be run by supervisors who are 'job-centred', i.e. they concentrate on keeping their subordinates busy by prescribed methods and standards. This is an approach synonymous with Taylorism. Supervisors with the best record of performance have been found to focus their attention on the human aspects of their subordinates' problems and on building teams which are set high achievement goals. These supervisors are termed 'employee-centred'. They regard their jobs as dealing with human beings rather than with work. They exercise general, not close supervision; get to know their team as individuals; and become more concerned with targets than methods. They encourage participation.

Argyris (1957) carried out research into personality development in organizations which suggested to him that the formal organization creates in its members feelings of failure, frustration, conflict and leaves them with a short-term perspective. He concluded that in formal organization there is behaviour, at all levels, that is not productive in the sense of helping the organization achieve its objectives. For example, at the lower end he found apathy, indifference and non-involvement. At the higher levels he found conformity, mistrust, inability to accept new ideas and fear of risk taking (Argyris, 1964). To overcome these problems Argyris suggests re-designing organization to plan for integration and involvement. To allow members to exercise a high degree of self-control over work methods and goal achievement.

Herzberg (1959) suggested that improvements in organizational design must centre on the individual job as the positive source of motivation. If the individuals feel that the job is stretching them they will do it well. He formulated a 'two-factor theory'. The first involved achievements, advancements, recognition, autonomy and other intrinsic aspects of work. Because these represented sources of satisfaction they were called 'motivators'. The second set of incidents concerned working conditions, salary, job security, company policy, supervision and inter-personal relations. This set, termed 'hygiene factors', were described as sources of dissatisfaction.
Hygiene factors were found to produce an acceptable work environment but not increased satisfaction or involvement with a job. Their absence (e.g. low pay), however, caused job dissatisfaction. The presence of motivators in the workplace caused enduring states of motivation in employees, but their absence did not lead to job dissatisfaction. Motivators reflect people's need for self-actualization while hygiene factors represented the need to avoid pain.

The importance of this theory to organizational success is evident. Managers can ensure people are selected for jobs which they will find satisfying; they can congratulate and give recognition for achievements; and they can ensure people are given opportunities for growth and development within the organization.

3.6 The Systems School (Socio Technical Model)

A number of sociologists in attempting to reconcile conflicting views of the classical school and the human relations school looked at how organizations worked as systems related to their environment. These researchers effectively formed the 'Systems School'.

The systems approach to organizations as formulated by Miller and Rice (1967) states that organizations should be treated as open systems which are continually dependent upon and influenced by their environments. The basic characteristic of the enterprise as an open system is that it transforms input into outputs within its environment.

Katz and Kahn (1964: Chapter 2) have dealt with the concern of systems theory with the problems of relationship, of structure and of interdependence with considerable emphasis on transactions between the system and its environment and between the different parts of the system. This approach has by-passed the closed approach of the classical school.
The basic idea of the organization as a system was extended by the Tavistock Institute of London into the socio-technical model of organizations. "The basic principle of this model is that in any system of organization, technical or task aspects are inter-related with the human or social aspects. The emphasis is on inter-relationships between, on the one hand, the technical processes of transformation carried out within the organization, and on the other hand, the organization of work groups and the management structures of the enterprise" (Armstrong, 1988:97).

Basically, when changes are being made in technology, it is necessary to choose carefully from among the alternatives available for the division in labour, the working practices and the reward system. While the aim should be to exploit the new technology, care should be taken not to threaten the existing social system.

3.7 The Contingency School

While researchers were examining the 'systems approach', others such as Woodward, Perrow, Burns and Stalker and Lawrence and Lorsch, were looking at organizations primarily in relation to their environment. This school has concluded that organization structures and methods of operation are a function of the circumstances in which they exist.

They do not subscribe to the view that there is a best way of designing an organization or there is an ideal type. Neither do they subscribe to the simplistic classification of formal or informal organization.

Burns and Stalker (1966:119-234) emphasized the rate of change in the environment of the organization as being the key factor in determining how it could operate favouring a 'mechanistic' or bureaucratic organization in a stable environment and an 'organic' organization where the environment is volatile.
Woodward (1958:2-40) maintained that "it was possible to trace a cause-and-effect relationship between a system of production and its associated organizational pattern and, as a result, to predict what the organizational requirements of a firm were likely to be, given its production system." She concluded, after studying eighty firms in Essex, that there was a link between structure and technology and the three variables - technology, structure and performance - were related (Woodward, 1965). This seemed to imply that a given technology 'demands' a particular structure, and firms that obey this 'technological imperative', reap the rewards in terms of organizational efficiency and business success.

Lawrence and Lorsch (1967) developed their contingency model after studying six companies in the plastics industry. Organisation, as they define it, is the process of co-ordinating different activities to carry out planned transactions with the environment. The three aspects of environment upon which the design of the organization is contingent are the market, the technology, and research and development. These may be differentiated along such dimensions as rate of change and uncertainty. This process of reacting to complexity and change by 'differentiation' creates a demand for effective integration if the organization as a whole is to adapt efficiently to the environment. They define differentiation as "the difference in cognitive and emotional orientation among managers in different functional departments". (Lawrence and Lorsch, 1967:11)

Perrow (1970) recognised the importance of structure and the inevitable tendency towards routinisation, standardisation and bureaucracy in organisations. In accordance with the views of the contingency school, he suggests that different structures can exist within the same firm and that a bureaucratic structure is as appropriate for some tasks as non-bureaucratic structure is for other tasks.
Criticisms of The Various Schools of Organization Theory

The classical school sought to eliminate the worst features of the ad hoc approach to management by developing a 'one best way' for all organizations to be structured. One of the main criticisms of this approach is that its view of people is negative. Bennis (1959:263) called the classical perspective one of "organizations without people because it was founded on the belief that people can be reduced to the level of cogs in a machine". Even Weber's (1978:184) view was pessimistic as he suggested that the trend towards bureaucratization was irreversible - "a cage within which men would be increasingly confined". In fact it was Bennis (1966) who coined the phrase 'The Death of Bureaucracy'. He argued that every age develops an organizational form appropriate to its time. He saw bureaucracy as appropriate to the first 60-70 years of this century and not beyond that time.

Gouldner (1955) noted that rules could be interpreted as minimal standards of performance and in order to achieve organizational goals need to be buttressed by additional sanctions and rewards. At other times rules were ignored as management adopted an 'indulgency pattern' through working to their own norms (Gouldner 1955:56).

Merton (1940:560-8) criticizes bureaucratic organization; firstly because bureaucrats are not capable of 'bending' the rules even if it realizes organization goals; secondly because conformity to rules may become an end in itself rather than a means to an end; and thirdly because an emphasis on impersonality may lead to uncaring and insensitive behaviour. Thus bureaucracy may produce inefficiency in specific instances.
This de-humanisation approach was critized by the Human Relations School which aimed at overcoming worker alienation brought on by conformity to the formal organization environment by stressing leadership, intrinsic job motivation and organic organization structures facilitating flexibility and member participation. However, economists rejected the argument that non-material incentives have a potentially stronger motivating influence than material incentives. Further, some sociologists believed the 'togetherness' concept would deny the influence and importance of individualism, while others suggested the over emphasis on irrationality belittled human behaviour. And, of course, as with the classical school the human relations proponents claimed 'the one best way'.

While contingency theory stressed no 'one best way to manage' it did assume that there was a best way given a limited number of contextual conditions. Critics argue this to be too simplistic. They say managers are required to formulate policy and strategy in far more varied circumstances than contingency theory acknowledges and there is little evidence to support structural design being made to fit the context of operations. (Edwardes, 1983; Sloan, 1986; and Mintzberg 1987). Because of the difficulty of defining good performance some critics (Hendry, 1979 and 1980; Mansfield, 1984; and Terry, 1976) have suggested it is not easily possible to link organisation structure to performance and hence contingency theory is not subscribed as the best way. Further, there is no agreed or unchallenged definition of the situation variables and hence the link between them and structure is not easy to conclude. (Mullins, 1989; Robbins 1987).

More fundamentally, it has been argued that rather than managers being constrained by organizational contingencies the reverse may be the case. Managers may have a significant degree of choice and influence over both structure and situational variables. (Child, 1972). This is discussed in the next section.
3.9 Strategic Choice

Child (1972:10) argues "that the analysis of organization and environment must recognize the exercise of choice by organizational decision-makers". Senior management can choose where to establish a business, what technology to use, what products to manufacture, what market to sell in, what calibre and quantity of employees it will hire, whether it will or will not recognize trade unions etc, and as a result influence or determine the limits of its environment. When Co-Steel Sheerness decided to establish an operation at Sheerness in England it exercised considerable choice in determining the technology to apply, the products to produce, the markets to attack, and the organization structure, manpower arrangements, and industrial relations system.

(See chapter 7). As a result, environmental conditions cannot be regarded as an external source of variation in organizational structure. As Child (1972:10) suggests "The critical link lies in the decision-makers evaluation of the organization's position in the environmental areas they regard as important, and in the action they may consequently take about its internal structure". In effect, managers will choose an organisational structure which is likely to deliver the greatest level of organisational performance. In establishing such an organization, Child suggests that the decision-takers (whom he refers to as the dominant coalition) evaluate the environment, organisational performance and the internal configuration. That evaluation can then be used to develop strategic action.

Such action, with respect to external variables, may require changing technology, products or markets or all, in order to maintain or improve demand for the company's products, and hence promote organizational success. Concerning internal variables, strategic action will "...establish a configuration of manpower, technology and structural arrangements which is both internally consistent and consistent with the scale and nature of operations planned". (Child, 1972:17). Child further suggests that the 'goodness of fit' that is achieved will determine the level of efficiency secured and which is expressed by 'output in relation to costs'. He says "the conjunction of efficiency with demand will determine the organisation's overall level of performance."
Later research by Child (1977) proposed that organizations that adopt forms of administrative structure consistent with the expectations and perceived needs (i.e. the factors which affect their behaviour as individuals, their motivation and the way they adapt to their roles) of their employees will tend to achieve higher levels of performance.

3.10 Conclusion

Each model of organization has its supporters and its critics. However, following Child's argument management does have a choice. It may be able to influence the environment in which it operates by changing products, markets, organization, technology, manpower, etc. These changes require considerable investigation including knowledge of alternatives, especially different types of organization and manpower configuration and strategies and processes for making change. And, to do all this requires taking risks.

In today's turbulent business environment there is a prevailing view that more flexible and organic forms of organization, which heavily rely on the human factor to promote improved performance, are the most appropriate. The following chapter examines new organization beliefs and methods to achieve change.
4.1 The Importance of Change to Achieve Sustainable Competitive Advantage

In the 1990s, change is more rapid, more complex, more turbulent and more unpredictable than ever before. As businesses faced another major worldwide recession; dramatic volatility in major world currencies; a breaking down of communism in Central and Eastern Europe; and more trading aggression from Pacific Rim countries, the need for competitiveness and strong customer relations overtook many of the more stable and traditional business change strategies. Steinburg (1992:26) states "the radical nature of change today has energized some organizations and paralysed others". He was reviewing change in leading American companies and concluded that many could not keep pace with the necessary level of change. Iacovini (1993:65) sees "The rate of change in American businesses is accelerating ... US managers are urged to follow popular Japanese management styles - to 'do it right first time'".

The UK is similarly affected. Coulson-Thomas (1992:10) has drawn on data from recent surveys of larger UK organisations and concluded that "Creating a more flexible and responsive organisation is the number one issue ... Quality and teamwork, general management development, and changing the corporate culture, are key issues". Rock (1993:3) discussing the successful turn-around of Rover, emphasises the need for managing change. "Even ... when economic growth has been either non-existent or very sluggish, companies still have to improve their productivity. ... That entails new ways of managing the people who comprise the organization. Natural work-groups, backed by the appropriate technology, are better than hierarchies. People have to be deployed more flexibly".
The argument today is, that in the advanced and intensively competitive socio-economic-technical environment, businesses in pursuit of sustainable competitive advantage need to change both organizational structure and culture. Hofer and Schender (1978) define sustainable competitive advantage as the ability of an organization to consistently outperform its competitors while Coyne (1986:54-61) believes competitive advantage is only meaningful if it is felt in the market place.

The 'competitive gap' is achieved by radical change that is more advanced, sophisticated and dynamic than that of competition. Barney (1991:99-120) suggests the gap in the capability underlying the differentiation should not be capable of imitation if the advantage is to be sustained. An organization may create such a gap only if it deploys its unique combination of skills and resources to exploit its business environment. Barney (1991:99-120) suggests three categories of resources available to create sustainable advantage, namely physical resources such as plant and equipment; organizational resources such as organizational structure and reward processes; and human resources such as training and employee relationships.

It is arguable, therefore, that those organizations with any expectation of surviving the business environment of the 1990s, through seeking competitive advantage, will need to exercise choice in moving to more adaptive forms of organization. Those forms of organization will transform the theory and practice of Human Resource Management. Accordingly this chapter commences with an examination of human resource management, what it is and how it has developed. Further, it examines the newer forms of organisation and management perspectives which have been replacing earlier schools of organization. Lastly, an examination is made of different models and strategies for change available to those decision-takers who wish to change organizational structure and employee behaviour and performance.
4.2 Human Resource Management

Is there a new perspective of organization which proves better and more effective than all others? Probably not if one subscribes to contingency theory. But new perspectives are available, are being tested and have assisted many organizations to make radical change and survive (even prosper) in exceptionally dynamic and demanding environments.

One such is Human Resource Management, described as "a strategic, coherent and comprehensive approach to the management and development of the organization's human resources in which every aspect of that process is wholly integrated with the overall management of the organisation" (Armstrong 1992:9).

4.2.1 The Development of Human Resource Management

The roots of human resource management may be traced back to the 1950s to Drucker (1955) who virtually invented management by objectives and considered human resources should be regarded as organizational assets. McGregor (1966) played his part too in advocating management by integration and self-control as a strategy for managing people.

The behavioural science movement added to HRM development by underlining the importance of integration and involvement, (Argyris, 1957), management styles, work performance and job satisfaction, (Likert, 1961) and improving the quality of life as a means of increasing motivation and performance (Herzberg, 1959).
Lately, the ultra-modern management thinkers (considered later) or corporate culture analysts have given further emphasis to the HRM movement. In particular, Peters and Waterman (1982) suggested attributes which characterise 'excellent companies'. Kanter (1989), in developing her post entrepreneurial model, suggested that for companies to succeed, they had to take faster action, be more creative, be more flexible, develop closer partnerships with employees and customers than was typical in the traditional corporate bureaucracy. Handy (1989) sees the organization of the future as smaller, less hierarchical, flexible and one which treats people as assets to be developed and appreciated rather than cogs in a wheel.

HRM developed in the 1980s because economic and commercial pressures demanded a far more comprehensive and strategic perspective concerning the organization's human resources. A wide range of issues have promoted this approach including global competition; organization complexity; rapid technological change; increasing education and thinking power of people in work; and coupled to the latter point, changing worker values and orientations to the company and changing opportunities for career enhancement; and changing social and economic circumstances.

4.2.2 Definitions of Human Resource Management

Human resource management is all about "a business-oriented philosophy concerning the management of people in order to obtain added value from them and thus achieve competitive advantage" (Armstrong, 1992:20). Others have added to the body of knowledge on HRM including Beer et al (1984) on the interests of management; Hendry and Pettigrew (1990) and Guest (1989) on the strategic aspect; Legge (1989) on HRM as a process for managing a valued resource; and Beer and Spector (1985) on HRM to gain employee commitment to the objectives and values of the organization.
Storey suggested that the more business-oriented and business-integrated approach, guiding the management of labour to add value to the business, needed some 'extra qualifying factor' to make it different and effective. He suggested that such a difference would come about where HRM is based on "the idea that there is a philosophical underpinning to it which sharply marks it off from Taylorism and indeed from the pluralistic conventions of industrial relations orthodoxy" (Storey, 1992:125). Storey went on to suggest that HRM could take two forms. The first was a 'hard' form which emphasizes... the calulative, business-like treatment of labour with the accent being upon it as a 'resource' like any other to be deployed and disposed of in an economically rational way and with impatience towards institutional arrangements or procedures which interfere in that process" (Storey, 1992:46). This version relates strongly to the unitary perspective of industrial relations which emphasizes the importance of the individual and either bypasses, marginalizes or eliminates the role of trade unions. The hard version, therefore, emphasizes the management aspect of HRM.

The second, was a 'soft' form which involved the "...careful nurturing of, and investment in, the human stock" (Storey, 1992:46). The "soft" version emphasizes communication, motivation and leadership. Handy (1989) termed it a 'culture of consent'. In this version, a pluralistic view is taken and therefore a balance has to be maintained in order to avoid conflict between the 'two sides'. The soft version recognizes that where trade unions are recognised, they will have an important role to play.
4.2.3 Human Resource Management: Gaining Acceptance

There is no doubt that human resource management has become fashionable on both sides of the Atlantic Ocean. However, HRM has been challenged. Armstrong (1987) suggested HRM may simply be a case of the emperor's new clothes, meaning that there is nothing really there at all. Guest (1991) suggested that "HRM has been considerably talked up" but has revealed little achievement. And Legge's (1989) view is that HRM is manipulative, namely "what is good for the business must be good for everyone in it". Fernie and Metcalf (1994) suggest that HRM practices and newer industrial relations perspectives including single status have not improved management-employee relations.

Even though reservations are expressed, HRM practices are present in UK business to a significant level. The New Industrial Relations, part of the Workplace Industrial Relations Survey, "finds increasing signs of the growth of so-called human resource management" (The Times, 15th February 1994) and Storey (1992b:28) in the Warwick Study found "that there has been a remarkable take-up by large British companies of initiatives which are in the style of the 'human resource management' model". Further evidence of the growth of HRM comes from the writers on Japanisation, especially Florida and Kenney (1991), Oliver and Wilkinson (1992 and 1989) and Ahroyd et al (1988). In particular, Oliver and Wilkinson (1988:175) stress the importance of 'willing cooperation' as opposed to mere compliance to make Japanese 'manufacturing techniques' work. They considered that many of the practices incorporated within the HRM model "appear to constitute the functional equivalents of practices found in the major Japanese corporations".

4.2.4 HRM and Personnel Management

If HRM is gaining support, how does it differ from the Personnel Management it must be replacing? A number of researchers have come up with some interesting analysis.
Legge (1989) suggests personnel management is aimed primarily at non-managerial employees whereas HRM aims to influence the whole management team. She sees HRM as an integrated line management activity, while personnel management aims to influence line management. Finally, she sees HRM emphasize the importance of senior management in the development and management of organizational culture.

Pettigrew and Whipp (1991) view differences primarily from the standpoint of management style and organization as opposed to difference in technique. Their analysis is shown in figure 4.1 below.

Figure 4.1
Personnel Management and Human Resource Management – An Outline

<table>
<thead>
<tr>
<th>Element</th>
<th>Personnel Management</th>
<th>Human Resource Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee relations</td>
<td>Adversarial</td>
<td>Developmental and collaborative</td>
</tr>
<tr>
<td>Orientation</td>
<td>Reactive and piecemeal</td>
<td>Proactive and business focused</td>
</tr>
<tr>
<td>Organization</td>
<td>Separate functions</td>
<td>Integrated functions</td>
</tr>
<tr>
<td>Client</td>
<td>Management</td>
<td>Management and employees</td>
</tr>
<tr>
<td>Values</td>
<td>Order, equity consistency</td>
<td>Client and problem focused, tailored solutions</td>
</tr>
<tr>
<td>Role of specialist</td>
<td>Regulatory and record keeping</td>
<td>Problem sensing, tailored solutions</td>
</tr>
<tr>
<td>Role of line management</td>
<td>Passive ownership</td>
<td>Active ownership</td>
</tr>
<tr>
<td>Overall output</td>
<td>Compartmentalized thinking and acting</td>
<td>Linking various human resource levers to business needs</td>
</tr>
</tbody>
</table>

In a Warwick University Industrial Relations Research Unit Study, produced one of the more detailed classifications which is shown in figure 4.2.

**Figure 4.2**

**Classification Of The IR And HRM Approach**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Twenty-seven points of difference</th>
<th>HRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beliefs and assumptions</td>
<td>Contract</td>
<td>Aim to go &quot;beyond contract&quot;</td>
</tr>
<tr>
<td>1. Contract</td>
<td>Central delineation of written contracts</td>
<td>&quot;Can do&quot; network; imagination with &quot;rule&quot;</td>
</tr>
<tr>
<td>2. Rules</td>
<td>Importance of devising clear reference material</td>
<td>&quot;Business-as-usual&quot;</td>
</tr>
<tr>
<td>3. Guide to</td>
<td>Procedures</td>
<td></td>
</tr>
<tr>
<td>management action</td>
<td>Monitoring</td>
<td></td>
</tr>
<tr>
<td>4. Behaviour reference</td>
<td>Normal practice and practice</td>
<td>Value/relations</td>
</tr>
<tr>
<td>5. Managerial role</td>
<td>Monitoring</td>
<td>Nurturing</td>
</tr>
<tr>
<td>6. Nature of relations</td>
<td>Transitive</td>
<td></td>
</tr>
<tr>
<td>7. Conflict</td>
<td>Institution</td>
<td>De-emphasized</td>
</tr>
</tbody>
</table>

**Strategic aspects**

| 8. Key relations          | Labour-management                |                          |
| 9. Initiatives            | Personnel                        | Customer                 |
| 10. Corporate plan        | Marginalist                      | Integrated               |
| 11. Speed or decision     | Slow                             | Central to               |

**Line management**

| 12. Management role       | Transactional                    | Transformational leadership |
| 13. Key managers          | Personnel/HR specialists         | General/business/line managers |
| 14. Communication         | Indirect                         | Direct                   |
| 15. Standardization       | High in a "parity" as issue     | Low in a "parity" not seen as relevant |
| 16. Planned management skills | Negotiation                    | Facilitation             |
| 17. Selection             | Separate, marginal task         |                          |
| 18. Pay                   | Job evaluation (fixed grades)    |                          |
| 19. Conditions            | Separately negotiated            |                          |
| 20. Labour-management     | Collective bargaining contracts  |                          |
| 21. Threat of relations with stewards | Regulated through facilities and training | |
| 22. Job categories and grades | Many                            |                          |
| 23. Communication         | Restricted flow                  |                          |
| 24. Job design            | Division of labour               |                          |
| 25. Conflict handling     | Ranch temporary trees            |                          |
| 26. Training and development | Controlled access to courses    |                          |
| 27. Path of actions for interventions | Personal procedures |                          |

Source: Storey (1992 A:35)
The classification is an abstraction built around management perception and the varying dimensions are clearly open to debate. However, they cover considerable depth and most modern day personnel practitioners should relate to these dimensions, although there may be argument on definition. This aspect is developed further in chapter 12.

The most significant difference is in the management and business-orientated philosophy which HRM exposes. HRM is a senior management driven strategy, owned by the management team and applied to enhance business performance. As such it is both an opportunity and a challenge for organizations seeking competitive advantage.

HRM, it may be argued, is a strategy for change. Its application and introduction may require significant alteration to the organization's structure and culture. This implication for organizational culture is now addressed further by examining new perspectives in management.

4.3 New Perspectives in Management (A Prescription for Change)

This section deals with new perspectives which stress the role of culture in shaping and sustaining organisational competitiveness. They place a shared responsibility on both the organization and its members to take control of their own destiny.

4.3.1 Attributes of Excellent Companies

The earliest contribution to the emergence of new forms of organization came from Peters and Waterman (1982). From their study of 62 of America's most successful companies, they found eight key features which organizations need to manifest if they are to achieve excellence. The features were largely at odds with organizational theory propounded by earlier schools. They believed that it is the freedom given to managers and employees to challenge the orthodox and to experiment with different solutions which distinguished the excellent companies from the less successful. They (1982:119-325) distinguished eight attributes in excellent companies.
i) **A bias for action:** They favour methods which encourage rapid and appropriate response which is achieved because organization is fluid (Peters & Waterman, 1982:121).

ii) **Close to the Customer:** The best companies go to extreme lengths to achieve quality, service and reliability.

iii) **Autonomy and Entrepreneurship:** Leaders and innovators are fostered and given scope.

iv) **Productivity through People:** Successful companies treat their workers with respect and dignity. This is because people, rather than systems or machines, are seen as the most important asset and the primary source of quality and productivity gains.

v) **Hands-on, Value-driven:** In excellent companies there is an implicit belief that everyone in the organization, from the top to the bottom, should be driven by the values of the organization.

vi) **Stick to the knitting:** Excellent companies should stick to what they know best.

vii) **Simple form, lean staff:** Excellent companies keep things simple and small and require few staff in middle management or at 'corporate head office'. They have flat structures, with few layers, and slimmed-down bureaucracies – which together allow flexibility and rapid communication.

viii) **Simultaneous loose-tight properties:** "Organizations that live by the loose-tight principle are on the one hand rigidly controlled, yet at the same time allow (indeed, insist on) autonomy, entrepreneurship, and innovation from the rank and file" (Peters and Waterman, 1982:318).
The ultimate goal is to be the best company, and in the last
analysis, this is the benchmarking upon which to measure employee
effort. Such a company will be flat structured, lean manned,
innovative and entrepreneurial, brain power rather than muscle power
and have a strong flexible culture.

During the second half of the 1980s Peters (1989) continued to
communicate his views on management and organization. He saw the
1980s business world in chaos as almost daily managers confront
shattering and accelerating change. In such circumstances, he
offered forty-five bold prescriptions for change to enable business
to survive. He suggested 'predictability as a thing of the past' and
that business leaders must become 'obsessive about change'. He
emphasised that the participation of everyone was critical to
effective change.

4.3.2 Post-Entrepreneurial Model

Rosabeth Moss Kanter, another leading American Management thinker,
complemented the work of Peters and Waterman. She called for a
revolution in business management to create post-entrepreneurial
organizations which create a marriage between entrepreneurial
creativity and corporate discipline. She believes that "if the new
game of business is indeed like Alice-in-Wonderland croquet, then
winning it requires faster action, more creative manoeuvering, more
flexibility, and closer partnerships with employees and customers
than was typical in the traditional corporate bureaucracy" (Kanter,
1989:20). She rejects bureaucratic approaches and adversarial
relationships with stakeholders, while advocating the need for
synergy and stakeholder partnerships.

In fact she sees the post-entrepreneurial organization as not just
another fad, but as a fundamentally different set of organizing
principles from bureaucracy, a different way of conducting corporate
life.
In making this point Kanter (1989:353-354) draws a useful comparison between the two approaches shown in figure 4.3.

**Figure 4.3**

**Bureaucratic -v- Post-Entrepreneurial Organization**

<table>
<thead>
<tr>
<th>BUREAUCRATIC ORGANIZATION</th>
<th>POST-ENTREPRENEURIAL ORGANIZATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position-centered</td>
<td>Person-centered</td>
</tr>
<tr>
<td>Repetition-oriented</td>
<td>Creation-oriented</td>
</tr>
<tr>
<td>Rules-oriented</td>
<td>Results-oriented</td>
</tr>
<tr>
<td>Pay for status</td>
<td>Pay for contribution</td>
</tr>
<tr>
<td>Operate through formal</td>
<td>Widespread networking</td>
</tr>
<tr>
<td>structures</td>
<td></td>
</tr>
<tr>
<td>Action circumscribed by</td>
<td>Action is open</td>
</tr>
<tr>
<td>mandates</td>
<td>Seek leverage and experimentation</td>
</tr>
<tr>
<td>Seek ownership and control</td>
<td></td>
</tr>
</tbody>
</table>

She sees the predominant business paradigm changing in the successful businesses now and in the future and takes a more incisive view than Peters and Waterman. Further, she tried to show that HRM innovations are very important. In the Change Masters, she defines progressive companies partly on the basis of their reputations as innovators in HRM and claims that "progressive companies have been more profitable and faster growing over 20 years than their matches (non-progressives) on each of three measures of profit and two of growth - even in fast growing industries "(Kanter, 1984:375).

**4.3.3 Emerging Future Organizations**

One of the most significant perspectives on new organizational form from a British expert comes from Professor Charles Handy. He states that we can no longer assume that what worked well once will work well again (Handy:1989).
Handy concurs with the previous perspectives believing that the emerging future organizations will be smaller, less hierarchical and far more flexible. He also sees such organizations treating people as assets to be developed and motivated rather than cogs in a wheel. However, he varies his view somewhat from previous perspectives in as much as he sees organization facing differing circumstances and adopting different strategies and forms in order to cope. Instead of postulating an ideal type of organization, he identifies three generic types of organization which he believes will dominate in the future. (Handy, 1989:72)

The Shamrock Organization is lean manned, has few hierarchical layers, uses both a flexible and contractual labour and invests in automation and computerisation. It is a high performance company capable of meeting the challenge of change on a regular basis. It is a successful company.

The federal organization is characterised by 'subsidiarity'. Handy explains that "subsidiarity means giving away power. No-one does that willingly in organisations, yet the federal organisation will not work unless those in the centre not only have to let go of some of their power but actually want to do so because only then will they trust the new decision-makers to take the right decisions and only then will they enable them to make them work" (Handy, 1989:100).

Effectively, federalism means giving power to the Shamrocks, who then get on with the task of performing successfully.
The Shamrock and Federal Organizations provide a revolution in management thought and practice. Core workers use their 'Intelligence' to analyze 'Information' to generate 'Ideas'. Thus Handy's first two organizational forms provide the bedrock for his third, the Triple I Organization. These are organizations based on Intelligence, Information and Ideas. Handy says such organizations produce the 'necessary' added value and exploit the combination of smart people and smart machines. Such organizations, to keep the skills, knowledge and abilities of their members up to date often become 'learning organizations' namely an organization which provides a conducive environment for the development of its intellectual capital. Learning organizations require their members to be continuously trained.

Understanding new forms of organization and comparing with earlier models is one thing, selecting new models and effecting change is something else. Often the thought or such change has paralysed companies, while others have set off with change only to be thwarted by heavy resistance. The remainder of this chapter examines the value of benchmarking to determine best practice; models for making change; resistance, and conditions for effecting successful change.

4.4 The Change Process

If management of the 1990s understands the need for change, most managers will freely admit that managing change is a difficult process and that there are many failures. These are usually associated with organizations' lack of ability to plan and manage change, motivate and involve employees and re-design and implement suitable work structures - all virtually necessary to successful organizational change.

The process of change, in effect, requires moving from a present state through a 'transitional' state to a future state, although at the commencement of change the future state may be unclear. Here the notion is that change is in permanent transition as the organization continuously aims to gain sustainable competitive advantage.
It is also perhaps one of the most frightening aspects for those involved who may perceive a stage in the process where their capability to change further becomes limited so causing either resistance or failure. In these circumstances, the approach to change becomes critical to successful ongoing change.

However, those organizations who seek change in order to improve performance need not just knowledge of the process and change models available, but inspiration and recognition that change is needed and will produce better performance. A type of pre change justification is needed. This has frequently been achieved in recent times through either studies in more advanced companies, known as benchmarking, or through studying the modern writers who over the last decade have propounded new initiatives, often in case study form, and unlike earlier researchers, made their findings readily available to the business world.

4.5 Benchmarking

"Benchmarking is the search for industry best practice that leads to superior performance" (Russell, 1993:2). Priestley (1993:5) sees a more detailed purpose, namely:

- Achieve 'Best in the Class' cost structure.
- Ensure cost competitiveness to attract investment.
- Provide - Competitive advantage from each product.
  - Customer satisfaction.
  - Quality, reliability, delivery and cost.
- Ensure continuous improvement.

Benchmarking leads to best practices which, in turn, give highest productivity. The process measures the organization and its people by benchmarking its structure, culture, practices, programmes and results. It then requires target setting, change programmes, continuous monitoring and regular benchmarking to secure continuous improvement in the pursuit of competitive advantage. The structure of the process is important. Rank Xerox have developed a model which has universal application and is shown in figure 4.4 below.
Figure 4.4

The Benchmarking Process:

1. IDENTIFY SUBJECT FOR BENCHMARKING
2. IDENTIFY "THE BEST"
3. COLLECT DATA
4. DETERMINE CURRENT COMPETITIVE GAP
5. PROJECT FUTURE PERFORMANCE
6. COMMUNICATE RESULTS OF ANALYSIS
7. ESTABLISH FUNCTIONAL GOALS
8. DEVELOP ACTION PLANS
9. IMPLEMENT PLANS - MONITOR RESULTS
10. RECALIBRATE THE BENCHMARK

Leadership position obtained and maintained through full integration into processes and practices

Rank Xerox
The Document Company

Source: Steel Training (1993:20)

Co-Steel Sheerness too has developed a model which has operated successfully and is addressed later.

Benchmarking is very much in evidence today. Coopers and Lybrand (Russell, 1993:2) surveyed the top 1000 UK companies and found that more than two thirds of the 105 respondents claimed to practise benchmarking.
4.6 Models of Organizational Change and Change Strategies

In recognizing the need to change, there is an implicit requirement to know how to do it. There are a range of models upon which to effect change and these are considered below.

4.6.1 The Action Research Model

The model is based on the proposition that an effective approach to solving organizational problems must involve rational, systematic analysis of the issues in question. The approach will obtain information, hypotheses and action from the parties involved and evaluate the action taken to overcome the problem. The change process becomes a learning situation involving managers, employees and a change agent. This approach recognizes that successful action is based on analysing the situation correctly, identifying all the possible alternative solutions (hypotheses), choosing the most appropriate to the situation in hand and action through implementing change. However, this approach needs the commitment of all parties if it is to be successful.

4.6.2 The Three Step Model of Change

This approach recognizes that new behaviour can only be adopted successfully if the old behaviour is truly discarded and is built upon three stages.

a) Unfreezing - the present level.
b) Moving - to the new level.
c) Refreezing - the new level.
Unfreezing (which may involve confrontation and/or re-education) equates to the research element of Action Research just as 'moving' relates to the action element. In practice, moving involves acting on the research results and this requires developing new behaviours, values and attitudes through changes in organizational structure and processes. The final step of re-freezing seeks to stabilise the organization at a new state of equilibrium to prevent a return to 'old behaviour'.

4.6.3 Phases of Planned Change

Other researchers have elaborated on Lewin's 3-step model. Lippitt et al. (1958) developed a seven-phase model of planned change, whilst Cummings and Huse (1989) produced an eight-phase model. The latter pointed out that "the concept of planned change implies that an organization exists in different states at different times and that planned movement can occur from one state to another" (Cummings and Huse, 1989:51). For this approach to work, one must understand not only the processes which bring about change but appreciate the states that an organization must pass through in order to move from 'old behaviour' to 'new behaviour'. Bullock and Batten (1985:383-412) developed an integrated, four-phase model of planned change. The model is two dimensional, firstly 'change phases' which are specific states an organization moves through as it makes change and secondly 'change processes' which are the methods used to move an organization from one state to another.
4.6.4 Ambassadors for Change

A model suggested by Flude (1992:6-12) is put forward as an alternative to Action Research which he considers often will get bogged down by the reaction of middle management inertia to the 'top-down' approach. His alternative strategy "is to create ambassadors for change throughout the organization so they can act as change agents or catalysts at all levels. This approach means that middle management is no longer an impediment to change and communication flow, with all the vested interests of maintaining the status quo" (Flude, 1992:8). This ambassadors approach basically ignores hierarchy and normal chain of command. It is based on identifying critical jobs in the organization and assessing the job holder's capability to relate to new thinking and vision.

"The next step is to see how the people in the critical jobs compare with the ideal ... Having achieved the 'right' people in the 'right' jobs, it is then possible to motivate those people as 'ambassadors for change' to bring about change at all levels in a "bottom-up" strategy. Like throwing a series of pebbles in a pond, the impetus for change happens at all levels in the organization driven by the ambassadors for change in the critical jobs" (Flude, 1992:9-10).

Hakim (1993:46-49) has termed this type of approach 'Lattice thinking' or the 'Partnership approach'. It is appropriate to the empowered company where employees are "implementing a shared vision that embraces career mobility for the individual and a competitive advantage for the organization". Employees as opposed to working on vertical careers in hierarchically orientated companies see development as a lattice allowing them to move at any angle, heading from side to side, supporting business goals and getting their career needs met too. This model is close to the continuous improvement, continuous education, company orientation approach of the Japanese.
4.6.5 Results-driven Improvement Processes

Schaffer and Thomson (1992:80-89) offer the Results-driven Improvement Processes Model which focuses on achieving specific measurable operational improvements within a few months. With this approach, an organization benefits because change is operationally specific and only introduced when needed. Empirical testing reveals quickly what works, so success breeds success. Further, a continuous learning environment is generated which shapes positive thinking and inhibits resistance.

4.7 Understanding and Application of Change Models

In this case study, some of the stages of each model were used by the company to promote change, although the management involved were unaware of the work of Lewin, Lippitt, Cummings and Huse, Bullock and Batten, Flude or Schaffer and Thomson. The stages in the change process which were considered by the company to be most valuable were thorough research, generally through benchmarking, detailed planning, incessant communication, results-oriented change, a 'success breeds success' approach, and a continuous learning environment. On rare occasions, a conflictual approach was used. However, the Personnel Director throughout was the architect of the majority of change, the change agent, and even the driver. Although change was seen as necessary to improve business performance designed to achieve competitive advantage, the programme was seen as a 'cultural change' programme in which the employees' behaviour, attitudes, thinking and performance had to undergo a paradigm shift.

4.8 The Need for Cultural Change

More and more writers of the day refer to the importance of culture in change programmes.

Egan (1994:39-42) defines culture as "the shared assumptions, beliefs, values and norms of the company insofar as these drive shared patterns of behaviour".
Culture can be changed and changed with remarkable speed as evidenced by modern management writers and which will be confirmed in this study. There are two major parts to the change process, namely auditing current culture to assess what needs changing and developing and implementing culture change strategies. Benchmarking, discussed earlier, is a useful tool for auditing purposes.

A wide range of strategies may be developed to change culture.

4.8.1 Strategies Based on Business Need

These relate to operations, structure, human resource management, employees and leadership. Changing these will automatically change culture. For example, such new quality-customer initiatives as TQM, SPC, JIT introduce new culture into an organization. Organisational change such as re-engineering, delayering, empowerment etc change roles, behaviour, approach to work and therefore change culture.

4.8.2 Strategies Linked to Change

These link culture change to every key programme, management initiative and change programme. The approach is synonymous with non-stop action in order to overcome dysfunctional attitudes and norms. Even crises can be used to gain leverage such as a recession, a dispute, product or process change, even employee competence change. In fact, crises often present a first opportunity for culture change.
4.8.3 Strategies comprising Frontal Attacks

Such strategies are more pronounced and direct. They are often designed to 'blitz' the organisation with new programmes - 'fast moving cultural change'. The pace is too great to allow resistance to take place. Often training can become the catalyst or vehicle for such change, such as equipping employees to tackle quality through such techniques as TQM and SPC; or scheduling mandatory attendance at regular meetings to review customer service or plant efficiency. Those strategies can be reinforced with a critical mass of supporters. Symbolic events and mandated action can have a dramatic impact on changing culture. Dismissing striking employees may be seen as such a traumatic event that norms of behaviour would immediately change and be sustained at a new level.

4.8.4 The Importance of Culture to an Organisation

Successful organisations will be those who develop a culture which serves its needs. Therefore, culture will be a key issue in the achievement of both mission and business strategy. Armstrong (1992:70) suggests "Corporate culture can work for an organisation by creating an environment which is conducive to performance improvement and the management of change". In this respect culture gives employees a sense of identity and a common purpose of goal achievement.

4.8.5 Culture versus Structure

Strategic business decisions involving markets, products, human resources etc will, in some form, shape culture primarily through changing behaviour, and subsequently values and norms. But as organizations become more open and empowered, the employees will become more responsive to developing and implementing new strategies. In this case, culture and strategy are interdependent.
Culture too will have a direct influence on the way the organization is structured, such as formal and informal organization, interaction, flexibility, communications, division of labour, hierarchy. But structure also affects culture. The bureaucratic or mechanistic organization attempts to control, through systems and procedures, while organic organizations will only allow systems which are required to expedite a desirable set of circumstances.

Culture develops over time. In effect it is constantly changing as a result of the external environment and the internal processes, systems and behaviour. Those internal 'forces' may derive from crises, changing philosophy and new vision and leadership. But an ongoing interdependent relationship between structure and culture is critical to organizations seeking competitive advantage and needs continuous managing.

4.9 Managing Change

Change does not happen, it has to be managed. Some person or group of people have to make an intervention to the normal running of the organization to effect a change. The intervention could be made by top management, by a change agent, even by the people subject to the change process. Such interventions should be planned and structured events initiated in response to a recognized need for change and having as their objective a direct or indirect improvement in organizational performance. While this seems both a logical and sensitive approach, a considerable amount of change is resisted.

4.9.1 Resistance to Change

It is important to remember that implementation of change in most organizations falls on individuals and especially those at the lowest levels of the hierarchy. According to Binsted (1992:284-286) change perceived by the individual can be categorised as 'inevitable', 'imposed' and 'initiated'.
Inevitable change is that which is going to happen and is perceived as an inevitable consequence of some change in the environment in which the organization exists, e.g. metrication, automation. Imposed change is perceived as a direct result of a policy decision made by someone else, e.g. legislation, change in interest rates. Initiated change is driven by the individual or the group to which the individual belongs.

However, there is a tendency for any organizational change to be resisted. An explanation for this can be found in Schon's (1971) work on Dynamic Conservatism where he argued that change was most often a fight to stay the same. But often those affected see it as more of a personal challenge believing that upsetting the status quo will inevitably be negative - loss of jobs, loss of pay, doing more for no more pay (see Kirkpatrick [1993:31] for fuller reasons why people resist change).

Employees under threat resist. "Such resistance may take a number of forms - persistent reduction in output, increase in the number of 'quits' and requests for transfer, chronic quarrels, sullen hostility, wildcat or slowdown strikes, and, of course, the expression of a lot of pseudological reasons why the change will not work" (Lawrence, 1991:36).

Resistance to change is regularly featured in the media, usually at a time when employee relationships are under serious jeopardy. Many researchers have tackled this issue and some of their work is featured below.
Elger has discussed the implications of technical change and flexibility initiatives for the character of work reorganization in British manufacturing and concluded "One set of perspectives on contemporary workplace restructuring has emphasised the limited and piecemeal character of changes in both the social and technical organization of work, with only islands of substantial novelty and only modestly redrawn task and occupational boundaries. New technologies have been conditioned by and absorbed into existing patterns of management-worker relations and occupational organization" (Elger, 1990:93).

Daniel (1987) determined that 66% of companies surveyed saw no change in such features as manning levels and pay; 50% had made no moves to promote flexibility; and 40% saw no change in skills or job control.

Batstone and Gourlay (1986) determined that between 60% and 80% of companies surveyed had experienced 'none' or 'not much' change in task demarcations during technical change.

A recent study by Ingersoll Engineers found considerable resistance to change by managers. It found "Forty-one per cent of manufacturing managing directors think their managers resistant to change" (Works Management, 1993).

4.9.2 The importance of establishing the correct conditions for change

If resistance is to be prevented or overcome, the conditions for change have to be right. Argyris (1970) propounds three conditions necessary to effect successful change, namely:

1) Generation of valid information.
2) Provision of free and informed choice for those affected by the change.
3) Creation of commitment by those affected to the choices made.

Burke et al (1981) suggested the conditions for change should lead to cultural change.
Burnes (1993:242) emphasizes that management has to create the conditions which will promote acceptance of and commitment to change and manage the actual change process itself. Further, he sees that with the emergence of new organisational paradigms in the 1990s, the pace and magnitude of organizational change will increase. He agrees with Peters that additionally such organisations will be driven by their own vision to which all staff must be committed—they will ‘thrive on change’. Such developments for change are almost the reverse of those prescribed by Classical Organization Theory. They are founded upon:

1) Senior management establishing the corporate vision and securing support and pursuance of their vision by all employees.
2) The creation of flexible and permissive cultures which allow continuous change.
3) Management allows individual initiative and teamwork to thrive.
4) Management establishes jointly with those affected the structures and practices needed to operate effectively.

Managing change under the new paradigms requires creating and sustaining an environment in which those affected play the leading role, a far cry from the 'due compliance' of the classical organization.

Flude (1992:8) suggests the use of 'bottom-up' strategies to manage change successfully. He recommends that:

(a) hierarchy should be minimised,
(b) active communication networks should be set up, and
(c) approaches should be holistic.
Kirkpatrick (1993:30) stresses the importance of establishing empathy between managers and subordinates to secure change. Critical to that is continuous feedback on how change affects both individuals and company performance. He suggests positive feedback will sustain or even accelerate the change, while negative feedback should enable remedial action to be taken to avoid failure. Above all, change requires managing.

4.10 Changing Managers to Manage Change

Modern management guru philosophies and the change strategies and processes outlined in this chapter all demand competent management if companies are to secure competitive advantage. Burnes (1993:274) states "while managerial competence is a basic requirement for achieving successful change, this alone is not enough. Rather, managers' efforts are constrained or facilitated by their own personal beliefs and values and the culture of the organisation". But Burnes suggests that many managers have been trained and work in organisations whose structures and cultures have been built on Taylorist and other classical organisationists theories. The result is that while such managers recognise the need for change, they are often reluctant to delegate any responsibility to those affected by the change and hence are often unsuccessful or less successful in making change and in the longer term those companies will become less competitive.

In the successful change approach, as we have seen, managers must change their attitudes and beliefs. They must participate fully in regular management development programmes. Only in this way will they be able to manage change successfully and adapt in company's where structure and culture are changing.
Most significant culture changes require a very different way of doing things and that in itself causes fear, uncertainty and often significant resistance, especially amongst managers who are 'set in their ways'; see change as 'flavour of the month'; believe there is only one way of doing something; and who do not like taking risks.

But changing culture is critical to continuous business health, a point clearly made earlier from the work of Peters and Waterman (1982). While their approach required management to take a varied but prescriptive approach, Schein (1985) takes a more organization specific approach treating culture as an adaptable and tangible learning process. He seeks to understand how culture is built and how it influences human behaviour. Only then does he propose that newcomers to the organization can be safely indoctrinated into the culture successfully.

On the other hand, Schwartz and Davis (1981:30-46) suggest that when an organization seeks cultural change it should compare the strategic significance of the change to the cultural resistance that may arise. They term this the 'cultural risk' approach. They identify a method for identifying the degree of cultural risk which may be used to decide whether to ignore the culture, manage round it or change the culture to fit the strategy or the strategy to fit the culture.

Cummings and Huse (1989) suggest crucial steps to bring about culture change, going so far as to suggest terminating the employment of members who do not fit or who obstruct change.

Much of this thinking may well have been applied in the Western world business downsizing which has taken place in recent years, especially as many companies have taken opportunities to shed older and perhaps less flexible and competent staff.
Hassard and Sharifi (1989:11) support Cummings and Huse by stressing the absolute importance of senior management involvement in change.

Armstrong (1992:77) suggests some additional steps which would help to manage or change culture.

"2) Workshops to get people involved in discussing new values and ways of behaviour and practising their application.
3) Education and training programmes to extend knowledge and teach people new skills.
4) Performance management programmes which ensure through the mechanisms of objective setting and performance appraisal that the values, norms and behaviours which the cultural change programme is developing are absorbed and acted upon as part of the normal process of management.
5) Reward management systems which reward people for behaviour that is in accord with the values built into the culture change programme".

Clearly these steps all not only involve management in changing culture but demand its full commitment and thorough involvement. Consequently not only is the role of management crucial in effecting change but it is implicit that management has to change too, often radically. Katzen (1989:361-5) describes such a radical role in her analysis of organizational needs in the 1990s suggesting managers should be "multifaceted and ambidextrous, about to work across functions and business units to find synergies that multiply value ..."

The successful 1990s company will gain competitive advantage from regularly managing change and in so doing will continually change its managers.
4.11 Conclusion

In these turbulent times, successful organisations are continually managing change in order to achieve sustainable competitive advantage, namely an unassailable position ahead of the competition. In pursuit of this goal, they are replacing the 'one best approach' suggested by the organization theorists and mid-century human relations proponents in favour of a contingent theory of organization. Such a theory enables an organization to choose a structure and culture more appropriate to its needs.

Contingency theory has enabled researchers to develop a range of new organizational perspectives which are considered more appropriate to either meet or change the situational variables in which a business may find itself. A number of management experts have provided prescriptions to help managers dismantle the dysfunctional old truths and prepare them to deal with change in turbulent times. Peters and Waterman (1982) suggested that organizations should allow managers and employees the freedom to challenge the orthodoxy and to experiment with different solutions. After studying many of America's most successful companies they recommended a number of attributes of excellence. Kanter (1989) called for continuous innovation and entrepreneurship in order to remain competitive. To do this she suggested that managers should be freed from cumbersome structures and weighty procedures. Handy (1989) suggested the emerging future organizations would be smaller, less hierarchical and more flexible. Those organizations will treat their employees as assets and will promote their development to add value. Managers in these emerging organizations will use benchmarking activities to audit their organization and culture against best practice to assist in the development of strategies for ongoing change.
Human Resource Management approaches have replaced traditional industrial relations as a strategy for change and produced an integrated programme to add value to the business. The HRM approach is enshrined within the newer or ultra modern management prescriptions which focus heavily on employee participation, motivation and commitment. Such strategies not only involve an integrated business approach but require an awareness of change processes, models of change and techniques for managing it. Change needs to be recognised as a process and a wide range of models are considered including Action Research; Three Step Model; a variety of phased planned change models; Ambassadors of Change; and Results-Driven Improvement Process Model.

Whichever model is used, or even combination of models, this literature argues that culture change is vital to ensure commitment to common purpose. In effect, successful change involves an organization choosing an interrelated programme of cultural and structural processes, with either leading a given phase. This is particularly valuable in overcoming resistance, which is inherent in every organisation and which manifests itself in a wide range of circumstances, none more so than when those involved hold conflicting views concerning the value of change. Further, the chapter has emphasised the importance of establishing the correct conditions for change and the importance of changing managers to manage change.

The whole process requires the organisation to have an understanding of its competitive position. An unhealthy position may, if allowed to continue, lead to ultimate failure. However, it may provide new understanding and create the conditions from which a change programme can be initiated. On the other hand, the successful company may constantly seek change in order to open up a gap ahead of its competitors. In these circumstances, the goal is to achieve a sustainable competitive advantage.

Companies which readily accept change as a necessary and ever present ingredient of operation in the 1990s recognise that approaches to organization and culture have moved on from the 'one best approach' of the first 50 years or more of this century.
CHAPTER 5
INDUSTRIAL RELATIONS

5.1 Introduction

This chapter examines different industrial relations theories and issues such as trade unionism and collective bargaining, fundamental ingredients of the traditional UK perspective, with a view to examining their influence to sustain and/or promote the continuation of pluralism or to allow more unitary perspectives to gain a foothold. The examination has been able to capitalise on the results of the most recent Workplace Industrial Relations Survey, as well as a wide range of industrial relations research, all of which suggest that industrial relations is undergoing considerable transformation. Many of the issues explored in the chapter identify with the key features found in the change from industrial relations to human resource management at Co-Steel Sheerness.

5.2 Theories of Industrial Relations

Farnham and Pimlott (1990:3-20) have produced a useful classification of industrial relations theory, but for the purpose of this study discussion is limited to pluralistic and unitary theories. These theories lend understanding and interpretation and explain how different individuals or groups perceive the reality and practice of industrial relations.

5.2.1 Pluralistic Theory

Fox (1966:4) described the organization as a "plural society, containing many related but separate interests and objectives which must be maintained in some kind of equilibrium". He advocated that organizations would have to accept the existence of rival sources of leadership and attachment. In this sense, the organization and its employees are seen as microcosms of society where both individuals and social groups each have their own social values and each pursue their own interests and objectives.
Maintaining equilibrium is not easy as Fox (1966:4) suggested in an assessment of the contribution which industrial sociology can make towards understanding and resolving some of the problems considered by the Donovan Commission. He stated "The problem of Government of a plural society is not to unify, integrate or liquidate sectional groups and their special interests in the name of some overriding corporate existence, but to control and balance the activities of constituent groups so as to provide for the maximum degree of freedom of association and action for sectional and group purposes consistent with the general interest of the society as conceived, with the support of public opinion, by those responsible for its Government". While the sectional interest may have a broad and common interest in the long term survival of the organization as a whole, sectional conflict, on a day to day basis, may frustrate cohesion, harmony and organizational goal achievement. As a result, industrial relations are an expression of the conflict and the power relations between organized groups in society generally and that conflict between managers and their subordinates has to be recognised as an endemic feature of work relationships and managed accordingly. This conflict was referred to as "trench warfare" by Dunn (1991:1-31).

Usually, these social conflicts are regulated through the emergence of trade unionism, employers' associations and collective bargaining. Trade unions participate with management in a process of joint decision making on issues of day-to-day management. This means that management prerogative is legitimately curbed and cannot claim the right to unconditional allegiance. Managers have to accept other leadership, such as that of shop stewards and full time union officials. However, Storey and Sisson (1993:204) suggest that trade unions 'fulfil an important number of managerial functions' including an 'agency function', a 'voice' in notifying complaints and grievances and help 'to manage discontent by legitimating procedures and management prerogative'.

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Collective bargaining regulates the industrial relations system. Flanders (1970) had defined it as a “social process that continually turns disagreements into agreements in an orderly fashion”. In the U.K. collective agreements resulting from the bargaining process are achieved through a ‘voluntary’ process and are therefore ‘binding’ in honour only. Agreements usually can be categorised as ‘procedural’, which deal with union recognition and industrial relations procedures, or ‘substantive’, which deal with pay and conditions of employment.

Leading academics in the field such as McCarthy (1956), Clegg (1975) and Fox (1985) have all suggested that pluralistic systems are beneficial in as much as they regulate and control conflict, so enabling a more stable society. This view has clearly been supported by many organisations in the UK for many years, but has been challenged more recently through more unitary perspectives. These challenges have been promoted by competitive pressures, anti-union legislation, declining union membership and the growing importance of human resource management.

5.2.2 Unitary Theory

The essence of the unitary theory of industrial relations presented by Reddish, Fox and others is that every work organization is an integrated and harmonious whole existing for a common purpose. They assume that each employee identifies unreservedly with the aims of the enterprise and with its methods of operation. In this view there is no conflict of interest between those supplying financial capital to the enterprise and their managerial representatives, and those contributing their labour and job skills. By definition, the owners of capital and labour are joint partners to the common aims of efficient production, high profits and good pay in which everyone in the organisation has a stake. It follows that there cannot be ‘two sides’ in industry, an approach forcefully put to a Royal Commission by Reddish (1975:298).
This approach requires effective communication, strong loyalty from all members, and effective leadership. Fox (1966:3) compares the approach to a professional football team. "...One finds a substantial measure of managerial prerogative at the top in the persons of manager, trainer and board members. Team spirit and undivided management authority co-exist to the benefit of all". Unitary theory requires industrial relations to be based on mutual co-operation and harmony of interest between management and managed within the enterprise. Employees would not be expected to challenge managerial decisions and trade unionism would be viewed as "... an illegitimate intrusion into the unified and co-operative structure of the work place" (Farnham and Pimlott, 1990:5). However, if trade unions are not recognised, management will need to put in place a "system of highly developed personnel and HR policies and practices" (Storey and Sisson, 1993:205). So while within such a theory managers may be expected to accept working with trade unions, they could never be totally reconciled to it. Those managers would hold a fundamental belief that trade unionism competes for employee allegiance, commitment and loyalty. In unitary theory the manager would look after the interests of his subordinate employees and he, through the company approach, would provide all of those benefits trade unionism would claim to provide.

In such a unitary system, trade unions and collective bargaining are perceived as being anti-social mechanisms in as much as their recognition would create conflict which in turn would destroy the goal of common purpose and harmony.

Examples of the unitary approach, certainly in medium and large scale industrial organizations, are rare. Where they are found, they are usually managerially orientated in both inception and application, and have a social structure and value system which supports and sustains its approach to industrial relations.

5.2.3 Neo-Unitary Theory

Emerging in the 1980s and 1990s, neo-unitary theory is a far more sophisticated form of unitarism.
"Its main aim seems to be to integrate employees as individuals into the companies in which they work. Its orientation is distinctly market centred, managerialist and individualist. By gaining employee commitment to quality production, customer needs and job flexibility, employers embracing this frame of reference have expectations of employee loyalty, customer satisfaction and product security in an increasingly competitive market place" (Farnham and Pimlott, 1990:6).

Companies adopting neo-unitary theories create a sense of common purpose and share corporate culture. They emphasise customer care, set progressively higher labour productivity targets, invest heavily in training and provide high levels of employment security.

Conventional personnel management techniques are replaced with 'Human Resource Management' approaches in these types of companies. Such approaches heavily involve harmonisation programmes or single status, personal contracts, performance-related pay, profit sharing and employee involvement, especially through empowerment. The objective aimed at is achieving a very successful company, built from committed, motivated and well trained staff. Human resource management acts as a change vehicle in the company seeking competitive advantage.

The neo-unitary approach has been well summed up by Armstrong at the 1987 IPM National Conference. "Increasingly ... businesses are having to tailor everything they do towards creating and servicing a sustained customer need ... Something more is called for in getting a competitive edge: that 'something more' is the commitment, capability and contribution of the people working in an organisation ... It is my contention that the people employed are the major determinant of corporate competitiveness and success".

The HRM perspective is radically different from the more traditional UK pluralistic perspective and has been attacked by trade unions. The steelworkers union was one of the first to make a challenge, suggesting that what is good for the business is not necessarily good for employees and that communications directly with individuals will marginalise the trade unions (Phoenix, 1992:27).
However, Leighton (1992:3) from research in East Anglia businesses suggested that union recognition promotes rather than hinders HRM. More recently, a TUC conference voted to support the report of its HRM taskforce, which found no direct relationship between HRM techniques and anti-unionism (Personnel Management, 1994:3). Perhaps the fact that the unions are latterly taking this positive response suggests that either HRM is becoming more popular or perhaps trade unions fear the threat of derecognition and extinction. In fact Sisson's (1993:206) suggests one of the most striking findings of the 1990 workplace industrial relations survey is that HRM is to be found in union as well as non-union workplaces.

Many of the practices that form part of HRM are to be found in the functional equivalents of practices found in Japanese firms (Oliver and Wilkinson, 1992:175). The Japanisation of many parts of British industry has undoubtedly influenced the growth of HRM and this new phenomenon is discussed shortly. But first a brief examination of the UK industrial relations climate in the 1960s and 1970s is made to gain a greater understanding of the impact of the pluralistic system.

5.3 The UK Industrial Relations Climate in the 1960s and 1970s

This was a period of adversarial industrial relations resulting in considerable industrial action. As a result, a Royal Commission, under the leadership of Lord Donovan was set up to examine industrial relations.

The Commission (HMSO:1968) produced one of the most influential analyses of collective bargaining undertaken in the United Kingdom. That study found two systems of industrial relations which were in conflict. The 'formal system' embodied in collective bargaining at national level was regularly undermined by the 'informal system' which comprised the industrial relations behaviour of managers, shop stewards and workers at plant level. Frequently collective bargaining took place at plant level which further enhanced pay and benefits, and which disrupted 'national regulation' and created wage drift. This situation, coupled with unofficial and unconstitutional disputes at plants, resulted in poor industrial relations and a low productivity nation.
In fact, Durcan et al (1983) labelled the 1960s as a period of 'shop-floor revolt'. They described it as a period where workplace collective bargaining spread quite rapidly; shop steward organization grew; and strike activity was greater than at any time since the General Strike of 1926. This was despite the fact that major confrontations were inhibited as a result of union support for the new Labour Government elected in 1964 (Hyman, 1989:198).

The industrial relations climate deteriorated through the 1970s. Durcan et al (1983) characterised 1969-73 as the period of 'formal challenge'. The Labour Government published a white paper 'In Place of Strife' in 1969 which included some of the Donovan recommendations to improve industrial relations. However, the trade unions were hostile to reform, especially where it attacked their unfettered freedom to participate in unconstitutional and often damaging strikes. Hyman (1989:198) comments that "Large-scale and at times protracted conflicts became more common, particularly in the public sector, often involving occupational groups with little or no previous record of militancy". It was a time where full trade union machinery was used and many large scale strikes were made official by the trade unions, even to the extent of making payments to strikers from union funds. This was a sharp contrast to the frequently unconstitutional action of the 1960s.

Throughout the remainder of the 1970s, the country continued to experience poor industrial relations which resulted in low productivity and uncompetitiveness. Many companies turned to productivity bargaining in an attempt to improve worker productivity. Productivity bargaining (see Flanders, 1964) was developed to secure the agreement of trade unions for specific changes in working practices and drastic reductions in overtime working, in return for substantial increases in pay. While many companies considered productivity bargaining as essential to the process of eliminating workplace inefficiency, or as Flanders (1964:9) stated, the 'British Malaise', many other companies secured only an economic bargain (Fox, 1974:131) as workers applied new controls to counter change through rigid definition of work, and rigorous policing. Productivity bargaining, prevalent in the 1970s became less influential to the change process in the 1980s.
A Labour Government, elected in 1974, in an endeavour to curb excessive pay rises reached a 'social contract' with the trade unions - a voluntary agreement that trade unions should not seek pay rises in excess of the cost of living. This contract failed and statutory pay controls were introduced which lowered living standards thereby provoking further unrest. By 1978-79 (the 'Winter of Discontent') striker days were at record levels.

The 1960s and 1970s were characterised by the Government regularly pursuing incomes policies, mainly in either statutory or regulatory form. This continuous intervention effectively suspended collective bargaining which in turn contributed to a marked deterioration in industrial relations.

The 1980s marked a dramatic decline in collective bargaining and a collapse in the number of strikes. Industrial relations entered a period of 'coercive pacifism' as it was termed by Durcan et al (1983). Marked changes in industrial relations and national productivity were assisted by a new Conservative Government, which regularly introduced legislation to weaken trade unions; severe recession over the period 1980-1984; the establishment of an enterprise culture in which many employees sought real improvements in living standards, often through greater and more flexible contribution; and the adoption of new techniques of management (Japanisation).

Trade union strength and the collective bargaining process were mainly responsible for the conflictual industrial relations in the 1960s and 1970s. However, with union membership falling dramatically in the 1980s and 1990s and collective bargaining declining sharply, a much less conflictual industrial relations climate emerged. New techniques of management and employee relations took root in this period which have helped transform national competitiveness. The remainder of this chapter examines: trade unionism and collective bargaining and reasons for decline; Japanisation; derecognition; and, briefly, patterns of industrial action, in order to add substance to the description of the industrial relations climate discussed earlier.
5.4 Decline of Collective Organization

The 1980s and 1990s saw a marked reduction in the amount of collective organization. Changing manufacturing methods, especially Japanese management and personnel practices, the development of HRM, and the decline in trade union membership all contributed to the decline in collective organization.

5.4.1 The Workplace Industrial Relations Survey 1990

The latest Workplace Industrial Relations Survey (Millward et al, 1992) illustrated a marked decline in all the indicators of trade union presence. The number of establishments covered by collective bargaining fell from 71% in 1984 to 54% in 1990. In the public sector, the fall was from 95% to 78%. In the private sector, the fall was from 52% to 41% (Millward et al, 1992:94). 47% of establishments had no employees covered by collective bargaining (Millward et al, 1992:91) and in establishments where collective bargaining took place there were on average two bargaining units. (Millward et al, 1992:86). Further, the survey found fewer employers recognising trade unions; a significant reduction in the number of shop stewards; a dramatic fall in coverage of the closed shop; marked changes in working practices and a growth in union derecognition. In fact the overall changes were so significant that the survey concluded that "the traditional, distinctive 'system' of British industrial relations no longer characterized the economy as a whole" (Millward et al, 1992:350). The remainder of the chapter explores, in detail, some of the most important issues of industrial relations change.

5.4.2 The Number and Size of Trade Unions

The total number of trade unions at the end of 1992 was 268, 80% less than the peak number of 1384 recorded in 1920. Union membership had fallen from a peak of over 13 million in 1979 to 9 million by 1992. During the 1980s, the number of unions reduced from 438 to 309 and union membership fell by 2.8 million (see figure 5.1).
### Figure 5.1

**Trade Union Membership and Density 1979-1992**

<table>
<thead>
<tr>
<th>Year</th>
<th>Workforce in employment (1) '000's</th>
<th>Number of Trade Unions (2)</th>
<th>Union Members '000's</th>
<th>Union Density (3) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>25079</td>
<td>453</td>
<td>13289</td>
<td>53.0</td>
</tr>
<tr>
<td>1980</td>
<td>25004</td>
<td>438</td>
<td>12947</td>
<td>51.8</td>
</tr>
<tr>
<td>1981</td>
<td>24011</td>
<td>414</td>
<td>12106</td>
<td>50.4</td>
</tr>
<tr>
<td>1982</td>
<td>23583</td>
<td>408</td>
<td>11593</td>
<td>49.2</td>
</tr>
<tr>
<td>1983</td>
<td>23302</td>
<td>394</td>
<td>11236</td>
<td>48.2</td>
</tr>
<tr>
<td>1984</td>
<td>24087</td>
<td>375</td>
<td>10994</td>
<td>45.6</td>
</tr>
<tr>
<td>1985</td>
<td>24213</td>
<td>370</td>
<td>10821</td>
<td>44.7</td>
</tr>
<tr>
<td>1986</td>
<td>24246</td>
<td>335</td>
<td>10539</td>
<td>43.5</td>
</tr>
<tr>
<td>1987</td>
<td>25062</td>
<td>330</td>
<td>10475</td>
<td>41.8</td>
</tr>
<tr>
<td>1988</td>
<td>25599</td>
<td>315</td>
<td>10376</td>
<td>40.5</td>
</tr>
<tr>
<td>1989</td>
<td>26494</td>
<td>309</td>
<td>10158</td>
<td>38.3</td>
</tr>
<tr>
<td>1990</td>
<td>26619</td>
<td>287</td>
<td>9947</td>
<td>37.4</td>
</tr>
<tr>
<td>1991</td>
<td>25752</td>
<td>275</td>
<td>9585</td>
<td>37.2</td>
</tr>
<tr>
<td>1992</td>
<td>24717</td>
<td>268</td>
<td>9048</td>
<td>36.6</td>
</tr>
</tbody>
</table>


Notes: (1) Excludes HM Forces  
(2) At year end  
(3) Union density based on workforce in employment

There is a very wide spread in membership between trade unions. For example in 1992, 34 unions each had under 100 members while there were 9 unions each having a membership in excess of 250,000. The largest trade union was the Transport and General Workers Union with a total membership of 1,036,586 (11.5% of all union members), while the smallest union was the Artists union with just 10 members. (Employment Gazette, 1994:191).
5.4.3 Trade Union Density

The latest Labour Force Survey shows union density at 33%. (Union density is defined as the proportion of union members to the workforce in employment plus unemployed claimants). Union density amongst males was 42% compared to 32% among females. Employees are far more likely to be union members than the self employed at 10% or people on work-related Government training programmes. 96% of union members were employees.

Part-time and temporary employees at 22% are far less likely to be union members than full-time or permanent employees. Union density was slightly greater in the manufacturing sector (39%) than non-manufacturing (37%). Metal manufacture experienced the third highest density at 54%. Manual workers at 41% were much more likely to be union members than non-manual, where density was 35%. For fuller details see the Employment Gazette (1993:676).

Examining regional trends, the survey found the South East experienced the second lowest density at 27%.

From research by Marsh (1979:11), Price and Bain (1976) and Beatson and Hutchener (1993:673-689), and Employment Gazette statistics (1991:338, 1994:191) it was determined that union membership peaked in 1979 at 13.3 million and a density of 53.0%. Membership fell dramatically through the 1980s to 9.0 million in 1992 and a density of 36.6% (see figure 5.1).

It should be noted that statistics do vary from study to study, possibly because of different sources of data and changes in methods of calculating the number of people in employment.
5.4.4 Reasons for the decline in union membership and collective bargaining in the 1980s

During the 1950s, 1960s and 1970s, trade union membership and collective bargaining grew significantly. With that growth came the development of two tier bargaining, national negotiations usually at industry level to set minimum levels and local negotiations to give workers further improvements. The two tier system of industrial relations sustained a powerful trade union movement, which over that thirty year period applied industrial muscle to win concessions in terms of pay and benefits.

The 1980s saw a reversal in industrial power, away from labour to capital. Deep recession at the beginning of the decade saw the demise of many uncompetitive businesses and a corresponding rise in unemployment. A Conservative Government embarked on a programme of legislation to weaken trade union power. Further, business under developing pressure from intense global competition turned to new manufacturing and labour practices, many of which undermined or weakened the traditional pluralist system of industrial relations in the country.

These changes virtually eliminated national bargaining in the private sector during the 1980s. Further, changing structures started to take hold. Single table bargaining often involving non-union representatives appeared (ACAS, 1988:17) and union derecognition started to gather momentum. By 1990 the aggregate coverage of collective bargaining had fallen from 71% in 1984 to 54% of employers.

The combination of major business failures due to recession and Government policy led to a dramatic fall in union membership in the 1980s (Disney, 1992). Specific reasons for the decline in union membership are now suggested,
(a) The Conservative Government’s programme (see Leys, 1985:151) to both control inflation and weaken union power was influential. That programme comprised a number of strategies. The Government’s monetary policy was to squeeze out inflation and prevent ‘excessive’ wage payment demands. This in turn limited union success in achieving inflationary pay rises and as a result reduced their attractiveness to existing or potential members. The Government’s ‘supply side’ attack cut state spending, privatised many State owned industries, and weakened the power of trade unions. The measures adopted were: deflation which accelerated unemployment and lowered union membership; anti-union legislation; and privatisation of nationalised industry. The legislative reforms of industrial relations in 1980, 1982, 1984, 1988 and 1989 seriously damaged the trade union movement. They virtually brought about the disappearance of the closed shop. According to Philip Bassett (The Times, 25th September 1992) in 1984 between 3.5 million and 3.7 million employees were covered by closed shops while Millward et al (1992:99) estimated the number in 1990 at a maximum of half a million.

(b) The less regular intervention of Government in major industrial disputes; the re-distribution of the tax burden in favour of skilled workers and middle classes; the sale of council houses to establish worker identification with property ownership and a wide range of measures to promote entrepreneurship and small business growth. A variety of measures helped to change employee attitudes and condition a more capitalist outlook, including employee interest in improved standards of living, increased job security, stable non conflictual employment relationships, and new work methods.
These Government strategies not only weakened trade unions but promoted a breakdown in unity of the working class as individuals became more concerned with their circumstances and less concerned with those of their colleagues. This 'unity' or 'common style' of British proletarian life, which was dominant through the century to the 1950s, united workers and led to the rise of socialism, trade unionism and the Labour Party. It was that unity that was so powerful a force in the strike ridden 1970s but which declined significantly in the 1980s (Hobsbawm, 1981).

Structural change played its part. Over the 20 year period to 1980, the manufacturing industry lost 3 million jobs while the service sector gained 1 million jobs and union density has traditionally been higher in manufacturing than services. This shift led to occupational changes in the workforce, such as the growth in women in employment, part-timers and the self employed. These occupations have all been traditionally low union membership groups and have significantly influenced union membership decline. Female employment grew by 26.6%, part-time employment by 62.7% and the self-employed by 55.1%. For examination of union density amongst these occupational groupings, see Beatson and Butcher (1993:673-689)

Recession in the early 1980s resulted in the loss of 1.5 million jobs, many in manufacturing, the traditional home of trade unionism. The impact of the business cycle appears to be a significant contemporary feature of union decline (Disney, 1990:165-77 and Kelly, 1990:29-65).

The decline in the number of shop stewards, especially where their membership recruitment role is vital, will have influenced membership decline. The Workplace Industrial Relations Survey found "... the proportion of establishments with recognised unions where at least one representative of a recognised union was reported dropped from 82% in 1984 to 71% in 1990, representing a fall from 54% of all establishments to 30%" (Millward, 1992:110).
A concluding reason has been positive action by employers to derecognise unions. This activity grew in the 1980s with the Human Resource Management Approach. This is a new phenomena in British industrial relations and is addressed later in the chapter.

5.5 Japanisation

The 1980s industrial relations climate was then influenced by many events such as declining union strength, Government legislation, recession and rising unemployment. But also of importance, management examined and implemented new techniques in the pursuit of greater competitiveness. Many of these techniques have been drawn from the Japanese model of management.

The Japanese model of organisation and management practice is unique and has been influential in the success of Japanese business. "The contribution of the Japanese economy to world GDP grew from just under 2% to over 10% between 1967 and 1987, and in the 1990s Japan is moving ahead of the United States as the wealthiest nation in the world. In 1991 Japan’s per capita income had reached US$23,570 compared with the United States US $21,653" (Oliver and Wilkinson, 1992:4).

The secret of Japan’s success has been attributed to many things including culture, industry-government collaboration, strategic marketing, manufacturing methods and systems, personnel systems and practice, management accounting and also the fact that Japan was a late developer.

5.5.1 Principles of Japanese Practice

The Japanese do have a ‘distinctive’ management system. Much of their economic and managerial practice emanates from their revisionist school and is based on the need to “ADOPT, ADAPT AND IMPROVE” (Waters, 1991:15). This approach involved three principles, namely:
i) Applying the right technique to meet the circumstances.

ii) Recognising that techniques depend on employment relations, which in turn are shaped by wider society and the State.

iii) Recognising that techniques and employment relations depend on an acceptance of a set of ideas. In effect, they are linked to culture.

Voss and Robinson (1987:46-52) describe 23 practices, from flexible working to Kanban materials control, all of which they classify as elements of 'just-in-time' (JIT). They saw JIT as an umbrella term referring to a package of techniques. Lean production (Womack et al, 1990) also falls into this perspective. This too is seen as a package of inter-related and mutually supportive manufacturing practices capable of delivering manufacturing performance levels anywhere in the world. For further discussion on 'techniques' see Oliver and Wilkinson (1992:9-67) and Imai (1986).

The application, use and ongoing development of such important industrial practices is dependent upon the ability of workforce application, motivation and idea generation. Employee relations are, therefore, significant to the Japanese distinctive style.

Employee relations are influenced by both Japanese society in general and the organizational culture itself. Often, writers refer to the principles of human resource management, community orientation, groupism and egalitarianism (see Ishida, 1986:103-120) and (Waters, 1991:47-89) as the bedrock of employee relations. Such a situation encourages 'high trust' relationships in Japanese businesses (see Fox, 1985:49). This in turn assists a community or stakeholder alliance of a unitary nature where common goals are established and promoted.

Japanese society or culture has played its part. It is argued that the 'Tokugawa period', over the seventeenth to nineteenth century, brought 250 years devoid of hostility which laid the foundation for modern day Japanese workers who continue the tradition of serving their leaders without challenge.
Finally, the Government has been influential. Much of Japan's business success and excellent employee relations have benefited from the co-operative nature of the relationship between State and business (Oliver and Wilkinson, 1992:64). Such a relationship supported research and development, declining industries and export initiatives. Wolf (1985) termed this relationship a 'national conspiracy'.

In effect, these three principles - technological, socio-political and ideological - have all combined to produce a strong business climate in Japan which enabled it to gain substantial competitive advantage in international markets. These principles effectively translate into a series of processes which, when applicable, are able to transform business into a high performance category. In terms of the UK, Ackroyd et al (1988:11-33) state "... Japanisation of Britain is a set of processes, like that of the 'Westernisation' of Japan, which is most appropriately analysed in structural ways". There is a strong argument that the rest of the world can learn from the Japanese experience.

5.5.2 Manufacturing Methods

The central theme running through Japanese manufacturing methods is that of quality and the control of processes in order to achieve it. The Japanese see quality not only as a method of securing customer satisfaction but as a way of improving internal efficiency. Such methods as total quality, quality circles and statistical process control give the responsibility for quality to the team. These methods require delegation of authority and full involvement of the shop floor workers. See Feigenbaum (1983:10) and Briggs (1988:24-30). One of the most significant methods is kaizen or 'continuous improvement'. It is a management concept involving everyone in the business (see Imai, 1988:54).

These manufacturing methods appear to make different demands on a company's workforce compared to traditional Western methods. The Japanese methods require employee involvement, flexibility and decision-making on a continuing basis.
5.5.3 Personnel Practices

Japanese manufacturing methods appear to require a compliant, if not committed, workforce prepared to be flexible and fully involved in the necessary decision-making process, if they are to succeed. And succeed, they have done. Personnel practices are therefore, supportive and appropriate to manufacturing systems as well as to the political economy as a whole. Such practices include lifetime employment in the major corporations, seniority-based payment systems, Company welfare programmes, enterprise unionism, participative decision-making (Ringi system), induction socialisation and lifetime learning, and a system of lengthy working time which has contributed to labour productivity.

These practices encourage homogeneous social systems at the workplace (Oliver and Wilkinson, 1988:2) in which the absence of internal divisions encourages employees to be both flexible and identify with the goals of the company. It is for these reasons that Western companies are attempting to emulate both Japanese manufacturing methods and personnel systems. Research to date indicates considerable progress.

5.5.4 Japanisation Experiences in the United Kingdom

In 1987, Oliver and Wilkinson (1989, 73-91) explored the adoption in both Japanese owned (31 companies) and Western Times 1000 manufacturing companies (66 companies) operating in the UK. All of the Japanese owned companies were either using or implementing a wide range of standard Japanese manufacturing techniques. Single status was practiced in 88% of companies and 83% of companies communicated directly with the workforce. Welfare benefits and staff security were found in the majority of companies. 32% were non union, 65% single union and 3% (one company) multiple union.

In the emulators a range of practices were found which is summarised in Figure 5.2
Figure 5.2

**Times 1000 Companies: Status of Manufacturing and Working Practices**

<table>
<thead>
<tr>
<th>Practice</th>
<th>Never Used</th>
<th>In Use</th>
<th>Planned or Implementing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group working/work teams</td>
<td>10%</td>
<td>85%</td>
<td>5%</td>
</tr>
<tr>
<td>Flexible working</td>
<td>2%</td>
<td>80%</td>
<td>18%</td>
</tr>
<tr>
<td>Quality Circles</td>
<td>27%</td>
<td>68%</td>
<td>5%</td>
</tr>
<tr>
<td>Statistical Process Control</td>
<td>9%</td>
<td>67%</td>
<td>24%</td>
</tr>
<tr>
<td>Total Quality Control</td>
<td>5%</td>
<td>60%</td>
<td>35%</td>
</tr>
<tr>
<td>Just-In-Time Production</td>
<td>36%</td>
<td>34%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: (Oliver and Wilkinson, 1989:80)

It was concluded that there has been a considerable surge in the use of these methods, particularly in the five years between 1982 and 1987.

Concerning personnel practices in the emulators, a high proportion of companies (over 70%) reported the use of in-company communication, employee involvement schemes, single status facilities and 'staff' benefits at all levels. However, such practices had been introduced more recently than the Japanese manufacturing techniques.

On the industrial relations front, the sharpest contrast was found. In the emulators, 28% were non-union, 6% single union and 66% multiple union. The single union position was markedly different, although overall union recognition was about the same.
"Finally, those companies which reported extensive use of both the manufacturing methods and ... Commensurate personnel practices (the high strategic fit companies) ... were ... compared with ... the remainder of the sample. In the cases of total quality control, JIT production and flexible working, the 'high strategic fit' companies all reported greater success than the rest of the sample" (Oliver and Wilkinson, 1989:86).

Graham (1988:69-75) in another research project confirms the growing use of Japanese techniques in UK companies, but also adds that they have been beneficially adopted to reduce the inefficiencies of workplace job demarcations.

5.5.5 Japanese Experiences in the United States

Florida and Kenney (1991:185-193) researched Japanisation techniques in 7 major Japanese owned automobile assembly plants and over 270 Japanese automotive parts suppliers. Each operating transplant has had success in transferring the core elements of Japanese work organisation. Unionisation was the largest area of difference between the transplants and Japanese practice. "Japanese 'enterprise unions' are illegal in the US, so obviously they do not exist in transplants" (Florida and Kenney, 1991:188). Greenfield sites were often chosen to avoid unionisation.

There was little evidence to support the claim that the Japanese production system cannot or does not work with US workers in general even with unionised workers in particular and, further, the research confirmed that such practices had led to successful businesses.

The study of transplant suppliers affords a better test because of the greater number, smaller scale and more diverse location. The study covered 139 Japanese owned, 59 US Japanese joint ventures, 5 Japanese-European affiliations and 26 with unclear ownership.
The research concluded that transplant suppliers have successfully transferred Japanese work organisation to the US: 68% are using JIT; 77% use work teams; 87% rotate workers. More than 60% of companies allow workers to design their own tasks. 80% of companies have workers routinely maintaining the machines they work on. 44% of companies have quality circles, and over half of those who do not plan to introduce them. Transplant suppliers are mainly non-union.

There was a positive conclusion. "In sum, our findings do not support theories which suggest that Japanese work organizations are culture-bound and therefore not amenable to transfer. Rather, they confirm organisational theories which suggest that the Japanese system is a set of organizational practices and innovations which can be transferred outside the Japanese context" (Florida and Kenney, 1991:193). It also confirms, as in the UK, more and more organizations in the West are adopting Japanese systems of work and personnel practices.

In conclusion, there is considerable evidence of the successful transfer of Japanese techniques to the Western world which would suggest that the cultural perspective conditioning the distinctive Japanese system is not necessarily valid or significant. In fact, Florida and Kenney (1991) go further and reject the theory that Japanese techniques may only be successfully applied in 'culture-bound' organizations. It is apparent, therefore, that Japanese practices may be transferred to Western companies who in turn need to recognise and understand the correct techniques for the circumstances and to educate, train, involve and motivate their workers to apply those techniques successfully.

In fact, Deming (1986:2-96), a 'quality guru' who spent many years in Japan, suggests that some Japanese techniques may have derived from American know-how transfer as far back as 1948-49, a factor which would support the view of transferability free from culture.
5.5.6 Japanisation as a Catalyst for Industrial Relations Change

Experiences, in both the UK and the USA, confirm that many companies are introducing Japanese practices in order to gain competitive advantage in increasingly global markets. The process of change, from pluralism to neo-unitarism, has contributed to the growth of human resource management which is dependent upon workers sharing with management, common goals and vision. In effect, many of the Japanese methods and approaches are to be found at the core of HEM.

During the 1980s management took advantage of the success of Japan and the difficulties experienced by Western economies, to persuade workers to accept Japanese practices as an approach to greater company performance and the contingent benefits of job security and continuing pay growth. Progress has been considerable. Japanisation of Western business and the application of HEM are now widespread. In some companies, where 'harder' forms of HEM are found, union derecognition has taken place.

5.6 Derecognition Experiences

Union derecognition became a reality in the 1980s. A new business and industrial relations climate prompted organizations to think differently towards their relations with employees and trade unions. Some of that thinking was along neo-unitary approaches and translated into derecognition of trade unions. Derecognition studies are currently becoming more frequent as more companies are involved in the derecognition process. One of the early U.K. researchers, Claydon (1989:214-224) found 50 cases of derecognition and 4 unsuccessful attempts. Out of the 56 cases, 49 had taken place during 1987-88. He defined derecognition as "a decision to withdraw from collective bargaining in favour of other arrangements for regulating employment relations". He found that derecognition had occurred mainly in the private sector. Occupationally the split was fairly even between white and blue collar groups. There were 23 companies derecognising manual workers and 24 derecognising white collar staff.
The research examined the 'breadth' and 'depth' of derecognition, i.e. proportion of the workforce affected and the degree of rejection of trade unions by management. In breadth of derecognition he included 'general derecognition' where collective bargaining is withdrawn throughout the organisation; 'grade-specific derecognition' where withdrawal of collective bargaining is restricted to a grade or section; and 'plant-specific derecognition' where collective bargaining is withdrawn from all unions at site but unions are recognised elsewhere in the company. In 'depth of derecognition' he included 'partial derecognition' where a union retains vestigial bargaining rights over non-pay issues; 'derecognition of a bargaining agent' where the union has rights of consultation and individual representation; 'complete derecognition' where the union may provide legal services only to members in respect of workplace injuries; and 'de-unionisation' where the union retains no rights or facilities and union membership is discouraged.

The results of the interviews are shown in Figure 5.3.

**Figure 5.3**

**Impact of Derecognition: Cases**

<table>
<thead>
<tr>
<th>Depth-breadth</th>
<th>Plant Specific</th>
<th>Grade Specific</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partial</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Bargaining</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Collective</td>
<td>2</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Complete</td>
<td>1</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>De-unionisation</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Claydon. 1989:216)
The most common forms of derecognition found were 'collective grade specific' and 'complete grade specific' withdrawals from bargaining. There were also a reasonable number of cases of general derecognition for bargaining purposes. In 30 out of the 36 cases (83%), collective representation was withdrawn totally from the unions. All cases of grade-specific derecognition involved white collar workers only. The research indicated that "often collective bargaining has not been rejected completely, and that derecognition may have been a reversal of a pragmatic decision to recognise white collar workers in earlier years" (Claydon, 1989:216).

Claydon endeavoured to put the derecognition in context by examining how industrial relations at company level are influenced by the external environment in which the company operates.

The most common form of external influence was increased competition in product markets. This demanding business environment influenced companies to seek efficiency improvements by accelerating the introduction of changes to organization structure and working practices and creating a climate where continuous change gains acceptability. Such change had been traditionally resisted by trade unions.

Business ownership change had occurred in 14 of the 36 companies which significantly influenced the decision to move away from collective bargaining. Milner and Richards (1991:377-389) confirmed this view on foreign ownership after a study in London's Dockland's workplaces which indicated that non-recognition is significantly increased in new start-ups and in foreign-owned workplaces. They found further that 68% of companies derecognised unions for white collar staff in order to move towards individualised performance pay. Derecognition for manual workers was to get away from 'adversarial' industrial relations and move to a spirit of 'trust and teamwork'. The Financial Times, 13th October 1987, reported a Welsh Development Agency survey which revealed a recognition rate of just over 50% in foreign owned companies with single union arrangements accounting for just under half the cases.
Concerning union organization, Claydon (1989:220) suggested: "The crucial factor in the outcome of most cases of attempted derecognition has been the strength of the unions". He found a number of instances where management derecognized when union membership fell below 50%. His research also found instances where "Derecognition was a condition for the implementation of staff status packages in which enhanced pension rights figure largely ... The main factors here were relatively small workforces, a high average age and service length, prior redundancies, a tendency for collective bargaining to atrophy during the recession, relative separation of workplace organization from the wider union, and a consultative management style. These combined to produce plant-focused loyalties and a sense of vulnerability and dependence which facilitated the acceptance of staff status deals at the expense of union recognition and collective bargaining" (Claydon, 1989:220). Good examples were found at Tioxide and Monsanto.

Claydon concluded his research by confirming there was an association between the breadth of derecognition and the circumstances in which it occurred. General derecognition occurs where membership is low and organization weak. Grade-specific derecognition generally took place where there are either ownership changes or major reorganization.

Plant-specific derecognition has occurred in unusual circumstances and appears to be dependent upon particular workforce characteristics. The factor which linked all types of recognition was "quality of membership support and the degree of attachment to the wider union which enables organizational resources to be mobilised in defence of collective bargaining" (Claydon, 1989:221).

Gregg and Yates (1991:361-76) reported on trade union arrangements in 558 companies covering 2.88 million employees. The research found that over the period 1980-84 only about 4% of firms reported some change in union recognition, with derecognitions more common than recognitions. Many more changes took place in the period 1985-90 with 7% of all companies having discontinued recognition in at least one of their establishments. Company wide derecognition was stated to be rare. Full details are shown in Figure 5.4.
The report concluded that complete derecognition of all unions from all establishments in a company has been rare. Plant-specific derecognition has been more widespread, with 13% of companies with recognition in 1984 experiencing some form of derecognition by 1990. A survey conducted by IRS (1993) confirmed that "Union derecognition and the introduction of personal contracts have become increasingly common in recent years".

Further, there is growing evidence of a non-recognition bandwagon. A British Universities Industrial Relations Association Study (Personnel Management, 1993:3) found in a study of 176 companies that 59% of organisations establishing a new site did not grant union recognition, although only 5% had withdrawn recognition.
Labour Research (1992:6-8) has examined evidence on derecognition of unions in a special survey covering 42 unions, accounting for 6.64 million union members. It found 212 employers have ceased recognising unions in the last four years and the trend is accelerating. Derecognition has become much more widespread with four times as many cases recorded over 1988-92 than in 1984-88. Single union deals are increasingly leading to the derecognition of some unions. Derecognition is still more likely to occur when specific factors are present, the most significant of which is low union membership in the workforce. Derecognition may be accompanied by a move to "personal contracts".

Finally, the Workplace Industrial Relations Survey (Millward, 1992:74-5) reported that derecognition had occurred in between 1% and 10% of workplaces, dependent upon business sector. The survey stated there had been "substantial decline in the extent of recognition since 1984... which fell from 66%... to 53% in 1990" (Millward, 1992:70).

While derecognition is growing, it would appear that organizations find it easier not to recognise than to derecognise. Perhaps this is because management is neither strategically sensitive to the positive value of unitary perspectives nor sufficiently well organised and equipped to break out of the traditional pluralism which is common in large scale industry. In fact Storey and Sisson (1993:203) state "that many UK companies, whatever the senior management may feel about trade unions, are in no position to withdraw recognition". They suggest this is the case, not because of trade union opposition but because they do not have a 'realistically' alternative set of HR/IR arrangements. On the other hand, management may value the stable industrial relations achieved over time and would not countenance working without trade unions. However, the business environment of the 1990s would appear conducive to derecognition and the 'bandwagon' shows no sign of abating.
5.7 New Industrial Relations and the Decline of the Strike

Changing industrial relations in the 1980s and 1990s have contributed to a marked reduction in the number of industrial disputes. In 1993, there were 211 stoppages of work, the lowest calendar year total since records began in 1891 (Employment Gazette, 1994:199). In the 1990s (1990-1993) the average annual number of strikes was 366 compared to 1129 in the 1980s and 2441 in the 1970s. Striker days per year averaged 960 in the 1990s (1990-1993), 7213 in the 1980s and 12066 in the 1970s (see figure 5.5).

Figure 5.5

British Strike Statistics: Annual Averages 1900-1993

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of strikes</th>
<th>Workers involved</th>
<th>Striker-Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900-10</td>
<td>529</td>
<td>240</td>
<td>4576</td>
</tr>
<tr>
<td>1911-13</td>
<td>1074</td>
<td>1034</td>
<td>20908</td>
</tr>
<tr>
<td>1914-18</td>
<td>844</td>
<td>632</td>
<td>5202</td>
</tr>
<tr>
<td>1919-21</td>
<td>1241</td>
<td>2108</td>
<td>49053</td>
</tr>
<tr>
<td>1922-25</td>
<td>629</td>
<td>503</td>
<td>11968</td>
</tr>
<tr>
<td>1926</td>
<td>323</td>
<td>2734</td>
<td>162233</td>
</tr>
<tr>
<td>1927-32</td>
<td>379</td>
<td>344</td>
<td>4740</td>
</tr>
<tr>
<td>1933-39</td>
<td>735</td>
<td>295</td>
<td>1694</td>
</tr>
<tr>
<td>1940-44</td>
<td>1491</td>
<td>499</td>
<td>1816</td>
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<td>1945-54</td>
<td>1791</td>
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<tr>
<td>1955-64</td>
<td>2521</td>
<td>1116</td>
<td>3889</td>
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<tr>
<td>1965-69</td>
<td>2397</td>
<td>1215</td>
<td>3929</td>
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<tr>
<td>1970-74</td>
<td>2017</td>
<td>1573</td>
<td>14077</td>
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<td>1975</td>
<td>2332</td>
<td>809</td>
<td>6012</td>
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<td>1976</td>
<td>2034</td>
<td>668</td>
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<td>903</td>
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<td>1074</td>
<td>720</td>
<td>1920</td>
</tr>
<tr>
<td>1987</td>
<td>1016</td>
<td>887</td>
<td>3546</td>
</tr>
<tr>
<td>1988</td>
<td>781</td>
<td>790</td>
<td>3702</td>
</tr>
<tr>
<td>1989</td>
<td>701</td>
<td>727</td>
<td>4128</td>
</tr>
<tr>
<td>1990</td>
<td>630</td>
<td>298</td>
<td>1903</td>
</tr>
<tr>
<td>1991</td>
<td>369</td>
<td>176</td>
<td>761</td>
</tr>
<tr>
<td>1992</td>
<td>253</td>
<td>148</td>
<td>528</td>
</tr>
<tr>
<td>1993</td>
<td>211</td>
<td>385</td>
<td>649</td>
</tr>
</tbody>
</table>

Employment Gazette (1994:200)
The latest Workplace Industrial Relations Survey 1990 produced a rich vein of information on industrial action and was able to make comparisons over the 1980s decade. (Millward 1992:279). The data shows a clear downward trend in the amount of industrial action. The number of establishments reporting strike and non-strike action fell from 22% to 12% between 1980 and 1990. The 1990 survey also confirms the rank order of non-strike action. “Overtime bans and working to rule were still the most frequent used forms of non-strike action in 1989-90, though affecting only 3% and 2% of workplaces respectively” (Millward, 1992:278-9). The survey found that during 1989-1990 almost nine out of ten cases of strike action among non-manual workers arose from a dispute over pay (Millward, 1992:286).

5.8 Conclusion

The 1980s and 1990s have brought new developments to industrial relations practice in the UK. Traditional pluralistic arrangements have been challenged, principally by companies responding to market pressures for their very survival.

Intense competition has prompted companies into changing organization and working practices to secure more efficient operation and achieve competitive advantage and sustain it. Quite frequently these changes have been introduced through the application of human resource management approaches and by implementing Japanese management and manufacturing techniques. These emphasise the importance of people and their contribution and de-emphasise the traditional adversarial nature of relationships at the workplace. Even highly unionised companies have been adopting human resource management approaches in an effort to improve performance. However, other companies have used the full return to free-market principles as a "positive prognosis" for non-unionism, freeing employees from the "tyranny of constraint" imposed by trade unions (The Times, 5th September 1994). While other companies have taken advantage of declining union membership and union power to withdraw from collective bargaining, especially at 'national level' (IDS Focus, 1992:8); withdraw union recognition; or establish new operations without granting union recognition.
Even though marked changes have taken place in working practices and the organization of labour from the early 1980s, there has been a significant reduction in strike activity. This more peaceful environment is likely to have helped the change process.

The political and legislative environment have had their part to play. The 1980s and 1990s have changed the balance of power between labour and capital, allowing organizations a new freedom to gain greater contribution and commitment from employees. Further integration into the European Union or the re-establishment of a Labour Government may amend the labour-capital balance. However, a dramatic rise in union membership and a major growth in collective bargaining appears unlikely.

While it may be said that no new industrial relations perspective has, at this time, been put in place many companies now apply various forms of human resource management approaches. These approaches are likely to concentrate on: less bureaucratic organization; the empowerment of 'people' to seek competitive advantage; performance pay to drive business results; and direct communications to strengthen the relationship between management and worker. Such transformation needs to engage the commitment and motivation of the employees affected if employee behaviour is to be changed in such a way as to improve the effectiveness of the business.

The 1980s 'environment of change' both laid the foundation for and encouraged Co-Steel Sheerness to change from an industrial relations perspective to a human resource management approach.
CHAPTER 6

ORGANIZATION AND INDUSTRIAL RELATIONS

IN THE UK STEEL INDUSTRY

6.1 Introduction

The modern World's steel industry was born in the United Kingdom in the
nineteenth century and, although the face of the industry is now much
changed from that of the late 1800s, steel continues to be a vital
material in the economy of a modern, industrialized country.

6.2 Scale of the Industry

6.2.1 World Steel Output

On a worldwide basis the output of major steel-producing countries in
1993 was 725,300,000 metric tonnes, 5.8% down on 1990 output reflecting
worldwide recession (International Iron and Steel Institute, 1994:1-3).

6.2.2 UK Steel Output

UK steel output in 1993 was 16,624,700 metric tonnes (Iron and Steel
Statistics Bureau, 1994:28-29) which was 2.3% of world output. The UK
was the twelfth largest steel producing country.

Output grew rapidly from 0.25 million tonnes in 1870 to 12.98 million
tonnes in 1940. Growth then stabilised for a decade, grew again to a
high of 28.3 million tonnes in 1970. Steel production then fell back
through the 1970s to 21.5 million tonnes by 1979. After the steel
strike of 1980 and the early 1980s recession, steel output fell to 13.7
million tonnes by 1982 growing to 19.0 million tonnes by 1988 and once
again falling back with recession in the late 1980s early 1990s.
Output trends are shown in Figure 6.1.
Figure 6.1

UK Crude Steel Production - 1870-1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Steel Production million tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870</td>
<td>0.22</td>
</tr>
<tr>
<td>1880</td>
<td>1.29</td>
</tr>
<tr>
<td>1890</td>
<td>3.58</td>
</tr>
<tr>
<td>1900</td>
<td>4.90</td>
</tr>
<tr>
<td>1910</td>
<td>6.37</td>
</tr>
<tr>
<td>1920</td>
<td>9.07</td>
</tr>
<tr>
<td>1930</td>
<td>7.33</td>
</tr>
<tr>
<td>1940</td>
<td>13.18</td>
</tr>
<tr>
<td>1950</td>
<td>16.55</td>
</tr>
<tr>
<td>1960</td>
<td>24.70</td>
</tr>
<tr>
<td>1970</td>
<td>28.32</td>
</tr>
<tr>
<td>1990</td>
<td>17.84</td>
</tr>
</tbody>
</table>


Today four major steelmakers and six smaller specialist steelmakers account for almost the whole of UK production. Iron and Steel Board (1961:59) statistics show that in 1960, there were thirty principal steelmakers producing 25 million tonnes of steel per year.

The current principal steelmaking region is Wales producing 39% of the nation's total output. The other locations are all traditional areas like Wales and are within or adjacent to coal and or iron ore fields or located at deep water ports. Virtually no steelmaking remains in Scotland, the Midlands or the North West, but Kent in the South East, a very non traditional area, has been growing and currently accounts for almost 5% of total UK output. Figure 6.2 shows output by region.
**Figure 6.2**

**6.2.3 UK Crude Steel Production by Region (1993)**

<table>
<thead>
<tr>
<th>Region</th>
<th>Crude Steel Production '000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wales</td>
<td>6437.3</td>
</tr>
<tr>
<td>Yorkshire &amp; Humberside</td>
<td>5982.1</td>
</tr>
<tr>
<td>North</td>
<td>3332.0</td>
</tr>
<tr>
<td>Scotland</td>
<td>37.2</td>
</tr>
<tr>
<td>South East</td>
<td>812.8</td>
</tr>
<tr>
<td>West Midlands</td>
<td>16.5</td>
</tr>
<tr>
<td>East Midlands</td>
<td>4.2</td>
</tr>
<tr>
<td>North West</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>16624.7</strong></td>
</tr>
</tbody>
</table>


**6.2.4 UK Labour Productivity**

Brannen et al (1976:60-81) report that during the 1960s the UK steel industry was weak competitively. Further, it was not reaping the full economies of scale and some commentators had drawn a connection with low productivity levels. In fact, measured in steel output per man hour the productivity performance of the British steel industry, over the period 1955 to 1967, was less favourable than France, West Germany, and Japan (Brannen et al, 1976:64).

In the mid 1960s the British Iron and Steel Federation set up a committee to investigate the future needs of the industry. The report (the Benson Report) made a number of recommendations one of which included an industry comprising technologically advanced steel plants and a reduction of 100,000 jobs between 1965 and 1975 (Brannen et al 1976:65).
Up to that time, the industry had been operating in a largely insulated market and was characterized by 'overmanning and declining productivity' (Bowen, 1976:148). The Benson Report was seen as a turning point in stable industrial relations as trade unions challenged change. However, change was to be costly and was beyond the reach of the owners. As a result, the industry was re-nationalized in 1967 but change was slow in coming as was improvement in labour productivity.

Labour productivity in the steel industry is frequently measured by dividing crude steel output by the total number of people employed, giving an output per man year. Figure 6.3 shows labour productivity, for the 1970s, 1980s and early 1990s.

**Figure 6.3**

**UK Crude Steel Production, Manpower and Labour Productivity (1973-1993)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude Steel Production '000 tonnes</th>
<th>Manpower '000</th>
<th>Labour Productivity *3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>26594</td>
<td>197.2</td>
<td>135</td>
</tr>
<tr>
<td>4</td>
<td>22132</td>
<td>187.5</td>
<td>119</td>
</tr>
<tr>
<td>5</td>
<td>20398</td>
<td>181.9</td>
<td>105</td>
</tr>
<tr>
<td>6</td>
<td>22274</td>
<td>182.3</td>
<td>122</td>
</tr>
<tr>
<td>7</td>
<td>20411</td>
<td>178.9</td>
<td>114</td>
</tr>
<tr>
<td>8</td>
<td>20311</td>
<td>185.4</td>
<td>123</td>
</tr>
<tr>
<td>9</td>
<td>21464</td>
<td>156.6</td>
<td>137</td>
</tr>
<tr>
<td>1980</td>
<td>12777</td>
<td>112.1</td>
<td>101</td>
</tr>
<tr>
<td>1</td>
<td>15573</td>
<td>88.2</td>
<td>177</td>
</tr>
<tr>
<td>2</td>
<td>13704</td>
<td>74.5</td>
<td>184</td>
</tr>
<tr>
<td>3</td>
<td>14290</td>
<td>63.7</td>
<td>235</td>
</tr>
<tr>
<td>4</td>
<td>15121</td>
<td>61.9</td>
<td>244</td>
</tr>
<tr>
<td>5</td>
<td>15722</td>
<td>59.0</td>
<td>266</td>
</tr>
<tr>
<td>6</td>
<td>14725</td>
<td>55.9</td>
<td>263</td>
</tr>
<tr>
<td>7</td>
<td>17416</td>
<td>54.9</td>
<td>317</td>
</tr>
<tr>
<td>8</td>
<td>18650</td>
<td>55.5</td>
<td>344</td>
</tr>
<tr>
<td>9</td>
<td>18740</td>
<td>53.8</td>
<td>348</td>
</tr>
<tr>
<td>1990</td>
<td>17941</td>
<td>50.8</td>
<td>351</td>
</tr>
<tr>
<td>1</td>
<td>16474</td>
<td>45.1</td>
<td>365</td>
</tr>
<tr>
<td>2</td>
<td>16212</td>
<td>40.8</td>
<td>397</td>
</tr>
<tr>
<td>3</td>
<td>16425</td>
<td>39.2</td>
<td>424</td>
</tr>
</tbody>
</table>

*1 National Steel Strike  
*2 ECSC Iron & Steel Activities  
*3 Labour Productivity equals crude steel output per employee per year. (In reality, the way the statistics are collected, the output and the manpower do not directly relate but it is unlikely that productivity figures would lie outside a ±10% level of inaccuracy when used to measure internationally).

Source: Iron & Steel Statistics Bureau (1976:72) and (1994:8-46).
Labour productivity in the UK steel industry in the 1970s was static, averaging 122 crude steel tonnes per employee. However, after the 1980 national steel strike, addressed later in the chapter, dramatic change in working practices took place leading to greatly enhanced productivity.

The British Steel Corporation had, for many years, attempted to make major changes in working practices but had been unsuccessful. In fact with strong trade unions throughout the 1960s and 1970s, it was difficult for steel companies to improve labour productivity. The steel industry was certainly overmanned as evidenced by change in the 1980s. This position had been highlighted as early as 1951 when British industrialists visited America to examine their industrial organization and operation. Keeling and Wright (1964:126) in their account of the industry, reported that the delegation, in 1951, deduced ..."It was clear that American plants were more economically manned". The study team traced productivity since the ending of the second world war and showed an increase over the period 1946-1963 of 50% or something in the order of 2.8% per annum. Keeling and Wright (1964:128) reported further that capital development in the industry had been principally responsible ... "In fact, the main factor underlying the increase in labour productivity after 1946 was the industry's development (capital) programme".

The post national steel strike changes to working practices and manpower boosted labour productivity and, even though the early 1980s was a time of major recession, productivity almost doubled over the 1970s.

Over the period 1981-86, labour productivity averaged 228 tonnes per man year, 87% greater than the 1970s. Then a further step change appeared over the period 1987-91 when labour productivity on average jumped another 51% to 345 tonnes per man year, over two and a half times the 1970s manpower productivity level.
By 1991, over the two decades of the 1970s and 1980s, steel output had fallen by almost a third and manpower had fallen by almost 80% but labour productivity had virtually tripled. The British Steel industry is regarded internationally as efficient and well organized and is still significantly placed in the World league.

6.3 Organization and Structure of a Steel Company

6.3.1 Management Organization

Steel companies are large complex organizations. Scott et al (1956), in a study of technical change and industrial relations in a steel company, lucidly demonstrated the growth of a formal structure as the company grew from a small family firm to a very large company run by professional managers. In particular, Scott (1956:81) noted "The increase of 'staff' and service departments represents in many ways the most important and significant development. To some extent this is simply a consequence of the increased size of the undertaking and of the greater number of production departments, in the sense that increased size makes a more refined division of functions more economical and enables new functions to be supported".

Scott depicts the new organization after major expansion in 1954 (Figure 6.4). It is remarkably similar to the organization of Co-Steel Sheerness in 1993 (Figure 6.5).

Scott's research went further and looked at how managers were appointed and what qualifications they possessed. It demonstrated quite clearly that as the company grew in size and complexity, there was a need to reduce the amount of internal promotion and hire more qualified/professional people directly from the market place. This was particularly the case in the 'staff' departments, but it also took place in the traditional 'line' departments as well.
Higher Management Organization 1954

Source: Scott (1956: 82)
Co-Steel Sheerness Organization 1993

Chairman
(based in Canada)

Managing Director

Finance Director

Personnel Director

Works Director

Sales Director

Company Secretary
Treasury and Accounts
Information Technology
Purchasing

Personnel Training
Safety
Medical
Public Relations

Raw Materials
Steelmaking

Secondary Processing
Quality Assurance and Laboratory

Maintenance

Bar and Merchant Mill

Wire Rod Mill

Mechanical Engineering

Electrical Engineering

Shipping

Source: Company Records (1993)
Scott (1956:85-86) found "The changing emphasis in channels of recruitment to the higher management ranks is marked ... In fact, if the present departmental heads are divided into those who received their initial appointment with the firm before 1930 and those who were appointed after 1930, all of the ten in the second category are 'direct entrants'... It would be difficult to find a more dramatic example of the way in which technical change produces functional differentiation and leads to a radical modification of the mode of recruitment of managers".

At Co-Steel Sheerness in 1993 not one Department Head had risen from the shop floor. All were direct entry, although a number in the process departments had been recruited to a lower level management position and were subsequently promoted, and were educated usually to tertiary level.

Management style is typically autocratic in traditional steel plant organizations. Bureaucratic structures, division of labour and capital plant process demands all promote a top-down instruction giving approach. Even shop floor promotion line and seniority systems add to the bureaucracy and status hierarchies.

But despite such organization steel industry writers (Scott, 1956:160-168 and Walker 1950:97) suggest a large degree of informality in relationships between managers and between managers and workers. It is likely that both work geography and technology, which frequently require management and worker to work side by side; family firm ideology, which frequently encourages worker promotion to supervision; and kinship all promote informality in employee relationships.
6.3.2 Shop Floor Organization

It was during the latter half of the nineteenth century that the character of work and labour organization in the steel industry was shaped indelibly. Such shaping played a decisive role in the development of a 'distinctive pattern of industrial relations' in the industry (Bowen, 1976:86). According to Bowen (1976:86-87) the principal features of the industrial relations system comprised the seniority system of work organization based upon the early 'contract system' of labour recruitment; the existence of separate wage payment systems for production and maintenance craftspeople; the superiority of production workers' income over other manual grades at steelworks as well as in other industries; the method of wage regulation of production workers by 'sliding scales and tonnage bonuses' and highly developed conciliation and arbitration systems.

The contract system of labour requires explanation. "Under this system entrepreneurs contracted with middlemen to undertake the whole or part of a production process in exchange for a lump sum or for remuneration based on output. Contractors, usually skilled workers, employed the labour required and fixed wage rates... One effect of this was a social division of production tasks into work teams, each with its distinctive hierarchy of seniority... This social division of work demarcated the skilled production worker from the craftsman in absolute terms" (Bowen, 1976:82). The contract system applied throughout most of the nineteenth century and persisted up until the First World War. However, the seniority system it established has continued (see Scott et al, 1956 and Walker, 1950) and is operated in a great many steel companies today.
Basically the seniority or promotion line system divides work up into parcels, applying principles of Taylorism. The occupant of the most responsible parcel of work is known as the lead or first operative and highest paid, followed by second, third etc. The bottom position is usually known as a helper or labourer and is lowest paid. When an employee leaves, the most senior subordinate employee claims the 'promotion of right'. As Bowen (1976:176) put it, "seniority lines have operated as important stabilising elements in the system of work control: it is an effective means of stratification, diversifying the labour force and providing a ladder of promotion sufficiently rewarding to have prevented the formation of a homogeneous group of steelworkers".

Such a formalised system was considered paramount by trade unions as it established employee 'rights' to promotion. In fact, in Scott's (1956) study, the steelworkers union had persuaded the company to add a further qualification to the seniority principle and that was that the employee was not 'out of compliance', i.e. he had not missed any payments of union dues. (This arrangement preserved union membership).

Neither Scott, nor Walker nor Bowen questioned the restrictive nature of the seniority system in relation to organizational or work efficiency but Scott (1956:127) and Bowen noted restrictions on the employee. Bowen (1976:176-177) was quite specific. He stated "one disadvantage of steelwork is the job specific nature of production work. With seniority... comes an increasing dependence upon a skill which is non-transferable outside the industry and highly specific even to a particular department within one plant. The dangers of this dependence only reveal themselves with the social dislocation of technical change which requires the transfer of personnel between departments, and, in the case of senior steelworkers, the prospect of 'skidding' (demotion) from a position at the top of one seniority line to the bottom of another". Bowen suggests further that the production worker in steel has considerably more to fear from the effects of change than craftsmen whose skills are readily transferable.
As a result, shop-floor organization demonstrated a high degree of both vertical and horizontal division of labour. There was strong unionisation and, in fact, unions were resistant to technical change which could impinge on the social order of work and destabilise promotion opportunities. The system, however, brought worker loyalty and stability to both the company and the trade unions.

6.3.3 Kinship

This loyalty and stability deriving from the internal organization and structure of work was probably also influenced by the external environment. As steelplants tend to be principal employers in an area, most people living in the area become dependent on the steelworks for employment. Providing the work, conditions and prospects are reasonable, many employees wish their children to follow in their footsteps.

Kinship ties at the work place have been researched by Walker (1950:105) who found "This is a family affair. The father works. His boy works. It's all handed down through generations" and Scott (1956:51) who found ". . . an employee of the firm had in 1954, an average of 2.6 relatives who also worked in the plant". This had implications for industrial relations, as pointed out by Gouldner, (1955:65) who commented that "the high incidence of family relationships and old friendships cutting across status lines, as it often did, lent support to the indulgence pattern - [best explained by a quote] - You can't ride the men very hard when they are your neighbours. Lots of these men grew up together".

It is known that a large number of Co-Steel Sheerness employees are related and a brief examination of the employment records of the last five apprentice intakes found that eleven of thirty four (33%) had at least one relative in the plant. This is an indication that children are following their parents into the Steelworks as 80% of the relatives were parents.
Both Gouldner and Scott researched change and in both companies there was a move away from an indulgence pattern of behaviour to more formal and ultimately more efficient operations. In both instances, the change was initiated by new and/or more professional management. The management structure and the management personnel need to be put in place before significant and sustainable change can be effected. As the study will show later, managing change successfully often means changing managers.

6.4 Industrial Relations in the UK Steel Industry

6.4.1 Industrial Relations Structure

In the 1960s and 1970s two-tier bargaining occurred with 'national' and 'local' negotiations. In the private sector the Independent Steel Employers Association (ISEA), representing most private steelmakers, bargained on substantive pay and conditions with the Iron and Steel Trades Confederation (ISTC) where separate bargaining units existed for process (hourly) workers; clerical (salaried); technical (salaried); and supervisory (salaried) staff. Separate negotiations took place with the National Craftsmen's Co-ordinating Committee (NCCC) representing all the craft unions recognised in the industry. In the public sector, the British Steel Corporation (BSC) negotiated nationally with the ISTC (in separate bargaining units, similar to the private sector) and separately with the NCCC for craftsmen and also with the National Union of Blastfurnacemen (NUB) for process workers engaged in coke and iron making.

Second tier bargaining took place at individual plant levels. The scope varied from a very wide range of issues, including almost all principal terms of employment, to limited issues such as manning in departments, workplace practices etc.
During the early part of the 1980s, the ISEA arrangements were terminated in favour of separate plant bargaining considered to be less costly and more relevant by the industry. Also during the course of the 1980s, the major scope of bargaining centrally within the BSC has been abandoned in favour of site negotiations. In both sectors there have been moves towards 'Single-table bargaining' where all grades of workers represented by all trade unions have their terms negotiated at one negotiation.

6.4.2 Industrial Relations Climate

From mid nineteenth century to mid twentieth century the industrial relations climate in the iron and steel industry had been regarded as very stable and largely free of major disputes. Bowen (1976:86) referred to the development of a distinctive pattern of industrial relations (see 6.3.2) during the second half of the nineteenth century which played an important role in preventing strikes. Phelps-Brown (1960:155-6) noted the absence of major stoppages during the period 1906-1914 and suggested that high pay and bonuses, advancement through the seniority system, and a wage payment system linked to the selling price of steel (sliding-scale system), were the principal reasons for industrial peace. Pool (1938) found a clear relationship between the traditional practices of wage determination in iron and steel and industrial peace up to the time of the second world war. Knowles (1952), who conducted a comparative survey of industrial conflict in this country during the period 1911-1945, found that the iron and steel industry had been the least prone to strike. Scott (1956:40) confirmed "... industrial relations, as in the steel industry generally, have been marked by realistic compromise on both sides and a willingness to seek solutions by agreement rather than conflict..." This position was confirmed by the British Iron and Steel Federation (1966:20) ...

"Encouraged partly by high wages but also by a highly developed system for arbitration in emerging disputes, labour relations in the industry had long been widely recognised as first rate."
In fact, this period of almost one hundred years has been characterized by union leaders demonstrating a 'co-operative ethos' (Brannen et al, 1976:73). However, that all changed in the 1960s as a result of strains introduced on the social system as a result of the 'downsizing' recommendations of the Benson committee. Stable industrial relations were replaced with conflict and the industry became strike prone.

6.5 Strikes and the UK steel industry

Hyman (1989:30) suggests "The 'strike-proneness' of an industrial or occupational group can be calculated by relating the number of stoppages or striker-days recorded to the size of its labour force". The iron and steel industry falls into the most strike-prone industries as Figure 6.6 confirms.

It is likely that the high capital/labour ratio for the industry has influenced industrial action. Paying high wages would certainly not have had a significant impact on costs of operation. However, a cessation of steelmaking at a plant because of a strike would be excessively costly. So all in all, there were strong forces to maintain a good industrial relations climate and strong leverage for industrial action.
Iron and steel industry strikes per 100,000 employees over the period 1966-1982 were never less than twice the annual average for all industry and in the first half of the 1970s reached a level of three and one half times the all industry average. Striker days per 100 employees followed a similar pattern over the same period when days lost ran at twice the national average. The 1980-82 figure for iron and steel at a rate of thirty-two times higher than all industry was influenced by a major national steel strike in 1980.

Hyman also reported in his commentary on strike-prone industries that strikes "tend to be particularly prevalent in occupations where unionism is strongest" (Hyman 1989:30).
Union density figures for the iron and steel industry, *per se*, are difficult to determine but the industry is known by industrial relations experts within it to have a high density of union membership. To look for confirmation means an assessment of the industry within the framework of a wider industrial group. The Employment Gazette (1993:678) using Labour Force Survey data records a union density of 54% in metal extraction and manufacture compared to a figure of 33% for all industries.

Suffice to say that the steel industry with an above average union density was a strike prone industry over the period 1966-1982.

6.6 National Steel Strike 1980

The first "official" national steel strike since 1926 took place between 2nd January and 3rd April 1980.

On 3rd December 1979 the British Steel Corporation, after announcing major losses and a need to cut jobs, offered to increase pay rates by 2%, plus the introduction of locally based value added schemes which could enhance steelworkers pay by up to a further 10%. This was stated as a final offer. At a time when the cost of living was rising in the order of 17% per annum, and when the Corporation offer was way below the union claim, the offer was adamantly rejected by both the Iron and Steel Trades Confederation (ISTC) and the National Union of Blastfurnacemen (NUB). The craft unions had expressed a wish to continue negotiations.

The ISTC Executive Council met on 7th December 1979 and instructed all its members in British Steel plants to strike from 2nd January 1980. The ISTC also advised its members that it would not make strike payments. Private sector steel companies, who had separate pay bargaining arrangements, were not affected.
Picketing commenced during the first week of the strike in the South Yorkshire area, orchestrated by the Rotherham Strike Committee. Some private steel companies gained "dispensation" from picketing by allowing British Steel Shop Stewards to scrutinise order books/schedules to ensure that they were not producing steel which would normally be made by the Corporation. In actual fact the first private sector mill closed down around the end of the first week, namely Templeborough Rolling Mills.

The concern was very great by the private sector steel companies because of the Templeborough closure and the decision of 13th December 1979 by the House of Lords which reversed the Court of Appeal ruling in Express Newspapers Ltd v McShane, so making it virtually impossible to achieve interlocutory injunctions against trade union officials and others involved in secondary action.

On 16th January, the ISTC Executive Council decided to "call out" the private sector steelworkers from 27th January. Also that day, British Steel announced plans to cut 11,000 jobs in South Wales plants.

The union pressure was building all the time. Picketing was spreading all around the country. Every major steelworks experienced flying pickets on a regular basis. On 23rd January, the NCCC joined the Divisional Strike Committee, which now included representatives from all the trade unions within the UK steel industry. On 24th January, the National Union of Railwaymen (NUR) Executive decided to stop all movement of steel from 27th January. By this time the Confederation of Shipbuilding and Engineering Unions (CSEU) had agreed to black all steel crossing ISTC picket lines. With this total action it was extremely difficult for steel companies to ship steel and even if they did so to get it past pickets at their customers.
The private sector steelmakers by the third week of the strike were rapidly losing patience as their businesses were closing and some were facing financial ruin. The BISPA officers met with ACAS officials on 22nd January but could find no way forward. On 23rd January the ISTC were advised of legal action, if the decision to pull out the private sector was not reversed.

On 24th January, writs were served on three officers of the Executive Committee of the ISTC, namely Messrs. Sirs, Bramley and Makepiece. The plaintiffs serving the writ were sixteen private sector steelmakers, one of which was Sheerness Steel Company. The writ requesting an injunction to restrain the ISTC from calling its private sector members on strike was turned down by the High Court on the afternoon of 25th January.

Because of the significance of the whole situation nationally, the private sector gained permission to go to the Court of Appeal where Lord Denning reversed the High Court ruling and granted an injunction against the ISTC to the private sector firms. The ISTC decided to appeal to the House of Lords and in the meantime they instructed their members to obey the law and the private sector to remain at work.

On 1st February the House of Lords overturned the Denning judgement based on the McShane ruling and the ISTC Executive Council instructed the private sector members to withdraw labour from 6.00 am Sunday 3rd February. However, a very significant number of ISTC members in private sector companies went out on strike from 28th January, although ISTC members at Sheerness Steel Company categorically refused to strike and worked right through.

Over the first three weeks in February, private sector steelplants opened and closed and opened again based on a combination of events of which mass picketing and local employee resolve were critical.
On 20th February, the day the Government published a new draft Code on Picketing, an unsuccessful mass picket took place at Sheerness Steel Company. The Rotherham Strike Committee, meeting the following day to review the failure to terminate production at Sheerness Steel, referred to the Sheerness Steelworkers "... as 'insular' and 'close to management'. They were also dependent on Sheerness Steel - it was the only large employer in the area - earned high wages and had little commitment to ISTC ..." (Hartley et al, 1983:140). This 'insularity' had been picked up in a study by Pahl (1981:31) who researched manager's views on their workforce. "The people that we have here I think are excellent ... I get the impression that everyone knows everyone on this Island - its a very inbred community". A number of employers mentioned "The Island Mentality" ..." They're a bit insular ... They work hard and they mix well, but they have a different mentality. They are not sophisticated people. They lack broadness or finesse but they are absolutely loyal". That loyalty may have been very significant in the stubborn stance the Sheerness Steelworkers took in refusing to strike.

Sir (1985:105), the General Secretary of the ISTC at the time of the strike, made comments in his autobiography. "I was extremely worried about a massive demonstration there was to be outside a private company, Sheerness Steel, in Kent. I was concerned about the possibility of losing public sympathy with such a large demonstration. I had been assured by my colleagues that the event would be well stewarded and peaceful, and so it proved - although our members were abused, spat on and refused service in local shops and pubs. We failed to persuade our colleagues at Sheerness not to go back to work, but at least we did not sacrifice public sympathy".

The Sheerness Steel stand was a turning point for several major private sector steelplants with Hadfields starting up again on the 24th February, Round Oak on the 25th February, Brymbo Steelworks on 26th February and Firth Brown on 27th February. It is estimated that by 28th February more than 3,000 private sector steelworkers were working.
On 24th March the Secretary of State for Employment, Mr James Prior, set up a Committee of Inquiry. The Committee recommended a settlement of 15.5% overall (11% on basic rates and 4.5% through local added value deals).

On 1st April the Executive Council of ISTC recommended a return to work which took place at 6.00 am on 3rd April. Workers from all other unions returned at that time.

Who won the strike?

Taking the union side first. The strike was clearly successful in terms of improving an original offer of 2% to 11%. Further, the 4.5% available for local added value deals was also an improvement. Hartley et al (1983:165) recorded "... The resistance to managerial pressures during the strike fostered an unprecedented feeling of power and confidence; ISTC showed its metal and there was a new-found sense of pride and enthusiasm in the union ...". Sirs (1985:110) summed it up "From zero national pay award to 15.95 per cent was a fine win, well worth fighting for". However, the unions failed to prevent major job losses. The ISTC performed poorly in pay bargaining the year following the strike.

On the management side there were pluses and minuses too. There were benefits in terms of pushing bargaining away from the centre to plant level and linking it to productivity improvement through the local value added schemes. This reduced wage drift, so reducing the costs of employment. There was a general view that BSC management handled the negotiations badly. This was expressed by the media and by Corporation managers, most of whom were laid off during the strike.
The Commercial Managing Director writing in Steel News, 10th April 1980, estimated that British Steel could lose 10 per cent of its business initially because of the strike. "If we cannot recapture that loss fairly quickly, then the consequences for all BSC steelmen will be very serious indeed ...". This position had been foreseen by the ISTC. Its Journal recorded 'Not content with making the lowest offer of the pay round, BSC now plans to destroy 53,000 jobs ...' (Man and Metal, February 1980). Well those 53,000 jobs were lost plus another 50,000.

Both sides lost as a result of the strike. The strikers lost 25% of their annual income. Orders and markets were lost, perhaps some for ever, and the Corporation has spent the twelve years since the strike downsizing. The trade unions, given the media exposure to mass picketing, often violent, were exposed as being too powerful and dangerous to the economy. The strike, on top of the 'Winter of Discontent', may have spurred on the Government in its quest to reduce union power, which it did through a series of Employment and Trade Union Acts in the 1980s. It may have demoralised management and workers in the industry and promoted a key wastage in future years. It more than likely sounded the death knell of some long surviving private sector steel companies like Round Oak Steel, Patent Shaft, Hadfields and Duport. The 1980 steel strike had no winners in the long term.

6.7 Conclusion

The UK steel industry is 'classically' organized with strong union relationships, high union density and for many years two tier bargaining. Over the last twenty years steel production has fallen by 40%. However, labour productivity, regarded historically as poor, virtually doubled in the 1980s principally because of major rationalisation and changes to working practices and reward systems.
The capital intensive nature of the industry and the significant technical developments have required professional-technical managers, well educated and normally recruited from outside the industry. Internal promotion has normally been limited to the first line management level. Shop floor structures have been based on promotion lines through a hierarchy of jobs where movement was based principally on employee seniority. This internal environment promoted kinship, advancement for unskilled workers, employee stability and loyalty, and high union density. This, coupled with 'seniority pay ladders', very high pay and bonuses and well regulated conciliation and arbitration procedures, enabled union officials to bring a 'co-operative ethos' to the workplace which resulted in a generally conflict free environment for almost one hundred years.

However, as the industry adopted new technology and rationalized into larger units to reap economies of scale and improve labour productivity, it became more strike-prone. Over the period 1966-1982, strikes in the steel industry per 100,000 employees were never less than twice the annual average for all industry and during the first half of the 1970s reached a level which was three and one half times the all industry average.

A national steel strike in 1980, which halted production at every steel company but one, was most dramatic. It certainly led to the failure of some historic steel companies which resulted in a permanent downsizing of the UK industry. It also changed the distinctive pattern of industrial relations. Management chose new organization, new technology and different systems of industrial relations, all aimed at overcoming productivity levels which stood below those of the competition.
CHAPTER 7
SHEEPEY STEEL COMPANY -
ITS ESTABLISHMENT AND FORMAL ORGANIZATION AND INDUSTRIAL RELATIONS
1972-1979

7.1 Introduction

The idea of a steelworks on the Isle of Sheppey in Kent was born in 1966 and turned into reality in 1972 when steel was made. As a 'green field' site, the company was free to choose its technology, organizational form and industrial relations system.

The company pioneered new steelmaking technology in the U.K. and achieved a most successful start up. It soon became very profitable, partly because of strong world demand for steel and partly because of newer low cost technology. While the technology was innovative, the company chose an organisational structure which was very traditional. It was very hierarchical, with significant division of labour and demarcation. However, an innovative aspect of industrial relations was the establishment of a single site union with sole bargaining rights granted to the steelworkers union to cover all industrial grades.

From that time industrial relations were typically adversarial and, at times, very hostile. A recognition strike closed the works for six weeks as craft unions broke the steelworkers single union arrangement. Later the steelworkers lost a protracted battle for recognition of white collar staff. Productivity bargaining was the only mechanism open to the company to improve labour productivity. Industrial relations were tough but stable with only sporadic and spontaneous work stoppages, seldom more than a few hours in duration. Management considered industrial relations were very good during the 1970s at a time when the UK generally experienced poor industrial relations and a high strike rate.
Despite evidence of organisational inefficiency and a lack of compliant behaviour by employees, the company, outside of start up year, returned profits every year throughout the 1970s. This chapter looks in detail at the establishment of the company, its formal organization and the system of industrial relations.

7.2 History of the Sheerness Steel Company Project

Much of the early history of the company was recorded in a case study prepared by L'Institut pour L'Etude de Methodes de Direction de L'Entreprise (IMEDE) in 1974 and reference is made on a number of occasions. The project was the brainchild of Mr P A Learmond, a London metal trader who in 1966 established the Sheerness Iron and Steel Company. However, it took a further four years and the involvement of North American Steelmaker, Co-Steel Inc., to get the project moving.

The project was considered feasible for a number of reasons. Co-Steel as a mini mill operator would bring expert knowledge in operating practice. It would be the first mini mill in the UK so giving it a strong competitive edge; the London/South-Eastern area would provide a sizeable market place for reinforcing steel; Sheerness was located in a region producing a significant amount of the UK's scrap arisings (the raw material of the mini mill electric arc furnace); the harbour location of Sheerness would allow easy access to European and World markets; there was a highly skilled local workforce seeking employment after earlier closures of the admiralty dockyards and a major glassworks; and finally, the availability of a "greenfield" site, the permission to operate outside the nationalised steel group and the relative political stability of the country, all increased the attractiveness of Sheerness as a site for a mini steel plant.

During 1970 agreement was reached on the £9.9 million project. The arrangements were based upon £1.0 million equity of which Co-Steel took up 54% and £8.9 million of debt (IMEDE, 1974:758-4).
7.3 Construction of the Steel Works

Construction of the plant commenced in the spring of 1971. Major plant was constructed in Canada and shipped to England. The furnace and rolling mill equipment arrived at the end of the year for installation and commissioning early 1972.

7.3.1 Manning the Plant

From the spring of 1971 key hiring of the management team took place. A total workforce of 357 people had been identified - 26 management and supervisory, 28 administrative and 303 hourly personnel. Half of the senior management team of eight were brought in from abroad including the chief executive, who came from Co-Steel. The rest of the team were hired in the UK. 99% had no steelplant experience. The average age of all employees was 34 (IMEDE, 76R-6).

7.3.2 Plant Start Up

The Melt Shop

The first heat of steel was made on 3rd April 1972. The fourth heat erupted after tapping and sprayed 20 tonnes of molten steel through the Shop. The superintendent considered such difficulties as a form of character building saying "Sure it made operating difficult, but if also toughened up the men ... I believe that starting 'hard and fast' like we did helped develop tremendously innovative work crews at Sheerness" (IMEDE, 76R-12).

The Rolling Mill

The Rolling Mill went into full operation on 15th May 1972. Like the Melt Shop it started up before the Mill was fully finished. Within two months, the Mill had moved to 10 shift operation. However, the Mill was dogged with management problems, machinery breakdowns and difficulties rolling small sizes throughout the rest of the year (IMEDE, 76R-13,14).
7.3.3 New Plant Developments

Towards the end of 1973, the company approved a major expansion programme costing £8 million to increase steel production to 525,000 tonnes. That expansion was completed by 1976.

7.4 Formal Organization and Division of Labour

The Steelworks had been constructed on a 54 acre site. It comprised a steelplant; two separate rolling mills; a considerable number of engineering and maintenance workshops; machine shops; warehouses; metallurgical and chemistry laboratories; a medical department and an administrative office in which was to be found the sales, finance and personnel and industrial relations departments.

The plant operated 24 hours a day, 7 days a week with the vast majority of employees on shifts working the rather unsocial continental pattern which allowed only 13 weekends off per year. Employees were allocated to one of four shifts, known as 'A', 'B', 'C' or 'D' shift. Employees obtained identity from their shift and were very reluctant to ever change shifts. In actual fact, a shift change was only undertaken when an employee was either promoted or demoted. Other reasons were rare and management pressure to effect a shift swap between two employees even to improve efficiency say by balancing skills was always resisted by the men concerned and trade unions.

The company commenced operations with 357 employees which after the second phase expansion of 1974-76 grew to 626 employees. By the end of the decade 649 employees were engaged in Works operations and a further 156 in service and administrative departments making 804 employees in total. Additionally, some 300-400 other employees worked on site but who were engaged by contracting companies. The company was established along traditional bureaucratic lines with scientific management principles. As with much of the steel industry, its organisation structure was not unlike those companies established fifty years earlier.
Work was broken down into defined tasks either associated with process or skill. Boundaries between departments were higher than the 'Berlin Wall' and more closely guarded. So, for instance, in the Steelplant a leading operator (First Melter) on the 'A' Furnace would rarely, if ever, work on the 'B' Furnace. A Fitter in the Steelplant would rarely trespass into a Rolling Mill. Once a Storeman, always a Storeman and so on. Further, work in process areas was broken down on a hierarchical basis to form a promotion line. So on a steelmaking furnace, the top job was called First Melter. He basically made the steel. The next job down was that of Second Melter. That job had lesser steelmaking skills. Then came the Furnace Bay Helper, a fetching/carrying job together with all the dirty work around the furnace. Finally came the Shop Helper basically a labourer and entry point to the Shop. Each furnace had its separate promotion line. Promotion up the line was based on seniority. Basically all employees were waiting for 'dead men's shoes'.

The system had been traditional in the industry for 100 years. The unions liked it because it avoided selection and any form of 'individualism'. Management accepted it because it fitted well with the division of labour and it required little management. Employees were expected to learn the key elements of the two jobs above them in their promotion line in order to be able to fill in during absence and holidays.

All hourly employees clocked in and out of their shift and had pay deducted for lateness and absence. Management and staff did not clock and received an annual salary which was fixed, irrespective of the hours they worked. Most hourly paid employees, who accepted promotion to staff foremen positions, retained their union membership, even though they lost collective representation and the results of collective bargaining.
Clearly the steelworks was arranged in a hierarchy of power; a pyramid with the Chairman and Chief Executive at the top and the lowest level of workers at the base. In between lay different levels of worker, supervisor and management.

Higher authority comprised six employees which included a Chairman and Chief Executive, a Deputy Chairman (who operated commercially but away from the company) and four Executive Directors. The senior management organization is shown in Figure 7.1.

**Figure 7.1**

Sheerness Steel Company: Senior Management Organization 1979/80

It is noticeable that there was no Personnel and Industrial Relations Director. The Industrial Relations Manager reported to the Works Director. This organization derived from the early North American influence, which was generally used to running non-union plants. The position of the Personnel Director was not created until 1985.

The Works operation accounted for 80% of all employees. In the Works, both vertical and horizontal division of labour was quite marked. In the Melt Shop, for example, the department was divided into two sections - production and maintenance. Each section had a senior manager in charge. The production department was divided on a technological basis which also related to distinct geographical locations, as Figure 7.2 shows:
NOTE: Raw materials and Yard includes: Multi Serv Scrap Crane and Process Compound, Cooling ponds, Pumphouses and Baghouses.
There were further divisions. For example, the Yard was split into track laying and maintenance; and the Melting and Casting Departments were divided into distinct groups associated with a particular furnace line. Maintenance was divided by discipline, namely electrical and mechanical, and then split between each process activity.

Vertical division of labour applied in each department with work being broken down into simple and core tasks reflecting the responsibility involved in the work and forming the job and authority hierarchy in the company. In the steel plant the chain reached 10 levels at its maximum and the individual department Scalar chains were known as promotion lines from the bottom to the top hourly paid job, e.g. in Melting from First Melters to Helper (4 levels). From Works Director, through the Melting promotion line there were 8 levels and from Works Director through to the Brickers Helper there were 10 levels (see Figure 7.3).

In the promotion lines operators achieved promotion up the line by seniority and the rules were strictly adhered to even though management was not over enthusiastic. If an operator achieved a top position, First Hand or Chargeman, and failed he was demoted as automatically as he was promoted. However, the demotion was to the lowest position of another promotion line.

Work was specialist, de-riched to the simplest level. Even trades people lost many of their engineering skills as they concentrated on the application of limited skills on the same pieces of equipment day in and day out. Seniority within the department as well as the job was prized and job security value virtually prevented any inter-departmental moves.
7.4.1 Organization and Technology

The traditional (classical) organization also related well with the technology and closely confirms Woodward's (1965) work in the 1950s. Company levels of authority, span of control and management to employee ratios are illustrated in Figure 7.4. The organization demonstrated a very close relationship to Woodward's findings as Figure 7.5 shows.

**Figure 7.5**

<table>
<thead>
<tr>
<th>Organizational Factor</th>
<th>Woodward (3) Process Industries</th>
<th>Sheerness Steel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levels of authority (1)</td>
<td>6</td>
<td>6</td>
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<tr>
<td>Span on control (1)</td>
<td>14</td>
<td>12</td>
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<tr>
<td>Ratio Management to employees (2)</td>
<td>7</td>
<td>8</td>
</tr>
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</table>

Table notes:

(1) The Sheerness Steel ratio is based on all hourly paid forming one category.
(2) The ratio was calculated by adding the number of supervisory salaried support staff to Leadhands and Operators/Clerks and dividing by actual Managers, viz 715 divided by 89.

Levels of authority were identical at six; the first line Supervisor's span of control was very close at 12; and the ratio of management to all other employees was again similar at 8 compared to Woodward's finding of 7.

The company organization may be construed as supporting the classical organizational theorists and Woodward's organizational-technology in that they proposed efficient methods or organizational design to secure company goals.
# COMPANY STRUCTURE AND MANPOWER 1980

![Image of the table and diagram](image)

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<td>11</td>
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Note: Works Director is included in Company General

Source: Company Manpower Budget Report 1st January 1980
There were, however, negative features, resulting from both organizational design and from non compliance or partial compliance by employees and, therefore, organisational achievement could have been better. Before further discussion, an examination of the industrial relations system is needed.

7.5 Industrial Relations and Trade Unionism

Co-Steel Inc's experience of industrial relations had been gained from single union representation arrangements at its plants in North America. Industrial relations had been generally good at those plants and Co-Steel's prevailing view was to emulate that experience.

7.5.1 Union Recognition at Start-Up

Accordingly, on November 27, 1970, Sheerness Steel and the British Iron Steel and Kindred Trade Association (BISAKTA, also known as the Iron and Steel Trades Confederation, ISTC) signed an agreement giving BISAKTA the exclusive right to organize the entire Sheerness workforce. The Memorandum of Agreement (1970) dealt with both representational and negotiation rights but also reinforced its single-union status"... The Company undertakes to make it known to any other Trade Union seeking recognition on behalf of labour employed at the Company's works that such recognition has been granted to the Iron and Steel Trades Confederation exclusively". Single union arrangements at that time were rare both in steel and UK companies generally. Research carried out by the Industrial Relations Manager indicated that craftsmen generally did not join BISAKTA but retained affiliation to their craft unions.
Craft Union Resistance to the Single Plant Union

On February 28, 1972, the new British Industrial Relations Act, 1971 was passed which forbade a "closed shop" union policy. Nevertheless during recruitment, all employees, craftsmen and process workers alike, were encouraged to join BISAKTA. A company News Sheet (IMEDE, 1974:76R Ex 5) stated ... "The whole basis of the company's approach to industrial relations depends upon full representation of its employees within a responsible trade union ... BISAKTA is the recognised trade union in the steel industry ... the company will employ approximately 235 people in production departments. With this relatively small number it would seem reasonable that the company negotiates with a single, fully supported representative body on all matters of common interest ... it is for this reason that you are encouraged to take up membership of the union" (BISAKTA).

The National Craftsmen's Co-ordinating Committee representing craft unions in the steel industry retaliated to the company notice according to IMEDE (1974:76 R4). "We urge all maintenance workers to join their appropriate craft union so that at the appropriate time we can unitedly and officially take the appropriate trade union action in defence of our democratic rights. Sheerness management must not be allowed to arrogantly ignore the established trade union organization in this industry".

Reward Systems

Reward structure related to a severely hierarchical job structure. Fifteen hourly paid job grades were set. No output bonuses were introduced so employees were rewarded by a rate per hour, traditional overtime premia and shift pay akin to industry wide levels. However, a philosophy of top pay was introduced and pay rates set at Sheerness were slightly higher than local market rates and much higher than steel industry averages.
Additionally, the company introduced a profit share plan as it was considered that profit sharing, while more common in North America, and rare in the UK, would create greater cooperation amongst all employees.

7.5.4 Industrial Relations during Start-Up

The IMEDE (1974:76R Supp 2) study included a short account of labour relations during start-up of which the following account is a summary.

There were few problems during the start-up period. In June 1972 the Works Council was convened for the first time. It comprised representatives of management, ISTC shop stewards and craft representatives from the maintenance department, although the latter had no formal voice. The purpose of the Works Council was that of a forum to discuss matters of common interest.

Additionally, the Industrial Relations Manager met with the ISTC full time officer and ISTC shop stewards weekly to resolve issues and update on company progress. All negotiations and agreements, however, were made between the company and BISAAXTA. In the autumn of 1972 a new wage agreement was negotiated with the process and craft representatives. Management at that time refused to bargain separately with craft representatives even though the maintenance workforce had joined the WCCC chiefly because of pressure from the craft unions locally and because of ISTC's lack of negotiating effectiveness. The refusal angered the WCCC officials who took every opportunity to criticise Sheerness Steel in public as well as encouraging the craftsmen to take a more militant stand against management.

"By the end of July 1972, 22 people had left Sheerness because of better job prospects, dissatisfaction, etc. Daily absenteeism during the full nine month period averaged 3.5%, yearly turnover 30-35% and no union grievances were recorded! Average turnover in the Sheerness area was 50% at this time" (IMEDE, 1974:76R Supp 2).
7.5.5 Industrial Relations 1972-1973

After the plant had started up, the formal machinery of industrial relations was handled between BISAKTA and the company. The craftsmen had no formal representation or standing. This caused unhappiness internally and led to a period of almost constant gripes. While plant management of that time do not now recall any significant industrial action, a plant engineer recalled craftsmen refusing safety cover on one occasion and 'working-to-rule' on another.

During the early part of the period, another plant engineer recalled a Joint Craft Committee being established for purposes of consultation but only informally. Formal issues and any bargaining issues had to be dealt with via BISAKTA. The craftsmen who worked in the dirtiest areas of the plant complained regularly about inadequate showers and the lack of a works canteen. Little note was taken and alienation built.

7.6 The 1974 Craftsmen Strike for Union Recognition

During the second week in July 1974 the company ceased steelmaking and began a major maintenance period to install a second new steelmaking furnace. On the second day of the maintenance shutdown the craft committee met management and requested more and improved showers because with over 200 contractors on site the existing facilities were inadequate. The company was unresponsive and, according to a number of plant engineers, all the craftsmen, some 96, 'walked out' before midday. According to the Daily Telegraph, 20th August 1974, that withdrawal took place on 10th July and lasted 24 hours. During that period the company added eight additional portable showers. "Then the maintenance men demanded a day's pay, but the management refused to negotiate except through the steel union (BISAKTA). The steel union asserted its authority by backing management and forbade the maintenance men from approaching the management directly" (The Daily Telegraph, 20th August 1974).
The striking craftsmen put a picket line across the works entrance with the result that rail movements ceased immediately and the majority of lorry movements were halted. But more importantly than the picketing, the electricians union persuaded their members in the local electricity company to disconnect the power supply to the works. This tactic prevented management re-starting operations after the maintenance shut. It was six weeks before steel was made again.

The BISAKTA branch secretary of the time reported that there were some meetings at Transport House which he attended with senior officials from BISAKTA and the NCCC but without resolution of the differences.

According to The Kent Messenger (16th August 1974), the "TUC General Secretary, Mr Len Murray, sent a letter saying the strike was against TUC disputes procedure which says that in the case of inter-union disputes over recognition, there should be no official stoppage ... there is an unconditional obligation on the part of the three unions to secure a resumption of normal working forthwith". But the craft unions had made the strike official and the same newspaper article quoted the Boilermakers' Shop Steward as saying his members would defy any instruction to return. Its members would remain on strike until recognition had been achieved, even if it meant that Sheerness Steel Company would have to close down.

With the company powerless to enter into negotiations with the craft unions because of the sole union bargaining agreement with BISAKTA a complete stalemate existed. The East Kent Gazette (22nd August 1974) reported the company's frustrations "we have lost an estimated £2.7 million in profits since the dispute started. If there is no solution, we cannot afford the dispute much longer - we shall be desperate. We are having to conserve our money now, and we have done this by laying off all the operatives".
The production workers were laid off 'en bloc' at 2.00 pm on 17th August 1974 - "The total out of work because of the dispute will now rise to 563. This includes 200 construction workers" (The Daily Telegraph, 17th August 1974).

The Branch Secretary of BISAKTA at the time told the author that the lay off lasted just four days before all four unions accepted a TUC Disputes Committee ruling to return to work. With the lay-off of the production workers, BISAKTA had lost its bargaining power. At the latter stages of the dispute, BISAKTA had to bargain for influence in a new procedural arrangement. While initially the craft unions had declined to attend the TUC Disputes Committee, which had been convened at the start of the strike, in the sixth week all unions reached agreement at the TUC headquarters. The Kent Messenger (30th August 1974) recorded that agreement.

"Firstly - the craftsmen should be permitted to maintain membership of their craft unions.
Secondly - the management should recognise the Shop Stewards of the craft unions in that those stewards should talk for members on problems relating to their craft.
Thirdly - there should be established a joint negotiating committee between the three craft unions and the ISTC (known before as BISAKTA), with the directive that the majority of seats are to be held by the ISTC.
The Works Manager ... said 'the management is perfectly happy with the solution' ...".

Any major cessation of work as a result of industrial action has its impact on relationships. However, the company's Annual Report (1974) that year makes light of the event. "Steelmaking production improved 10.3 per cent and rolling 6.5 per cent as compared with 1973, in spite of a 44 day strike in mid year ...
The excellent industrial relations which we had previously experienced were disrupted by a strike in July and August which stopped production for 44 days. The strike concerned separate union recognition for maintenance craftsmen, who considered themselves unsatisfactorily represented in the company's exclusive agreement with the Iron and Steel Trades Confederation, who traditionally represent mainly production operators. The TUC declared the strike an inter-union dispute and, after protracted discussions, arranged a settlement between the unions and management in which separate recognition of four unions was agreed but with the provision that a single negotiating committee represents all union employees. In practice, the solution seems to have worked well the last four months of the year."

Managers and Shop Stewards employed at the time tell a different story. They recall that job demarcations grew, flexibility and mobility was lost and hostility grew between production and maintenance workers and between maintenance workers and management. They say it was the start of adversarial industrial relations, typical of British industry.

New Union Recognition and Industrial Relations System

In August 1974 the company extended its recognition to include three traditional craft unions and so acknowledged the agreement of a TUC Disputes Committee in order to overcome a strike and enable steelmaking to resume.

Full recognition now included four trade unions, namely:

* The Iron & Steel Trades Confederation [ISTC] (for production workers).
* The Amalgamated Society of Boilermakers, Shipwrights, Blacksmiths and Structural Workers [ASBSBSW] (for maintenance welders).
* Electrical, Electronic and Telecommunications Unions - Plumbing Trade Union [METPU] (for maintenance electricians).
7.7.1 Procedural Agreements and Arrangements

The formal relationships between the company and those four trade unions were detailed in the Summary of Agreements (1976:2-10). That document dealt with the recognition of trade unions, the rights and responsibilities of the parties to the Agreement and the pluralist notion of differences of interest. The 'rights and responsibilities' not only highlighted the formality of the relationship but also recognised the delegated authority of the union within the organisational setting of the company.

A single Joint Union Representative Committee (JRC) was established and comprised six ISTC, one AUEW, one ASBSBSW and one EETPU representatives. The document outlined the objectives of the JRC.

The document also detailed the role of the Kent District Joint Committee for the Steel Industry which comprised the full time officers of the four recognised unions. The committee met quarterly and after the meeting met senior management, basically in a communications exercise. The committee had no negotiating role but had a formal role in the grievance procedure. No substantive agreement was ever negotiated with the Kent District Joint Committee.

Finally, the company was a member of the Iron and Steel Employers Association (ISEA) which in turn had negotiating rights and agreements with ISTC and the National Craftsmen’s Coordinating Committee (NCCC, which represented many craft unions including the AUEW, ASBSBSW and the EETPU). Basically, the ISEA conducted national negotiations to set minimum pay and conditions for the industry and those terms were 'topped-up' at plant level. The company had not subscribed to two-tier bargaining and had always exempted itself from "national negotiations". The company did accept the formal industrial relations procedures although the procedures were seldom, if ever, used.
The Procedural Agreement also detailed the Grievance Procedure and confirmed the 'facilities' provided by the Company for union representatives.

7.7.2 Industrial Relations Climate

The company operated a very formal system of industrial relations in the period from 1975 to 1979 which involved an unwritten post entry closed shop. The procedures were rigorously followed. Industrial relations were very tough in a standard adversarial climate. There were no major disputes or strikes but there were two or three minor stoppages of work where a few shifts of production were lost. These tended to occur when management was seen by the union to exceed its powers and the ultimate weapon of labour withdrawal was seen by the union as a powerful and speedy method of using their authority to re-establish the status quo.

The system was regulated through regular meetings between management and the JRC. To resolve a major difference of opinion the JRC and senior management were immediately called together day or night. Differences originated from a wide range of issues such as manning levels, overtime allocation, discipline, shift changes, safety, welfare (canteen, messrooms) and so on. The system expected a speedy resolution and successful outcomes were regularly achieved through this approach. Both management and the JRC took pride in resolving a problem and this agreement approach enhanced the status of both sides. This 'immediacy' approach generally avoided the impact of pent up frustrations being converted to some form of industrial action. In any view the "system of immediacy" to resolve existing or potential difference was a principal determinant of the good industrial relations climate. Research confirms that no more than 10 shifts of production were lost during the period 1975-1979.
The record is quite remarkable as the 1970s were a time of a great power struggle between employers, trade unions and Government, a period which included events such as the 'Social Contract' and the 'Winter of Discontent'. Hyman (1989:28) reported that in the UK over the period 1975-1979, 58,317,000 days were lost to strikes, almost double the number in the period between the 1926 General Strike and 1974. It was not fortuitous that the company experienced such a low level of industrial unrest. It was a situation the company worked hard to achieve and the speedy resolution of differences played an important part.

7.7.3 Pay Rises and Inflation

During this period, pay negotiations generally resulted in wage increases at about the level of UK price inflation. In fact, over the period 1975-79 the UK retail price increase moved up by 77.7% while base rates increased by 77.6% and throughout the period the difference between the two never exceeded more than 3.3% (see figure 7.6). This performance was in the arena of productivity bargaining and proved categorically that bargains could be achieved without wage drift.
Figure 7.6

Pay and Inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>24.9</td>
</tr>
<tr>
<td>1976</td>
<td>22.6</td>
</tr>
<tr>
<td>1977</td>
<td>15.1</td>
</tr>
<tr>
<td>1978</td>
<td>16.2</td>
</tr>
<tr>
<td>1979</td>
<td>12.1</td>
</tr>
</tbody>
</table>

■ UK Retail Price Increases □ Company Pay Awards


7.8 Dysfunctional attributes of the Formal Organization and system of Industrial Relations

While the organization had been constructed to achieve its goals in an efficient way through an authority structure with considerable division of labour and close supervision, tensions and conflicts were inherently there to prevent maximum achievement. The authority given to collectivism by the company recognising trade unions and specifying their organizational role introduced a counter compliance situation. Some examples where classical organization engendered inefficiency and, therefore, retarded goal achievement are given below.
Organizational Conflict

The very construction of the organization often conflicted with the concept of efficiency. For example, the Melt Shop was divided into two sections, namely production and maintenance each headed by a senior manager and reporting to the Works Director. The senior manager in charge of production was responsible for output and the senior manager in charge of maintenance was responsible for plant availability. Now in theory if they both do their job well, high availability will result in high output. In the Melt Shop, production management and maintenance engineers met every morning at 9.30 am to review performance over the previous 24 hours. Often these meetings degenerated into an "apportion blame" meeting. There were arguments as to who caused the delay, i.e. was it an equipment failure or was it an operating problem. This was a senior management defensive ploy so that lack of performance could be apportioned elsewhere. As opposed to understanding problems and seeking ways to overcome them, the division of labour and authority compounded issues and created tensions and inefficiency. Another example would be the requirement of maintenance to "hold production" for twenty minutes to change some equipment being ignored by the production manager on the basis he could not afford to lose twenty minutes production only to find say ten hours later that very piece of equipment failing and production terminated for three hours during the night while an emergency repair was effected.

Promotion Lines and Seniority

The operation of seniority and promotion lines related well to division of labour arrangements in the Company but could at times become inefficient and costly. Promotion was by seniority, which did not always place the right person in the right job.
Those promoted beyond their capability were often carried by their mates so both the individual and collective effort of labour was undermined. It was only when such a situation became untenable for a work group, as opposed to management, that the issue was addressed and an individual demoted to the bottom of another promotion line. Gouldner confirmed the importance of seniority to relationships within an indulgency pattern of behaviour but unfortunately did not develop the negative features.

Further, the promotion line formed a tight cohesive group. Often when a manning shortage occurred at the start of a new shift, the Senior or Lead Hand from the off going shift would claim the shortage and work at the bottom of the line with everyone else gaining promotion. Effectively every operator would on that shift earn more pay and the cost to the company would rise significantly.

Often it was considered that overtime was rigged and had become systematised as Flanders had discovered at the Fawley Refinery. In the late 1970s, overtime in the company was considerable and according to payroll records was in excess of 20% of scheduled hours. This subject was discussed regularly by management, especially because of the same issue as at Fawley, everyone wanted overtime. When the company hired more labour because overtime was high, soon the new labour wanted the same level of overtime as others and instead of overall hours falling they increased. Systematic overtime, created through the operation of the promotion line system, inflated the employment costs and, therefore, the costs of production so constraining organizational goals of maximising profits.

7.8.3 Redeployment between shifts

Employees derived security, comradeship, affinity and sheer regularity with the association of their shift. They could plan ahead knowing what they would be doing in twelve months time, at work, on a rest day, on night shift and so on.
Shift crews often went to the pub together after the shift or often met in the change house and went on shift together. Shift crews often socialised together outside work hours. To move shifts was therefore quite a dramatic event. Of course, if moves in a promotion line triggered a move up because an employee left the company, then shift changes could and did take place. But if, for instance, a crew of three or four was not performing well and the Manager wanted to change people around by replacing a poor performer with a better one to balance skills and abilities, the union would challenge the Manager and prevent the move, the union argument being that if the employee was not performing he should have been disciplined or given additional training. So a resigned acceptance of no inter-shift movement was common. Such inefficient work practices, especially in the Maintenance Engineering Departments, often jeopardised plant performance.

7.8.4 Negative Remunerative Power

As the Rod Mill reached design capacity, the combination of the two rolling mills' output exceeded steel plant production. At that time the Bar Mill was operating at full capacity on 21 shifts and the Rod Mill was operating on 10 shifts. Because of customer demands, the company needed each mill to operate on 16 shifts. Internally such a requirement meant demotions and lower pay for Bar Mill personnel and promotions and more pay for Rod Mill personnel. This would come about because the Bar Mill would lose one promotion line and the Rod Mill would gain one. Further, shift pay was higher in a continuous 21 shift pattern as it involved all the unsocial hours whereas a traditional 16 shift rota would cover weekdays and Saturday morning and shift pay would be less than 21 shift pay.
Difficult and acrimonious meetings with the JRC led to a compromise with each mill scheduled on a 16 shift pattern commencing 6.00 am Sunday through to 2.00 pm Friday. The company would have preferred 6.00 am Monday to 2.00 pm Saturday. The compromise favoured the employees as they achieved higher shift pay to reward Sunday working. The new shift pattern was 30% more labour costly than the company required but only 5% on average lost pay for unsocial hours. It was a bad and costly compromise for the company.

7.8.5 Union Authority and Worker Power

The recognition of trade unions superimposed an authority structure on to the organisation which did not show on the organisation chart but played a big part in making things happen, so enabling the company to function. However, in doing so it constrained achievement or allowed progress at a lower than desirable level and seriously challenged management action at all levels but principally at the first line level. This union authority structure may be termed a "shadow structure". At times it vanishes while at other times it is constantly there but changing in size and shape. During pay negotiations, known in the company as Labour Contract renewal, the shadow was ever present.

The JRC met the senior management in the company frequently. Individual JRC members met with individual employees regularly as well as small groups within messrooms or larger groups collectively at union branch meetings. Day to day activities within the company seemed to depend upon how good or bad JRC - company relations were. For instance, a slow negotiation with company offers to increase pay at well below expected levels often led, in the 1970s, to some form of "out of compliance" activity.

One such form which rarely cost the employee anything but which disrupted operations and damaged the company was a union instruction to work to "maximum safety". While never clearly defined, it meant that work which would normally be undertaken would not be unless some minor modification was made.
More alienative activities at such times could be witholding overtime cover at shift changeover which penalised the employee through lost pay and sometimes the company through lower than expected production. Sabotage was another manifestation of the situation. Such events rarely damaged the process and were mainly limited to damage to toilets, messrooms and other welfare facilities.

The whole process of negotiation was time consuming. Usually the union negotiators secured a 'mandate' at a pre-negotiation branch meeting, and were expected to win the gains sought. Compromise was not considered a tactic of early play. Taking management to the brink was often the only way union representatives could convince their branches they had achieved the best deal. Even though the company never failed, during the period 1975-79, to secure a new contract quite clearly the whole process did create strains and pressures which adversely affected production and so impacted negatively on company performance.

The 'shadow organization' had a further affect on management and that was of 'role reversal' at the first line. Often the Shop Steward became more important than the first line manager. He heard company information first, he met senior management more often, sometimes he received confidential information a manager would never receive. Accordingly, the first line manager in the 1970s rarely knew where he stood within either the company structure or the industrial relations system (in actual fact the first line supervisor was rarely involved in discipline and grievance procedures after the first stage). Consequently, first line managers tended to work an 'indulgency pattern' where they would be lenient with the rules to curry favour with the men and shop stewards in the expectation that employee performance was acceptable and production goals met so that the first line supervisor's boss was happy. This form of management by compromise without doubt allowed inefficiency to creep in to the company as inevitably standards fell.
Productivity Bargaining

Often inefficiencies had to be "bought back". That buying back process has become known as productivity bargaining which Flanders described well in his examination of the Esso Refinery at Fawley. It is somewhat interesting that the company did not learn from the Fawley experience, which took place over a decade before steel was made at Sheerness. The Fawley Agreements were heralded through the world of personnel management as a blue print for success. Unfortunately all of the senior plant management at start up, and who set the rules, have since left the company and it was not possible to determine why the company set up on a greenfield site and incorporated all the practices Esso management had considered so inefficient and costly. Esso set a UK trend of "buying out" inefficient work practices by agreeing wage rises significantly in excess of retail price inflation.

The company used productivity bargaining regularly. The Labour Contracts of the 1970s were full of changes to manning levels, working practices, job roles and employee mobility. Each contract securing a range of efficiency improvements, all achieved, as demonstrated earlier, without conceding inflationary pay rises (see Labour Contract [1977/78], [1978/79], [1979/80]).

The productivity bargaining system emphasised the importance of the industrial relations system and the power of the trade union. Any changes required negotiation and agreement. So while unions may very well have assisted in the maintenance of organisation efficiency, they were clearly holding back overall company efficiency. The company could never achieve all it wanted in the way of plant efficiencies at a Labour Contract negotiation. What it failed to achieve was "rolled over" until the next negotiation which was twelve months away.
To that extent, employment costs were always greater than they could have been. However, it could be argued that new Labour Contracts were achieved as was a strike free record - many companies in the 1970s took strikes when trying to negotiate pay - and that in itself could have lowered the costs of production.

Employee Quality and Competence

A further and interesting aspect where classical organization inhibits company performance is that of employment practices. The promotion line system produced an entry point of a de-skilled job with low pay and slow development prospects. Accordingly poorer quality people were hired. The system promoted low trust relationships and high labour turnover in the order of 15-20%. No objective measurement of competence was undertaken in the 1970s as training was time based through 'next-to-nellie' techniques. Management regularly and openly complained that new employees undertook their work poorly which had adverse consequences for production.

This lack of capability amongst recruits was further compounded through the automatic seniority system for promotions. Competency deficiencies were acknowledged by the fact that no First Hand Melter was promoted to Melt Foreman. These positions were always filled from outside the company by experienced Steelmakers with metallurgical qualifications.

The organization structure inherently prevented the hiring of competent, well qualified individuals seeking long term career prospects. Basically the company could not attract the calibre it needed to maximise performance because the organizational structure was against it.
Resistance to Change and Job Inertia

The organization at Sheerness suffered a form of "pervasive inertia". It almost became an immovable object oblivious to change. The deep division of labour placed employees in a job. Everyone understood where the job lay in the authority system and, whether it was right or wrong, employees collectively believed it was right. Consequently, to regrade a job position either up or down the grading structure was a very difficult process, irrespective of the reason for doing so. In industrial relations parlance it would affect 'differentials', i.e. it would change pay relationships. So the combination of classical organization and the "shadow" industrial relations system resisted change.

A very good example is that the job grading structure remained constant at 16 grades between 17th November 1974 and 19th December 1980 as Figure 7.7 shows. Further, eleven of the grades remained unchanged in relation to the jobs they covered. Some new jobs were introduced with new equipment, specifically the Rod Rolling Mill which was commissioned in 1976. In grade 2 the position of Yard Chargehand had been upgraded from grade 7 due to a major re-organization of work. In grade 6 a Third Melter grade had been introduced by upgrading the Furnace Bay Helper with the commissioning of the second electric arc furnace in 1974-5. In grade 8 a new job, namely Casting Bay Helper had been established through productivity bargaining by merging the work of the First Casting Bay Helper (grade 10) and the Second Casting Bay Helper (grade 12). The number of employees involved in job change was very small as Figure 7.8 shows:
### Rates of Pay Effective 17.11.74

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Melter-Assistant Roller-Hood Caster-Senior Ladleman</td>
<td>1.36</td>
</tr>
<tr>
<td>Caster-Casting Cranesmen-Craftsman</td>
<td>1.26</td>
</tr>
<tr>
<td>Ladleman-Second Melter-Briccler-Furnace Operator-Finisher Operator</td>
<td>1.21</td>
</tr>
<tr>
<td>Lead Hand Checker</td>
<td>1.18</td>
</tr>
<tr>
<td>Mould Setup-Hill Setup-Boughor-Guide Assembler</td>
<td>1.16</td>
</tr>
<tr>
<td>Yard Charge Hand-Charge Crane</td>
<td>1.14</td>
</tr>
<tr>
<td>First Torchman-Ball Crane-Billet Crane-Furnace Assistant-Shoor Pulpit</td>
<td>1.09</td>
</tr>
<tr>
<td>Second Torchman-Furnace Ray Helper-Despatch Cranemen-Shunter</td>
<td>1.05</td>
</tr>
<tr>
<td>Driver-First Casting Bay Helper-Switchman</td>
<td>1.03</td>
</tr>
<tr>
<td>Weighman-Millman-Trachmen-Shaermen-Craft Assistant-Oiler Greaser</td>
<td>1.00</td>
</tr>
<tr>
<td>Casting Machine Helper-Bahmen-Relief Crane-Second Casting Ray Helper-Melt Shop Helper</td>
<td>0.99</td>
</tr>
<tr>
<td>Rolling Mill-Despatch Helpers</td>
<td>0.98</td>
</tr>
<tr>
<td>Scrap Yard Helper-Billet Yard Helper</td>
<td>0.96</td>
</tr>
<tr>
<td>Cleaner</td>
<td>0.94</td>
</tr>
</tbody>
</table>

### Rates of Pay Effective 7.12.80

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Melter-Assistant Roller-Hood Caster-Senior Ladleman</td>
<td>3.05</td>
</tr>
<tr>
<td>Caster-Casting Cranesmen-Craftsman-Row Materialists Chargehand-Yard Chargehand</td>
<td>2.80</td>
</tr>
<tr>
<td>Ladleman-Second Melter-Briccler-Furnace Operator-Finisher</td>
<td>2.70</td>
</tr>
<tr>
<td>M/W-Finishing Pulpit Operator B/H</td>
<td>2.64</td>
</tr>
<tr>
<td>Despatch Chargehand-Billet Ray Chooper</td>
<td>2.60</td>
</tr>
<tr>
<td>Stockier-Flaker-Finder-Finishing Pulpit Operator B/H-Flasher B/H</td>
<td>2.58</td>
</tr>
<tr>
<td>Mould Setup-Hill Setup-Boughor-Guide Assembler-Third Melter</td>
<td>2.52</td>
</tr>
<tr>
<td>Charge crane</td>
<td>2.45</td>
</tr>
<tr>
<td>First Torchman-Ball Crane-Billet Crane-Furnace Assistant-Shoor Pulpit-Pallatising Plant Attendanat-Checker-Sildgatemen-Craft Assistant-Mobile Crane Driver-Cold Bar Operator-Casting Ray Helper-De Caller Co</td>
<td>2.38</td>
</tr>
<tr>
<td>Loco Driver-Roll Mill Cranemen-Scrap Cranemen-Hondling N/C Operator-Stoppermaker-Hoist-Row Materialists-Gamage-Yard Driver</td>
<td>2.28</td>
</tr>
<tr>
<td>Second Torchman-Despatch Cranemen-Shunter Driver-Switchman-Coll Ray Crane-Pole Truck-Refactory Assistant-Pole Truck Driver</td>
<td>2.25</td>
</tr>
<tr>
<td>Weighman-Millman-Trachmen-Shaermen-Craft Assistant-Oiler Greaser-Millman-Road Weighbridge Operator</td>
<td>2.23</td>
</tr>
<tr>
<td>Rolling Mill-Despatch Helpers</td>
<td>2.19</td>
</tr>
<tr>
<td>Scrap Yard Helper-Billet Yard Helper-Brickers Helper</td>
<td>2.13</td>
</tr>
<tr>
<td>Cleaner</td>
<td>2.10</td>
</tr>
</tbody>
</table>

**Source:** Summary of Agreement (1976:39) 
(Labour Contract, 1980)
Figure 7.8 – Job Re-gradings 1974 to 1980

<table>
<thead>
<tr>
<th>Job Grade</th>
<th>Position</th>
<th>Previous Grade</th>
<th>Number of employees involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Yard Chargehand</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>Third Melter</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Casting Bay Helper</td>
<td>10/12</td>
<td>4</td>
</tr>
</tbody>
</table>

Of the total number of re-gradings, only 13 employees were affected, about 2% of the total hourly workforce.

There is little doubt that the organizational concept of division of labour and the authority status systems which flowed from it preserved the structure. The collectivity of both management and trade unionism maintained the structure as part of the shared purpose of maintaining industrial peace. While there were far more contentious issues to address there seemed no point in changing what had become a legal norm.

Because of the lack of foundation to the grading structure, in 1978-79 the company formed a job evaluation committee comprising a group of six managers and six JRC representatives. Using the CWS job evaluation method (a USA steel industry system of job evaluation), it spent nine months preparing job descriptions and evaluating each job in the plant. A very different type of job grading structure appeared, based on systematic principles and demonstrable equity. The company and the full JRC rejected the work of the job evaluation committee. In so doing, the company and the union confirmed that the organization had divided up work fairly and appropriately and that system had been worked to and basically accepted by all as right. While this position on a plant wide scale undoubtedly had a positive impact, it clearly frustrated smaller groups who felt undervalued and stifled initiative and job enrichment as employees strongly perceived grade advancement to be unlikely. Undoubtedly many quit their jobs, while others waited for advancement through the promotion line system.
7.9 **Staff Relations**

Of complementary importance to this study is the relationship of salaried employees to the company and, in particular, the events initiated by a trade union to seek recognition and representational rights. Staff relations at Sheerness Steel Company were the subject of major importance during the period, testing both company philosophy and union determination to organize.

7.9.1 **Staff Philosophy and Numbers**

In 1980, 29% of all employees were salaried staff. Of the salaried staff employees, 53% were management and professional staff, 47% were junior clerical and technical staff. A breakdown by category and department is shown in Figure 7.9.

**Figure 7.9 - Salaried Staff Employees 1980**

<table>
<thead>
<tr>
<th>Department</th>
<th>Management</th>
<th>Professional</th>
<th>Clerical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works</td>
<td>77</td>
<td>7</td>
<td>23</td>
<td>86</td>
</tr>
<tr>
<td>I.R.</td>
<td>10</td>
<td>19</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td>Metallurgical</td>
<td>10</td>
<td>17</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>Engineering</td>
<td>10</td>
<td>5</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Sales</td>
<td>12</td>
<td>5</td>
<td>8</td>
<td>22</td>
</tr>
<tr>
<td>Finance</td>
<td>5</td>
<td>22</td>
<td>34</td>
<td>18</td>
</tr>
<tr>
<td>Company General</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>22</td>
</tr>
</tbody>
</table>

Total 124 108 232
Staff were very important to the company. The majority were employed to manage the business and were treated as very important members of the organization. Many of the "junior" staff worked very closely with senior managers or directors. A further distinction was that the company had always sought to delineate between "white collar" staff and "blue collar" and from the first day held the view that white collar staff should be non-unionised.

That policy was based on the notion that generally white collar staff displayed a better work ethic than hourly paid employees, as they would undertake any task assigned to them within their capability, were highly flexible, worked long hours often with no compensation, rarely grumbled and generally put the company first. Nevertheless, some staff did join the union.

7.9.2 Growth in Staff Unionisation

Research was not able to determine why some staff did join the ISTC. A number of staff still in employment and who were union members in the 1970s indicated they joined more for reasons of not wanting to be left out of the group rather than for any ideological reasons. Two ex-employees, who were tracked down, indicated their reason for joining was that they had been members of a union in their previous companies (glass and paper plants respectively) and saw some benefits in union membership. Managers employed in the 1970s could offer no explanation as to why staff joined unions.
Direct Staff Unionisation

From around the mid 1970s and after The Disputes Committee report on recognition, the ISTC, probably because of its disappointment at losing membership to the craft unions, started actively to recruit white collar staff. It formed "staff branches" for technical staff, clerical staff and supervisory staff, appointed "officers" of the branch and commenced the process of signing up staff. Staff at the time recall the activity was undertaken covertly. It was not possible to determine why the company was unaware of growing staff unionisation, despite the fact it operated a 'check off' arrangement with the ISTC.

Indirect Staff Unionisation

When hourly paid employees were promoted to supervisory staff positions they accepted a new employment package. It was usual then that such staff would retain their union membership, although union involvement was inactive. The majority of newly promoted staff felt there was some security associated with their continued membership of a trade union, especially in relation to legal assistance if they were injured at work.

Attempts at Staff Recognition and an ACAS Inquiry

During the early part of 1977, the ISTC repeatedly pressured the company to establish recognition and collective bargaining rights for salaried staff employed in supervisory, technical and clerical grades. The company rejected recognition. The ISTC, upset about lack of progress, on 13th April 1977 referred the recognition issue to the Advisory Conciliation and Arbitration Service (ACAS) under Section II (I) of the Employment Protection Act 1975.
On 29th September 1977 the company conceded full recognition to the ISTC for technical staff as it was the wish of 100% of the staff in those grades. However, the company did point out that union membership for those grades was purely a matter for the individual. ACAS (1978: Report 149) reported in accordance with section 12 (11) of the EPA 1975 on 24th October 1978.

ACAS had used a postal questionnaire and site meetings in its investigations. The findings are shown in Figure 7.10.

**Figure 7.10 - ACAS Findings**

<table>
<thead>
<tr>
<th>Question</th>
<th>Results</th>
<th>Clerical/ Administration Group</th>
<th>Foremen's Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you belong to a trade union? If so, which one?</td>
<td></td>
<td>ISTC 26</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Another union 2</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Non union 11</td>
<td>16</td>
</tr>
<tr>
<td>Do you wish to have your pay and conditions determined by collective bargaining, that is by negotiations between the company and a trade union acting on your behalf?</td>
<td></td>
<td>Yes 23</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No 10</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Don't know 6</td>
<td>-</td>
</tr>
<tr>
<td>Do you wish the ISTC to represent you in negotiations with your employer about pay and conditions of employment?</td>
<td></td>
<td>Yes 23</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No 7</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Don't know 9</td>
<td>-</td>
</tr>
</tbody>
</table>

It should be noted that ACAS issued 121 questionnaires, 69 to foremen and 52 to clerical staff. 37 replies were made by foremen (6 were discounted as manager grade) and 39 replies were made by clerical. So the response rates were 49% from foremen and 75% from clerical.
Point 16 in the ACAS report was "We accordingly recommend that the Sheerness Steel Company Ltd recognise the Iron and Steel Trades Confederation generally for the purpose of collective bargaining with respect to the company's clerical and administrative staff but we make no recommendation with respect to the company's foremen".

ACAS also recommended the company and ISTC should enter into discussion concerning representational rights for staff laid out in a Memorandum of Agreement (1974) between the ISEA and the ISTC.

Company management and ISTC officials met on 28th November 1978 to consider the ACAS report. At that meeting it was agreed that difficulties concerning the 1974 "national agreement" could not be overcome and the meeting was inconclusive.

Company management considered a strategy of procrastination was most appropriate and the matter was placed in abeyance until early 1979. But ISTC pressure continued and on 15th February 1979 the company confirmed it would enter into local discussions to determine the format for collective bargaining and associated activities for clerical staff. On the same date the company wrote to the ISTC accepting representation for a supervisor who was a member of the ISTC, and who wished for representation but only in disciplinary proceedings.

The company, still very concerned about staff unionism, called staff meetings. At those meetings staff were briefed on the conclusions and recommendations of the ACAS report and were also told that while the company had accepted the report findings and would work with the ISTC to establish procedures, it was still strongly opposed to staff unionism generally and was positively against union membership for supervisory and management grades. What became apparent was that staff had not been briefed by the ISTC and had little idea of what was happening. This, together with the fact that union density was so variable among the departments (see Figure 7.11) started to cause real concern. This was heightened when some staff who did not want their pay collectively bargained resigned their union membership.
Figure 7.11

Staff Unionism: Position at 10th January 1979

<table>
<thead>
<tr>
<th>Department</th>
<th>Clerical Staff</th>
<th>Technical Staff</th>
<th>Supervisory Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total No. in ISTC</td>
<td>Density %</td>
<td>Total No. in ISTC</td>
</tr>
<tr>
<td>Melt Shop</td>
<td>1 1 100.0</td>
<td>12 6 50.0</td>
<td></td>
</tr>
<tr>
<td>Melt Maint</td>
<td>1 1 100.0</td>
<td>9 Nil -</td>
<td></td>
</tr>
<tr>
<td>Bar Mill</td>
<td>8 8 100.0</td>
<td>10 5 50.0</td>
<td></td>
</tr>
<tr>
<td>Bar Maint</td>
<td>7 1 14.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rod Mill</td>
<td>10 4 40.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rod Maint</td>
<td>4 4 40.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bill Bay</td>
<td>6 5 83.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pers/IR</td>
<td>13 9 69.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co Gen</td>
<td>5 Nil -</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Met</td>
<td>3 1 33.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eng</td>
<td>4 4 100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DP</td>
<td>3 3 100.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pur/Stores</td>
<td>13 9 69.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accts</td>
<td>7 7 28.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>59 35 59.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company Records (10th January 1979).

Resulting from these concerns the Personnel and Industrial Relations Manager on 17th April 1979 produced a paper "Staff Unionism - The Way Ahead" in order to sharpen thinking among senior management on the options on which to go forward. The document clearly endorsed the company philosophy of not wanting trade unionism for staff. Staff dissent was noted, as evidenced by union resignations, patchy membership in some departments and lack of desire for collective bargaining expressed at the earlier staff meetings. Further, declining union membership was recorded and shown in Figure 7.12.
The Way Ahead document pointed to four directions:

1. **Union Recognition**

   Proceed as agreed with the ISTC, to a full recognition agreement incorporating collective bargaining for clerical and technical staff, and an individual representation programme for supervisors.

2. **New ACAS Enquiry**

   Because of declining union membership, the marginality of majority of clerical staff and the fundamental lack of understanding amongst staff generally, the company could consider asking ACAS to undertake a follow up investigation.

3. **Staff Association**

   The most radical proposal was to attack unionism by establishing a Staff Association. The Way Ahead document stated ... "We could establish a Staff Association in the anticipation that a significant proportion of staff will leave the union and support the Association."
This would probably happen, but would almost certainly cause factions between the clerical and administrative staff with the works staff wanting union organisation and the main office staff using the Association. This would be seen by the ISTC as a blatant and somewhat radical move against unionism and would probably cause friction.

4. Management, Staff Association and Union Organisation

This was a more pragmatic approach. It suggested following the route agreed with the ISTC for clerical and technical staff but to incorporate these groups into the established collective bargaining arrangements (for hourly paid). Then form a Management and Staff Association with a view to driving away unionism from as many staff (all grades) as possible. Advantages of such an Association were seen especially in the area of communications and group cohesiveness. The document concluded that ... "This last route, if taken, will have to be handled cautiously and with sensitivity".

While the Way Ahead document was given a good airing amongst senior management, no specific view evolved. A traditional and cautious approach was maintained. The company met with the ISTC on 2nd May 1979 and proposed that clerical and technical staff should be represented by one branch but negotiations over substantive issues would have to take place through the existing JRC industrial relations machinery. Little agreement was reached and a further meeting took place on 19th July 1979. At that meeting the company presented an amended Recognition and Procedural Agreement which integrated clerical and technical staff in with the hourly grades. Once again, no agreement was reached as the union wanted separate branches for different categories of staff. However, the union saw value in branch representatives joining the JRC for the purpose of collective bargaining.
Informal discussions between the various staff groups and between departmental management and staff led the company to hold a view that the majority of clerical staff did not want collective bargaining. Further at JRC meetings it became clear that the JRC were not keen on staff representatives joining in for collective bargaining.

By the end of 1979 the company decided to take no further action as it considered the overall wishes of its clerical staff were to maintain arrangements that had existed from commencement of the company. So at the commencement of 1980 the company had no formal agreements for staff unionisation, although the company recognised and quasi bargained with a small group of technical staff. (Quasi bargained because whilst management 'met' the technical staff, they received the same pay rise as the rest of the company).

Effectively, the company, shocked by staff joining a trade union, became much more closely involved with its staff in all grades. It had taken a very persuasive line and found its clerical and supervisory staff complied with it. The union pressure and presence to secure recognition and promote membership had evaporated. Staff relations had returned to the company expected norm of limited membership and no formal arrangements for supervisory and administrative staff. While the situation was far from ideal, it was considered by management to be acceptable.

7.10 Company Performance

The organization, despite its dysfunctions and inherently adversarial industrial relations system, worked. Outside the start-up year, profits were earned each year throughout the 1970s.
In an industry noted for its cyclical nature profit per employee fluctuated from a high of £17,640 in 1974 to a low of £1,528 in 1977. No discernible trend of profit per employee improvement or decline was evidenced as market forces were most influential (Company Annual Reports 1972 to 1979).

Labour productivity, in terms of steel output per employee stood still. Comparing performances from the time of the introduction of the second furnace, productivity in 1975 at 577 tonnes per man year had fallen by 1979 to 526 tonnes per man year. The average over the period 1975-79 was 516 tonnes per year. This performance confirmed the difficulty of securing efficiency improvements through periods of productivity bargaining while maintaining non-inflationary pay awards (Company Manpower and Labour Productivity Records, 4th May 1993).

Finally, safety performance, after worsening each year during the operating-construction phase of 1972-1976, improved consistently to 1979. In 1979 the all injury frequency rate of 44.47 was 54.2% better than the worst ever year of 1975 when the rate reached 97.14 (Sheerness Steel, 1992, European Year of Safety).

7.11 Conclusion

The company established an organisation built solidly on scientific management principles in the same way as much of the American steel industry (Chandler, 1977).

The classical organisation structure and the industrial relations system adopted brought results. Sustained profitability after the year of commissioning; a steady, albeit incremental, increase in scale of operations; steady labour productivity; after construction, a regularly improving safety performance; and few industrial relations disputes. This performance was evidenced through the accumulation of pre-tax profits of £24.4M throughout the 1970s.
However, a number of organizational dysfunctions were apparent. Division of labour created conflicts and tensions which negated constant efficient operation. Promotion lines and seniority endemic to lengthy vertical division of labour often frustrated management and subordinates alike and added to costs either through "placing" the wrong person in the job or by escalating cost by introducing and protecting systematic overtime. Such a structure de-humanised work so restricting employee motivation and contribution. The organization could not achieve employee compliance with the 'classical' model of organization. A whole range of issues were challenged by employee and collectively by trade unions who were given power and authority by their formal recognition within the organization. While that recognition often supported the organisation it also challenged it. This was especially so in productivity bargaining, where the company was forced to buy back inefficiency caused by organizational defects or bad management. Such dysfunctions would more than likely have frustrated full organization effectiveness and restrained company profitability. It would also do much to explain the developing power of trade unionism and its challenge to management, especially during the 1970s.

The company established a single union plant in 1972. This was quite innovative at that time, but in 1974 a six week strike gained recognition for three additional unions. A joint committee was established for the conduct of consultation and negotiation. The company used that committee to 'control' union power and make the best it could from a more traditional adversarial setting while the unions bargained aggressively to maintain the status quo. This required a compromise approach which generally worked well, with industrial conflict being minimal.
The company took a different view with white collar staff. It fought off a recognition campaign which involved an ACAS enquiry. This approach was taken because the company firmly believed that its staff, especially management, had no need for unionisation. This activity did not affect relations with blue collar workers and was dealt with in isolation. The company ended the 1970s with good employee relations.

During the 1970s performance while perhaps not maximised was acceptable to the owners and enabled the company to build sufficient strength to face a very serious worldwide recession in the early 1980s.
CHAPTER 8
CRISIS OF UNIONISM IN THE COMPANY, 1980-1983

8.1 Introduction

The period 1980 to 1983 was a crisis period for trade unionism in the Company, especially for the ISTC. The ISTC failed to secure the support of its members at Sheerness Steel in a national pay dispute in British Steel. The ISTC expelled the Sheerness workers but subsequently reinstated them. Over half of the salaried ISTC membership at Sheerness resigned their membership because of ISTC hostility to Sheerness Steel Company. The Company made significant structural change and downsizing through two years of recession, and while internal relationships were strained, no challenge was mounted by the ISTC or craft unions. Finally, the Company terminated a casting crew for failing to work to new practices and without challenge (outside the Appeal procedure) from the ISTC.

It was a significant period which saw a swing away from traditional pluralistic industrial relations, and a decline in the influence of the trade unions. Although this in itself led to no dramatic change in the industrial relations system, it laid a foundation for new attitudes and beliefs which were to facilitate fast moving change throughout the next ten years.
8.2 National Steel Dispute

At 6.00 am on 2nd January 1980 all British Steel Corporation plants ceased operations as steelworkers went on strike in support of a pay claim. Steel companies in the 'private sector' were not involved. Over the first two weeks in January everything remained normal at Sheerness, although in traditional steel areas a number of private sector companies had operations disrupted due to heavy picketing. On 17th January 1980 private sector steelmakers received a copy of a telegram sent to the British Independent Steel Producers Association (BISPA), confirming a decision taken by the ISTC, to involve the private sector by instructing their members to strike from 27th January should the dispute not be settled (Company Records, 17th January 1980). This was unconstitutional action as the private sector was not in dispute with the ISTC and such action was outside the agreed local and national disputes procedures.

Senior management met with the JRC on 17th January and advised it that any action at Sheerness which disrupted operations would have catastrophic consequences, especially to the company's export business which was both price and delivery sensitive. It was a tense meeting with management and the JRC feeling bitter that external pressures, not of their making, could seriously jeopardise operations and job security in the company.

On 18th January the senior management learned that a number of private sector companies had ceased operating and that picketing was spreading. Determined to maintain operations, the management declared:

i) It would make steel even if some or all ISTC members went on strike using other union labour or staff or both.

ii) It was not worried about 'product blacking' as a considerable amount of steel was going overseas and quite a lot to smaller companies who were not unionised. Most of the hauliers were owner drivers and had confirmed they would break any picket lines.
iii) It would support all employees who crossed picket lines if picketing took place.

iv) It would guarantee employment to any employee who worked contrary to the ISTC instructions and who may be expelled from the union.

On the basis of the declaration the ISTC branch officials held branch meetings at 11.00 am (131 attended) and 7.00 pm (157 attended) on Monday 21st January. The turnout was 54%, very high for a branch meeting. According to reports from shop steward's who attended the meetings, the full-time ISTC official was 'shouted-down'. Formal feed back to the company indicated the Branch would not strike. It would communicate this to the ISTC General Secretary, and further, it intended to enter into dispute with ISTC under clause 43 (settlement of disputes within the union) of the union rules.

On 22nd January 1980 the branch officials entered into dispute with their union. A telegram sent to the General Secretary stated "I have been instructed by this branch to lodge notice of dispute with our Executive Council under rule 43 sub clause 5 with regard to the Executive Council's decision on the forthcoming withdrawal of labour in the private sector of our organisation. The result of this withdrawal even in the event of a short stoppage, could do irreparable damage to the livelihoods of our own confederation members, bearing in mind that Sheerness in particular, have wage arrangements and agreements for the forthcoming year, and therefore we would be in breach of agreements already made with our company and this is not the policy of our organisation or its local officers" (Company Records, 22nd January 1980).

On 23rd January, the day picketing commenced, the senior management met all the unions and advised them of the consequences of a cessation of operations in the company. It advised the ISTC official that with effect from Sunday 27th January it was in dispute with the ISTC over breach of procedures and unless the matter was resolved, all agreements and arrangements with that union would be suspended including the Recognition Agreement.
At the same time, salaried staff in the ISTC started to notify the company they had resigned from the union. These resignations were unsolicited. Over an eight week period 51% of all staff in the ISTC resigned their membership (see figure 8.1). 81% of supervisory staff and 60% of clerical staff left the ISTC. No-one from the eighteen strong technical branch resigned. Considering the effort put in by the ISTC to secure recognition for supervisory and clerical staff just a few years earlier, it must have been a real blow to the ISTC to lose the majority of their members.

Figure 8.1

Staff Resignations from ISTC

<table>
<thead>
<tr>
<th>Week Ending</th>
<th>Supervisory</th>
<th>Clerical</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.1.80</td>
<td>7</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>26.1.80</td>
<td>9</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>2.2.80</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>9.2.80</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>16.2.80</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>23.2.80</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1.3.80</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>8.3.80</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>17</td>
<td>21</td>
<td>38</td>
</tr>
</tbody>
</table>

Total in union before resignation: 21 35 56

Source: Company Payroll Records
As picketing grew, the senior management recognised that to maintain employee confidence, strong leadership would be needed. Daily, the Works Director and the Industrial Relations Manager spent hours in the works talking to shop floor workers and supervisors building their confidence and motivation. They also mingled daily amongst the pickets, basically to demonstrate that they were harmless and to collect information for planning purposes. Additionally, the company held two plant meetings on 25th January to update everyone with the events of the dispute, and to advise on the consequences of strike action at Sheerness Steel, namely, cut backs in operations and substantial job losses.

The company management were leading their employees into a position where they were going to stay at work. The meetings were held in small rooms where half the attendees had to stand while most sat on the floor. No-one was going to turn his back on this fight because that was how it was put - a fight 'we' had to win. Management-union relations at Sheerness Steel had been set aside, it was employees (management and workers) against the union (ISTC).

The ISTC Branch met that day and voted 274 to 29 (with 6 abstentions) in favour of continuing to work normally. That meeting also voted to suspend the payment of union dues.

In response to employee concerns, the company introduced two new pedestrian gates, one of which was hidden away at the back of the works. These were manned, at all times, by special 'internal security staff'. Further, the company provided busses to bring workers in. The busses were important as they protected employees from pickets and protected cars from damage by pickets (quite a few cars were damaged during the early days of picketing).
These new measures were important as 29th January saw the largest picket so far at the works, up to 54 in number. For the first time there was violence on the picket line, some lorries were damaged, threats were made to Sheerness steelworkers and two pickets were arrested. The police reduced the number of pickets to four to talk to a lorry driver to avoid intimidation. This reduced violence but made it almost impossible for pickets to prevent vehicles entering or leaving the works.

An injunction, obtained by the private sector steel companies, to prevent strike action, was overturned by the House of Lords on 1st February 1980. The ISTC immediately re-issued an instruction for all its members to strike from 6am on 3rd February.

As a result of this latest action, the senior management debated, at length, the advantages and disadvantages of derecognizing the ISTC. The conclusion of the debate confirmed that the steelworkers union had been a moderate union, not causing the company any real difficulties. A move of the steelworkers to one of the craft unions would be unlikely because of inter-union machinery (Bridlington Arrangements) for the avoidance of 'poaching' and would be even more inflammatory at the time of an industrial dispute. The prospect of operating a 'non-union' shop was considered 'impossible' to achieve and the formation of a new union for the process workers was considered an unlikely option. Company management considered the best course of action was to ensure employees did not strike, to maintain full operations and to deal with the consequences of that action. Management attention turned to plant security and continued strong leadership to ensure employees remained at work.

On 3rd February, ISTC members withdrew from all private sector companies, other than Sheerness Steel. Over the twenty four hours of 3rd February, attendance at work amongst the hourly workers was 83% (see Figure 8.2). This does not suggest an absence rate of 17% as it was normal practice for employees to work 12 hours shifts to cover sickness absence and holidays.
Figure 8.2

Attendance - 3rd February 1980

<table>
<thead>
<tr>
<th>Department</th>
<th>Shift</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6-2</td>
<td>2-10</td>
<td>10-6</td>
<td>Day shift</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expect</td>
<td>Actual</td>
<td>Expect</td>
<td>Actual</td>
<td>Expect</td>
<td>Actual</td>
</tr>
<tr>
<td>Steelplant</td>
<td>52</td>
<td>47</td>
<td>45</td>
<td>35</td>
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<td>37</td>
<td>54</td>
</tr>
<tr>
<td>Bar Mill</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
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<td>99</td>
</tr>
<tr>
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<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Rod Mill</td>
<td>34</td>
<td>31</td>
<td>36</td>
<td>31</td>
<td>36</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>36</td>
<td>31</td>
<td>36</td>
<td>31</td>
<td>36</td>
</tr>
<tr>
<td>Cleaners</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Billet Yard</td>
<td>104</td>
<td>94</td>
<td>99</td>
<td>93</td>
<td>103</td>
<td>101</td>
</tr>
<tr>
<td>Storemen</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
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<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Totals</td>
<td>104</td>
<td>94</td>
<td>99</td>
<td>93</td>
<td>103</td>
<td>101</td>
</tr>
</tbody>
</table>

It was known that two employees went on strike on 3rd February. One stayed out for a day and the other for three days. Thereafter they returned to work and worked normally throughout the steel dispute. It was likely that the 35 pickets present that day had some influence on the two employees who withdrew their labour.

In early February the number of pickets grew. At that time some of the wives of steelworkers became involved. On 5 February, a deputation comprising twenty-one wives of Sheerness Steel employees arrived at the works entrance and protested in front of about 100 pickets. Their leader had organised the deputation because she thought "morale was a bit low in the Mill ..." (Sheerness Gazette and Times, 28th February 1980).
Throughout the picketing period, wives, relatives and friends of employees were frequently found at the Works entrance. They carried banners, booed the pickets, and cheered the steelworkers at shift changeover, and cheered lorry drivers as they entered or left the Works. Undoubtedly their motives were mixed. Some research into newspaper articles uncovered such comments as "We feel it is our duty to back our men"; "How can you bring up children on £20 per week social security" (The Times, 7th February 1980) and "... Unions ... have become too powerful. People must have freedom of choice" (Sheerness Gazette and Times, 28th February 1980). But whatever their motives, management believed they gave encouragement to the steelworkers to cross picket lines to maintain steelmaking operations.

The ISTC branch meetings of 6th February 1980 resulted in a 96% turn out and an overwhelming vote to continue working. The vote was 468 to 7.

7th February saw the first 'mass' picket. About 150 pickets, arriving in coaches and accompanied by union officials and lawyers, attempted to prevent employees and vehicles from entering the works. About 60 police were in attendance. There were many scuffles between police and pickets and six arrests were made. However, shift changeovers in the plant worked smoothly and operations continued normally. The vast majority of suppliers and hauliers continued to cross picket lines.
Intelligence reports through steel company management networks and through police intelligence indicated a heavy picket at 5.30 am on Monday 11th February to prevent the morning shift going on. The company decided to effect the changeover before 5.00 am. Staff were instructed to enter the plant through the 'secret' back gate. Hauliers were told not to report to the works during the morning. Internal security was boosted to 50 staff so that regular perimeter patrols could be made. A large police presence was agreed. Finally if picketing was very heavy, the afternoon shift would be deferred until 5.00 pm when it would be expected that most pickets would have left. Shift supervisors contacted employees by telephone at their homes. All senior management were instructed to be at the plant before 5.00 am. About 300 pickets arrived. The police strength was at 100. The plan had worked and the pickets left frustrated before the late afternoon change. At least four pickets were arrested and there was some damage to company property. There were further mass pickets on 13th and 14th February.

The failure of the pickets to bring steelmaking to a halt brought major media attention. Once again, Company management considered such attention lifted morale and helped maintain a level of confidence and pride which helped sustain the steelworkers' resolve to continue working. In fact, over the period 10th January, when the first article appeared, to 26th March 1980, when the last article appeared during the dispute, the number of different newspaper articles averaged 6-7 per day and peaked at 85 on 20th February. There were in total 516 different articles, of which 121 were printed in Kent newspapers and the balance in national (172), provincial (215) and overseas newspapers (8).

Publicans and shopkeepers stopped serving pickets with refreshments. Sheerness was praised by the Prime Minister in Parliament. There was a tide of community spirit and pride that would not be broken. The steelworkers and company management really believed they could deal with any situation.
During mid February, the management announced profit share payments for the last quarter of 1979 which equated to two weeks pay. Management quickly learnt how pleased employees were and so lost no time in saying that, if they kept working, the profit share bonuses for the first quarter would be even better.

Company intelligence networks discovered union plans to send 5000 pickets to Sheerness on 18 February.

The senior management, concerned for the safety of employees, members of the community, hauliers and pickets, put the following plans in place:

i) Stop all deliveries of raw materials and finished steel to avoid picket line provocation and risk of personal injury.

ii) Change morning shift at 4.00 am and bring in all day workers and office staff also before 4.00 am - avoid all movement of personnel through works entrance during the day.

iii) Effect morning to afternoon shift change at 5.00 pm after picket subsided.

iv) Step up internal security - further strengthening of fences, introduction of barbed wire, water cannon etc.

v) Increase internal security officers to enhance patrolling and guard critical installations such as the oxygen plant.

vi) Double up medical department staff in case of injuries.

The police confirmed these plans were sensible and advised that reinforcements were to be brought in from the London Metropolitan Police Force, who had experience of riots and massive turnouts, and from Sussex and Essex. There would be at least 1,000 police in attendance by 4.00 am and a facility to call in more quickly.
At this time, hundreds of letters of support and congratulations were received from the general public. According to the Chief Executive, over 500 letters were received. Research discovered 232 letters of support and one letter criticizing the action by the workers at Sheerness Steel. 116 supportive letters were sent by people residing in Kent and 116 were sent by people living in other parts of the United Kingdom. Letters were received very regularly throughout the first three months of 1980. The company displayed many of them on noticeboards and they were a source of encouragement and inspiration for all who worked.

A further encouragement came from management with the posting of the January profit share. An extract stated "... THE JANUARY BONUS IS THE HIGHEST MONTHLY PAYOUT SINCE 1974. ... More than 2.5 times the best monthly profit sharing bonus in 1979" (Company Records, February 1980).

On 20th February, the night shift changed with the morning shift at 3.30 am and all day staff were in well before 4.00 am. The Industrial Relations Manager checked the change. 1000 police arrived, coach after coach load, and by 4.00 am were lined, shoulder to shoulder, in a 250 metre line at the front of the works with greater depth at the flanks. Other groups of police marched up and down in front of the works. The internal security group marched the perimeter reporting to control at five minute intervals.

Pickets started arriving by the coach load at dawn. With so many, it was very difficult to assess a true number. Estimates made by the police, based on the number of coaches and out of area cars suggested 2000 pickets. It was a bewildering event for the pickets who were refused refreshments at shops, restaurants and pubs and because they saw no steelworkers enter or leave and no vehicle movements. The police were always in command. There were a number of scuffles and 21 arrests were made. Tactical planning, effective communications and full community support had outwitted one of the largest pickets in British industrial relations.
One of the more difficult events that day was preventing a 'community march' to the works which could have resulted in ugly scenes at the picket line. In fact, the community supported the steelworkers throughout the 'dispute' period.

Early on in the dispute, the Sheerness steelworkers appealed for support "We at Sheerness Steel have been threatened with mass picketing at our works ... Let us on the Isle of Sheppey, not give any welcome to these unwelcome visitors" (Sheerness Times Guardian, 8th February 1980). The response was considerable and well publicised in the local press. A typical report stated "... Everyone from school children and shop keepers to wives and the steel workers themselves are united against a common foe" (The Kent Evening Post, 19th February 1980). Most small shops, businesses and pubs in Sheerness Town Centre displayed signs 'We support the steelworkers!' or 'Pickets not served here!' The people of Sheppey have always stood up to adversity very well displaying a stubborness, cohesiveness and resilience of significant proportions. Pahl & Dennett, (1981:31) termed it the 'Island Mentality'.

At 4.00 pm the last of the pickets departed and the morning shift was relieved by the afternoon shift. Another day of mass picketing had failed to prevent steelmaking. The company considered the mass picket failure was a humiliation for the trade unions and it considered another mass picket would be unlikely. Normal shift changeovers were resumed but bussing continued. Over the next week, picketing was quiet and in small numbers. In fact, the company provided tea and buns for both pickets and police. Throughout the National Steel Strike, the company was picketed continuously for 61 days.
On 26th February, the General Secretary of the ISTC announced on TV that their members at Sheerness had been expelled from the union. It was not until 2nd March that the branch officials were notified.

The management and branch officials met and exchanged views, but decided to take no action. The company agreed to honour existing agreements and arrangements and to provide legal support, without charge, to individuals in the event of injury. The branch officials requested the company not to pass on union dues collected from check-off arrangements.

The Industrial Relations Manager reviewed the alternative position open to the company (Company Records, 26th March 1980) which included operating a non-union shop; forming a Staff Association; establishing a new independent union and re-directing the process workers to join another union. The senior management's preferred option was for process workers to join the AUEW, with whom the management had sound working relationships, although there was no strong opposition to continued recognition of the ISTC. However, a 'waiting-game' approach was adopted.

By the end of the month, a Committee of Inquiry on the steel dispute had met and produced a recommended settlement. It was accepted by all parties and the strike ended at 6.00 am, 3rd April 1980.
Company management met the ISTC Assistant General Secretary on 15th May 1980. The ISTC confirmed it did not want to lose membership at Sheerness Steel but the Sheerness Steel workers were persona non grata with other ISTC members. The management confirmed that retention of relationships with the ISTC was preferred, but had alternatives if that was not possible. As a result, the branch officials wrote a conciliatory letter (Company Records, 15th May 1980) to the ISTC explaining their action was purely to preserve jobs in a socially, economically and environmentally disadvantaged area. Further, as short serving members they lacked understanding of ISTC traditions. A few months later and without ceremony, the ISTC Executive Council decided unanimously not to expel the Sheerness Steel workers but issued a severe reprimand to them for failing to carry out official instructions. It would appear the membership fees were far more important to the union than any satisfaction gained from expulsion.

8.3 Lessons Learned by The Company From The 'National Steel Strike'

Over the three month period, the Company had won the 'hearts and minds' of its employees. It had never tried to do that before and having all (or certainly the majority) of its employees sharing in common beliefs and goals was a unique experience and one which was essential to bind manager and non-manager together against events which threatened the job security of everyone. Many of these 'shared beliefs' had come from management and employees talking to each other directly about their concerns and ideas. This was possible because the union, structurally imposed between employees and management through the agreed system of industrial relations, had been temporarily suspended. This allowed management and worker to establish a new relationship.
However, in the absence of a new and sustainable IR system (HR thinking was neither developed nor thought about), the management maintained the initiative through effective leadership. That leadership held potential risks as failure to secure a strong following could have risked the business and seriously soured internal industrial relations. But strong leadership did work well and the company learnt the importance of listening directly to its workers, nurturing them and motivating them through difficult times. It also promoted thinking about the importance of being different. The new thinking included derecognition, 'non-union shops', 'staff associations', 'staff' and 'hourly paid' work ethics, communication systems, methods of motivation and methods of transforming internal relationships. In effect, management asked, is there a better way of handling industrial relations? At the time, the question was not answered, but the seeds had been sewn and the change process had commenced even if it was only at the idea creation stage.

The management also learned much about the character of its workforce, its insular approach, its lack of strong affinity with trade unionism, its ability to work closely with management and its ability to be flexible and responsive. The employees demonstrated a commitment to the company which other steelworkers had not given and which probably very few shop-floor workers would have given at that time. While no doubt loss of pay and the prospect of redundancy would have been influential, there were many other issues which were illustrative of changing behaviour and attitude such as attendance levels, turnout at meetings, general co-operation, in-plant flexibility, idea generation and the team cohesion, especially between manager and managed.
The senior management had seen its employees participate in a far more unitary perspective of industrial relations. Most had benefited, either directly or indirectly in terms of pay, bonuses, job security, team support etc. Was this a pivotal point for both management and union? Was it an all time high for the senior management to build upon? and was it an all time low for the ISTC and would it ever recover? These were important questions on the minds of many but a rapidly advancing recession probably replaced the attempt to find answers to these questions as new questions concerning survival took over. The market situation became so serious that the necessity for job change and redundancy became overwhelming and the traditional and known pluralist system was quickly resumed. This continued the crisis for the trade unions who were challenged continuously with change and major member losses through redundancy programmes. The steel industry was in a manifest crisis.

8.4 Recession and Survival 1981 - 1983

8.4.1 Manifest Crisis

This was a period of worldwide recession which had a cataclysmic effect on the steel industry. Hundreds of steel companies across the globe went bankrupt and closed. The situation was so bad in Europe that the European Coal and Steel Community, under Article 3 of the Treaty of Paris, declared a 'manifest crisis'. It introduced a system of mandatory production and sales quotas to re-align supply and demand to bring stability back to the steel market, so preventing 'price wars' which inevitably led to less efficient steel producers becoming bankrupt. The Commission appointed one hundred inspectors to supervise compliance and introduced enormous fines for violators. This system was supported by a steel pricing mechanism designed to prevent unfair and discriminatory pricing practices and conditions of sale. In addition, the Commission introduced a programme to control state aid to the steel industry, including a timetable to completely phase out state aid.
The overall aim of the Community measures was to eliminate excess capacity, balance supply and demand, and help make the industry competitive. During the period of manifest crisis (1980-85), the workforce engaged in the steel industry within the European Coal and Steel Community fell from 598,000 to 426,000 or by 29% (European Commission 1980-1988).

Sheerness Steel Company over the similar period cut its workforce by 25%. Over the period 1981-1983, employees were reduced in number from 806 to 592. The company took every initiative to prevent lay offs, but the recession was too great and redundancy programmes were effected on a number of occasions, both voluntary and enforced.

8.4.2 Cut-Backs and Conflict

The first cut backs came in February 1981 when steel plant production was cut by six operating shifts and two operating shifts were taken out of the Rolling Mills. 62 hourly employees' were demoted, via the seniority system, to a plant labour pool. All overtime was cancelled, the pool labour filled in and employees' holidays were scheduled to use pool cost effectively. The measures, designed to avoid redundancy, were disliked intensely by the workforce as agreements had to be suspended and all of the hourly paid lost money through lost overtime and demotions. The situation was challenged by the ISTC branch officials but supported by the ISTC full time officer (Company Records, 5th February 1981) and the company plan was implemented. Even a branch ballot supported the company plan by 150 votes to 88 (Company Records, 10th March 1981).

In March, a further five operating shifts were taken out of the Rolling Mills and shift patterns across the plant were changed.
Industrial relations, after the togetherness of 1980, were soon returned to a more adversarial approach. Every management change was challenged. There was no 'working togetherness' to overcome the recessionary difficulties the company was experiencing. The union and their members were concerned about loss of pay, upset routines, different shift patterns and all issues which affected the individual. Limited concern was expressed about the company, which at the time was making losses. It was a period where reaching agreement on anything was almost impossible. An example was the wedding day of the Prince of Wales on 29th July 1981. Although declared a public holiday, there was no legal obligation to afford a paid day of holiday. Six separate negotiating sessions with the JRC failed to agree arrangements.

The third retrenchment announced in May necessitated a redundancy programme involving 70 people. It was the first time ever that the company had contracted jobs (Company Records, 5th May 1981). The company had to accept a 'last in, first out' selection system for redundancy which was operationally inefficient, as better workers were lost and quite a lot of labour mobility and re-training were required to re-balance promotion lines and achieve effective operational manning requirements. Industrial relations were very difficult. Under union instructions, overtime was refused, little response was given to emergencies and any lapse in safety was used by the unions to make situations extra difficult for management. A branch minute stated "Pre-planned overtime on production should cease ... No overtime should infringe on another employees job ..." (Company Records, 19th June 1981). Eventually, both sides compromised and new arrangements were agreed for shift rotas, overtime and the Royal Wedding.
8.4.3 Harmonisation: The First Step

A Labour Contract settlement below the cost of living helped to re-focus both sides back to company well-being. It introduced the concept of 'harmonisation' (Labour Contract 1981/82). Consolidated pay was introduced which fixed the rate per hour for all hours worked irrespective of when they were worked or how many were worked - it eliminated premium hours, and was an early step towards common terms. It took several months to secure the agreement.

Harmonisation was considered an approach whereby the company could start a programme of reducing conflict and regaining the strong ties of togetherness established in 1980. More pragmatically it 'guaranteed' pay, so reducing the emotiveness and unhappiness which had resulted over the past year with some of the shift changes, especially in relation to rest day working and "21st shift" premia. The Agreement was, therefore, both pragmatic and innovative.

By the Spring of 1982, the market had deteriorated further and the management changed rotas to reap energy savings, banned recruitment and overtime, and asked all employees to be flexible and mobile. The JRC replied "... We totally reject the management explanations ... We do not believe that the situation is as critical as told ... This is seen as a permanent adoption of new manning levels and working practices" (Company Records, 13th April 1982). The next few weeks were very difficult, especially on the continuous casting plant where the 'hot metal' workers had always been regarded as a tough lot. An unofficial work stoppage in that department was narrowly avoided and it took a joint management-union statement to calm matters down. "It is agreed a fresh approach should be taken which is based on improving relationships engendering a trusting and understanding climate and achieving the most efficient Continuous Casting Machine operation" (Company Records, 30th April 1982). The industrial relations procedures, and in particular, the immediacy approach of management and JRC had not only avoided conflict but had given new direction.
8.4.4 Further cut-backs and major redundancy

The company situation continued to deteriorate and on 1st May 1982 the company announced a further cut back in steelplant operations. Melting would operate on 15 shifts, the Bar Mill on 15 shifts and the Rod Mill between 7 and 10 shifts. This time the redundancy was particularly severe, cutting 23% of all employees resulting in 130-140 employees losing their jobs. A few took voluntary redundancy. For the majority it was enforced with hourly paid employees selected by 'last in first out' principles and staff on performance and ability. The redundancy was executed clinically and speedily in a difficult atmosphere.

8.4.5 Employee opposition through restrictive practices

Relations with the unions became even more strained and two unions imposed an overtime ban. This was lifted after continuous pressure and persuasion by management. But almost immediately afterwards, the management were confronted with a 'blacking' issue. Two crafts unions complained that the company was contracting out work after making employees redundant. The craft unions 'refused to work' with any contractors employed in the works who were not fully paid up members of a trade union. This was a good example of a disagreement which at first sight does not seem too damaging to operations, but it created huge amounts of unproductive time while shop stewards and managers checked that contractors held appropriate union membership. This dispute took some time to settle.
The management was engaged in an almost constant dialogue with unions. It took its toll on both sides. Many shop stewards resigned because they could not handle the pressure or the constant 'attacks' from both sides. Management worked incredibly long hours dealing with their normal activities around union meetings. If it was not enough to put up with the difficulties affecting the steel industry, the AUEW members went on strike for one hour on 22nd September 1982 to demonstrate solidarity with National Health Service Workers.

8.4.6 The Casting Crew Incident

At the beginning of November, the company announced further cut backs and another redundancy programme affecting 70 employees. This was accompanied by an efficiency plan which revised manning levels and working practices. The ISTC confirmed its opposition at a branch meeting "... The manning levels have not been negotiated ... ISTC members will conform to company reorganisation but will insist that current manning levels be maintained ..." (Company Records, 4th November 1982).

12th November 1982 was regarded by management and unions as a major turning point. The Industrial Relations Manager was called in at 2.00 am when the Casting crew refused to process steel. A crew member who had worked 2.00 pm to 2.00 am went home leaving the crew under-manned in their view. Discussions with the crew failed to resolve the problem. Both men and management were frustrated, the latter from continual opposition to every survival plan and the former from constant change and insecurity. Management instructed the crew to process steel. The crew refused and management dismissed them. It was a dramatic and symbolic event. The decision was not challenged by men or union. That event is now 'folklore' in the company, but seldom a year passes without discussion on those events.
This event was probably the most challenging industrial relations decision that management had ever made. Before that time, management had not challenged the workers or unions to the ultimate sanction of dismissal. For example, management had been passive during the 1974 recognition dispute; bargained hard at Labour Contract Negotiations but usually secured agreement through compromise; and took strong leadership during the 1980 national steel dispute but did not challenge the ISTC who expelled the Sheerness steelworkers'. On the other side, the JRC had always endeavoured to solve problems and primarily because of the immediacy approach (the immediate resolution of problems), seldom had the need to initiate serious sanctions.

That night of 12th November was not planned, although the company had advised the JRC that the company would not survive without the manpower reductions. The company had made its largest ever loss the previous year, and it was still suffering heavy losses. The management had been working extremely hard and for very long hours for almost two years. They were highly sensitive to resistance, especially as they believed their actions to be of benefit to most employees in the long term. It is not so surprising, therefore, that such a dramatic decision was taken in that business environment that night. What perhaps surprised most management and workers, in the clear light of day, was that the decision was not compromised.

It is quite likely that the events of 1980, together with heavy redundancies and many changes in work arrangements which followed, and which the ISTC had been powerless to prevent, had severely weakened the union. In such circumstances, it is perhaps understandable that no serious challenge to the casting crew incident was levelled by the ISTC. This apparent union weakness was not recognised by senior management in the company. Management however, recognised that because of the severity of the incident, many of the workers were fearful of challenging management. In fact a number of workers expressed personal views to a number of managers that the right decision had been made. Some managers and workers suggested that the event released all the tension built from two years of upheaval in industrial relations and that enabled a welcome escape from the constant adversarial relations which had prevailed since early 1981.
The appeal hearings, which took over a week to hold, confirmed the
dismissals. No post mortem took place. It was a turning point which
enabled the management to look towards a new vision for future
industrial relations.

8.5 New attitudes and understandings

The JRC became more co-operative. The company had announced its new
survival plan. "... Manning, however, will only be maintained against
the operational needs of the plant. Numbers will not be maintained for
the sake of maintaining numbers. ... Maximum mobility of labour within
departments will be needed ..." (Company Records, 7th December 1982).
The plan was implemented and worked to. Labour Contract negotiations
were deferred on the basis that the company could not afford to
increase costs at all.

At the beginning of 1983 increased demand from Europe enabled the
company to increase capacity but with no increase in manpower. This
was rejected by the AUEW and the Boilermakers who proposed a 'blacking'
and a ban on contractors (Company Records, 5th January 1983). This
divided the unions as the ISTC and EETPU were working to the new
arrangements. That issue and the pay negotiations deferral became the
subject of a number of meetings involving the JRC and full time
officers. Eventually, the company and unions agreed a postponement to
pay negotiations for seven months. The new Manning and working
practices would be adhered to so long as there were no more lay offs.
The 'agreement' worked. The company slowly put back more producing
shifts and deployed manpower more effectively.

It was a difficult industrial relations year with even the smallest
issue taking on alarming proportions. The battle for survival had
taken its toll on relationships. The company experienced losses
amounting to £1M and the workforce had been reduced by over a quarter
and the survivors had all lost large amounts of pay.
A new Labour Contract introduced a new bonus scheme which was partly to recognise the seven month pay pause but principally to promote plant efficiency. The Contract also emphasised the need for ongoing improvements to labour productivity. "The company and the JRC ... accept that changes will have to be made ... to increase labour productivity" (Labour Contract 1982/84). This was a major departure from previous productivity bargaining which was specific and totally economic.

The company was, therefore, coming out of recession with the prospect of enhanced job security, a greater understanding and involvement with the unions and workforce on efficiency, a new bonus scheme which would directly recognise achievement, and an embryonic harmonisation programme to work on. The management now had time to return to that important question posed in 1980 - is there a better system of industrial relations?, and what changes will need to be made to change the system?

8.6 Conclusion

The period 1980 to 1983 was a turning point for industrial relations. The trade unions, and in particular the ISTC, lost members, lost influence, and lost bargaining strength. This enabled the company to steadily facilitate a change away from the pluralism of the 1970s to a more unitary perspective.

This was first identified when management took a wide range of initiatives to promote and support the workers in their refusal to strike during the national steel dispute. That crisis, for the union, was followed by more crisis as the company effected a number of downsizing programmes which required redundancies and significant changes in working practices for those surviving.
With major recession and high unemployment, the unions accepted these programmes, although they were all resisted in different and, for management, irritating ways. Although the frustrations were apparent to the workforce who saw 25% of their work colleagues made redundant. Those frustrations and irritations probably contributed to the termination of a casting crew who refused to process steel at lower manning levels. This was a challenge to which the union had no answer.

All these crises, in the end, pulled management and workers closer together. Management had changed its traditional approach. The recession had brought the requirement to become more efficient to survive. New levels of efficiency could not be achieved without changing methods of work and improving productivity, neither of which could be achieved without cooperation from the workforce.

The management's change programme was based on working together for survival, namely applying a more unitary perspective. The implications of this for the company were important. The company survived the recession while many other companies failed. The vast majority of employees retained their jobs and were convinced of better times ahead. Further, the memory was fresh concerning the leadership management gave during the national steel dispute which without doubt improved job security and enhanced workers pay. The management convinced many employees that its survival came about because management and workers shared a common goal to survive. The achievement had occurred because of a marked move towards a unitary perspective of industrial relations. This swing enabled the development of a climate much more receptive to change in the 1980s than had been experienced before.
CHAPTER 9
GENERATING CHANGE DURING THE POST-RECESSIONARY 1980s

9.1 Introduction

During the first few years of the 1980s, management and employees had experienced considerable change. The unions experienced crisis as the management implemented wide ranging structural change programmes and re-shaped many working practices, aimed at countering the impact of recession. The Company survived, whereas many steel companies throughout Europe and the world went bankrupt.

Towards the end of the recessionary period, namely 1984, the Company had limited funds for capital investment, the traditional way of improving efficiency. However, senior management had recognised, from events over the last few years, that a far greater contribution could be achieved from its employees. As a result, the management decided to continue with an ongoing change programme which would consolidate recent structural change and examine new methods to generate further change. The management saw future efficiency improvements coming from investment in people. It was hopeful that improvements in employee contribution would lead to sustainable increases in Company performance. This strategy would require learning from others, as well as generating an ongoing change programme. The remainder of the 1980s were taken up with a wide range of change programmes. These were aimed at winning back the hearts and minds of employees so that everyone would contribute to the common vision of high performance and business success.

9.2 Benchmarking

The Japanese, over four post war decades, have shown the world how to capitalise from others' achievements. The process of improving business performance by learning from other companies how to do things better is known as 'benchmarking'. Benchmarking had regularly taken place in the worldwide steel industry, but principally in relation to plant and process technology.
9.2.1 The German Experience

During 1983-84, the company was at a crossroads, weak financially, unsure of its capability to meet future competition but determined to capitalise on an under-developed and under-utilised human resource. As a result of downsizing over the previous two years, the management had recognised a wide range of inefficient labour practices which needed to be replaced by more efficient methods of working.

Through benchmarking the management used international links to examine top performance achievements around the globe. A company with a most impressive performance was Badische Stahlwerke AG (BSW) at Kehl in West Germany. The Industrial Relations Manager visited that plant on 17th and 18th April 1984 and found that "While this company has not been afraid to invest in new plant and equipment, it is a shining example of a company which is prepared to invest in people. It firmly believes that its success is founded on the efficiency and motivation of its people" (Company Records, 24th April 1984).

In June 1984, the Industrial Relations Manager took the JRC to BSW for a detailed three day visit. The key reasons for taking the JRC were to give them a 'cultural shock' by experiencing first hand a totally different working environment. A subsequent technical know-how agreement involved a major training programme, designed to facilitate cultural change. Five groups of employees visited the plant in Germany. The first group comprised directors and senior executives who experienced the BSW philosophy of management and examined performance achievements, practices, developments and future plans. The visit stimulated much thought about where the company stood and how it should go forward. Over the period June to October 1987, fifty six employees followed for fourteen days training in four groups of fourteen, each led by a manager and comprising four supervisors/engineers and nine operators/craftspersons. In all, 25% of Melt Shop employees visited BSW. The training programme cost £260,000.
The teams which comprised mainly hourly paid workers, were set four key tasks:

1) To gain experience of a very high productivity performance steelmaker.

2) To compare their individual and plant performance with BSW.

3) To observe and determine how they could improve their own contribution.

4) To gather information on working practices, methods and equipment to assist the company improve its performance.

One of the team leaders commented at a later conference presentation "... It could be said that this exercise was more like a management of change exercise rather than a benchmarking study ... By placing people in an equivalent position to their own ... They would then be more able to experience first hand the differences in culture, whilst observing at first hand practices and methods applicable in their situation" (Competitive Benchmarking, 9th June 1993).

On their return the four teams became the change agents in the steelplant. They were all bristling with ideas to improve performance, reduce costs and increase availability. In fact, one thousand suggestions were made to improve the operation. One of the team leaders at a conference presentation many years later estimated the 'pay back' from those ideas on the initial investment to have taken in the order of six to nine months (Competitive Benchmarking, 9th June 1993). The benchmarking programme with BSW was a clear management of change programme. It was a major investment in people and a paradigm shift in the way the company involved people.
9.2.2 Steps to Successful Benchmarking

Those companies which take benchmarking seriously will achieve such good performance that they may become a benchmark reference plant. That in itself may promote continuous improvement to the highest level; instil great pride and motivation amongst the workforce; promote investment in both people and plant; and above all help to make the company a success. The process should be dynamic. Statistical process control (SPC) techniques may be used to monitor the process and to determine capability. In effect, the SPC technique uses statistical theory and statistical methods to "identify action opportunities for continuing improvement" (Scherkenbach, 1986:95). For further information on SPC techniques see Deming, 1951 and 1986).

In the light of experience at Sheerness Steel Company, the Personnel Director developed a seven step model for successful benchmarking. It has been tried and tested and proved effective. It is detailed below.

A Seven Step Model to successful Benchmarking

Use SPC internally, travel to and discover best world practice
Became a best practice reference plant
Monitor successful change and promote more change
Facilitate rapid introduction of new practice
Send 50% of employees to work in best practice reference plant
Discover best practice reference plant
Use SPC internally, travel to and discover best world practice

Source: Company Records - Benchmark Model
9.2.3 Sheerness Steel as a Benchmarking Reference Plant

Over sixty companies have made benchmarking visits to the company. All studied performance on a wide range of technical, operational and human resource issues. Additionally, the company has become a major international trainer. In 1991-1992 it trained over fifty employees from the World's latest constructed mini mill at Sydney, Australia. In 1993 major training assignments covering over one hundred employees have been undertaken for Arbed of Luxembourg and SAM (Societe Acerie de Montereau) of France.

9.3 Flexibility

During 1983 the company started to look more seriously at how it could achieve a more efficient operation by utilising labour more effectively.

9.3.1 Flexibility and Plant Availability

A discussion document suggested "Idle plant is costly and wasteful. It constrains production, inhibits employee free contribution and adds to product cost" (Company Records, 8th March 1983).

One key way to avoid such problems is to improve plant availability by reducing maintenance and operational delays. International competitors in North America, West Germany and Japan have all taken initiatives in this area and are boosting plant availability (see figure 9.1)
The report concluded "Our current low level of availability may be directly attributed to the way we organize our company structure and to the way we have historically recognised job skills and responsibilities. While we may be an enlightened company in much we do, we still have a long way to go in achieving full utilisation and flexibility of labour" (Company Records, 8th March 1983). The report also proposed reducing delays by transferring maintenance duties to production workers and, as appropriate, involving maintenance workers in production operations.
Flexibility - The Change Programme

On 14th March 1984 the company convened a special meeting of the JRC to discuss innovative industrial relations strategies. At that meeting the company presented a paper on flexibility which requested flexibility in 208 operations or activities (Company Records, 3rd April 1984). The flexibility requirements were designed to both enrich and enlarge existing job roles and to enable employees to contribute to their level of training and competence as opposed to their "job title" or description.

The JRC responded pragmatically at the meetings on flexibility by working methodically through the list and agreeing and rejecting. It was a time of tough talking, especially with the craft unions who were very resistant to change. After much consultation during March and April agreement was reached in principle on 25th April 1984 on a step by step approach leading in the fullness of time to fully integrated team operation with labour flexibility applying to the extent of individuals level of training and competence. The agreed steps are outlined in figure 9.2.
Figure 9.2

Labour Flexibility Programme - Agreed Steps

- Fully integrated teams.
- Full free labour flexibility to extent of maximum training.

- More detailed maintenance work by operators.
- New role of maintenance/operator.
- More overall team integration.

- Simple maintenance work undertaken by operators.
- Maintenance help with operations, drive cranes.
- Maintenance work as a multi-craft unit.
- Operators work within the total scope of their team.

May 1984 Dec 1984 Time scales to be agreed

Company Records, 17th May 1984

Progress commenced as the "JRC agree that stage one is a sensible phase for this year and should be in operation by December 1984. Stage two will depend on employing more people and terms of employment" (Company Records, 25th April 1984).
While positive progress was made over the next twelve months it was always difficult in the maintenance departments where craftspersons were afraid of losing jobs. However, by the Spring of 1985 good progress had been made. "Craft training has been accelerated with the introduction of the new workshop. By the end of this week, 65 trainees will have completed MGA welding, 4 on basic electrics and 3 on hydraulics" (Company Records, 25th January 1985).

On 16th January 1985 and quite unusually for the company, a supplementary agreement was signed with the mechanical craft stewards to enable 25 fitters to acquire 'positional' and MIG welding skills, and to enable 10 welders to undertake an advanced fitting training course. (Company Records, 16th January 1985).

On 5th February 1985 a major programme agreement was reached with all of the senior craft stewards. "All electricians will participate in the Phase II welding flexibility training programme which will include MIG welding as well as positional welding, although priority will be given to the MIG welding programme. All fitters and welders will participate in the basic electrical training programme subject to them passing the Company's standard colour blindness test" (Company Records, 5th February 1985).

9.3.3 Positive Progress with Flexibility

On 2nd April 1985, it was recorded that "The company was happy to report that the labour flexibility programme was now active in all areas and that recent difficulties in the maintenance area had been overcome" (Company Records, 2nd April 1985).
Labour flexibility featured strongly in the 1985 Labour Contract negotiations. "All employees will be required to perform whatever work and duties are within their competence ...and there should be no barriers to ... the application of multi-craft skills by craftsmen" (Labour Contract, 1985-1986). This helped accelerate the programme. In late 1986, a formal audit of progress was undertaken by a joint management-union team. The team toured the works gathering information and views from employees. The team report concluded as follows: "The general picture is quite encouraging ...On the whole, we found employee attitudes towards flexibility to be positive ... even those who were less enthusiastic in principle appear to have accepted the inevitability of change". (Company Records, 29th October 1986).

All through the following year the management worked very hard to improve craft flexibility and interchangeability. It was a fight against intransigence, traditionalism and deep rooted trade union principles. In the end, three issues brought the desired change. Firstly, production workers keenly took on engineering and maintenance duties which created insecurity amongst craftspersons. Secondly, as plant technology and process control systems developed, craftspersons needed to upskill rapidly. Many older craftspersons could not cope with higher skills and turned to multiskilling to preserve their job security. Thirdly, the new intake trainees were very flexible and adaptable and they pushed craftspersons along.

1988 saw the final phase of flexibility with the merging of production and maintenance personnel into one team. A new role was created - the EMP, an electro-mechanical-production worker, capable of meeting all of the needs of the operation 'on the spot'. The metamorphosis is described in Figure 9.3. It was not possible to convert everyone immediately, to a fully competent EMP. The development process is ongoing through continuous multi-skilling and job enrichment programmes.
This illustrates the culmination of nearly five years of constant change, hard work and continued push and has contributed strongly to high productivity.

**9.3.4 Team Development**

A key area of flexibility important to highlight in its own right was that of replacing promotion lines with teams, so eliminating the demarcation of specific jobs. The first proposal to replace a promotion line with a team (in the Shipping Department) was put to the JRC on 29th April 1983. The proposal, which was accepted, stated:
This approach involves a multi skilled and trained team, each capable of undertaking the total work arrangements of the department. Manning is therefore geared to work requirement as opposed to named jobs and the team is selected on ability and experience" (Company Records, 29th April 1983). The new team replaced six specific jobs with one all embracing job and a team leader. It saved money while achieving the desired business results. The team members found the new working arrangements to be more satisfying in as much as they performed a much wider and more responsible range of duties.

However, progress was slower in other parts of the company and it was not until 25th October 1985 that the team concept was generally agreed. "It was agreed that promotion into team concept jobs will be by application and selection rather than by seniority" (Company Records, 25th October 1985). By 1988, all promotion lines were replaced with the team concept.

9.4 Standards

9.4.1 Introduction

The statistical process control (SPC) programme had confirmed significant variability in company performance. SPC charting had highlighted operator error and benchmarking had confirmed a lack of competence amongst plant personnel principally because of inadequate training. To promote change to a more acceptable level, the senior management established a 'Mission' and laid down standards of performance and competence.
9.4.2 Standards Based Training (SBT)

Standards Based Training developed to meet the need of the flexibility programme, supplying basic engineering skills to process workers and equipping craftspersons with a range of process skills. Setting of standards counteracted resistance from unions, especially in terms of employee competence and safety.

On 27th January 1987 the Personnel Director wrote "With German and Japanese steelplants producing plant availability performance of 90% and output levels of 1,000 billet tonnes per man year and more, we have much to do to improve our current 70% availability and 780 billet tonnes per man year. Apart from investing in new plant, the most important method of improving plant availability will require a major Standards Based Training Programme" (Company Records, 27th January 1987). The end objective is a workforce of high calibre, well trained and knowledgeable people who will be capable of enhancing plant productivity to world best standards.

This was a major cultural change. Time was always a comfort in determining capability and competence. Time assumed success when in reality it did nothing more than account for time itself. No longer would a trainee 'sit next to nelly' for four weeks and then become 'nelly'. The change brought a complete new application based on industriousness, commitment and objectively judged competence.

The introduction of Standards Based Training coincidentally came at the same time as the United Kingdom sought to encourage industry to devise standards of performance. Sheerness Steel was ahead of the game and as no standards had been set for the steel industry nationally, Sheerness Steel set about the task.
The process was infinitely more difficult than was expected and took something in the order of four years. A typical programme is one hundred pages long, broken into seven distinct segments. Each segment has knowledge and competence tests and one programme has about 150 knowledge test questions and about 180 competence observation check questions. Each individual operator is trained, tested or assessed at each segment, but not passed competent until he has succeeded with the whole programme. Further, until competent, he would not receive the appropriate rate of pay.

Three major outcomes derived from this process which enabled change to take place. Firstly, employee understanding and competence improved dramatically. Secondly, some employees could not immediately make that contribution because of illiteracy. About 5% of the workforce were affected, and although the company was prepared to re-train them only about half took advantage. The remainder who refused to change were terminated without ill feeling from their peer group. Over three to four years some 30-40 employees were terminated because of incompetence. Thirdly, the business and employees benefitted. The company made record profits and employees received record pay and bonuses.

9.4.3 Statistical Process Control (SPC)

As the company moved up market, in product quality in the mid 1980s it struggled to meet customers' demands on a consistent basis because of employee lack of understanding, knowledge and competence. The SPC Programme, therefore, became linked to the SET programme. The company needed to set new standards and train its employees to meet them. The application of SPC procedures assisted the company to obtain the data upon which to set new targets. A programme was put together by the Personnel Director and Manager of Quality Assurance and launched over the Christmas period of 1985 when all the executive directors in the company were trained.
9.4.4 New Philosophy

A new philosophy was adopted.

"Everything must be made right first time to ensure continuing improvements in our productivity and product quality and to satisfy the ever-increasing requirements of our customers" (Company Records, 1985).

This new philosophy recognised the need for ongoing change by everyone in the way work was undertaken. This required a re-appraisal of company process capability by using statistical process control techniques. The new approach was to effect a permanent increase in quality by making everything right first time, so enabling the company to compete with the best throughout the world. The programme was implemented using SPC techniques to ensure prevention of problems during production rather than detection of problems at the end of the process. The programme passed ownership to the operators themselves. A statistical process control manual was made available to all employees.

Such a change required major education and training for all employees. 150 management staff participated in three day workshops and 550 shop floor employees attended sessions varying in duration between 4 and 8 hours. A special edition of the Company newspaper reinforced the education programme. "In today's highly competitive world where steel supply still exceeds demand, customers... look for consistently high levels of quality and service. To meet these new requirements... we at Sheerness will have to change our established way of working. We must work towards excellence in all we do. The route to excellence will be through the introduction of SPC techniques which will help us to identify and solve problems". (The Billet, 1986).
Later that year the Personnel Director and Quality Assurance Manager reviewed progress for the Executive Directors and reported that "The results are coming even after such a short period of time and are a reflection of the receptivity and determination of employees at all levels to use SPC to help them do a better job" (Company Records, 1986).

### 9.4.5 Company Mission

By 1989 employees had reached a stage in their development where they could all relate to a common mission, namely:

"To be a profitable company with sustained long term business growth.

To achieve excellence in all we do.

To develop and maintain processes which protect our personnel and the environment.

To encourage and recognise the development of our people both as individuals and as team members in the Company".

Source: Sheerness Steel Employment Handbook (1990:1)

The mission statement was published in the company newspaper, placed on bulletin boards, entered into the Employment Handbook and used as often as possible. It had taken the company to a new level. The employees were now moving towards a much more involved role in the Company and were ready to meet the challenges of the mission.

### 9.5 Vocational Education and Training

During the 1980s training became a catalyst of change. However, the company did not always have a place for training in its business approach.
9.5.1 Training Philosophy

During the first ten years' growth in the company training was seen as a cost and, as with all costs, management minimised it. During that period much time was devoted to hiring key people who already possessed the skills and expertise to make an immediate contribution. Very little effort was put into hiring people receptive to training and development.

Training was the first item cut in the recession of 1980-1983. That recession was a painful experience but it taught the management in the company much more than survival techniques. In fact it taught the management new ways to exploit the assets of the business. It was a catalyst to change for many things but, of principal importance, it changed the whole approach to training. With limited cash reserves after the recession and the results of benchmarking highlighting employee shortcomings, the senior management looked to training and employee development as a way back to profitability.

The new approach to training commenced with the elimination of all time based training arrangements and a good many employment policies. Key issues to training were the elimination of job boundaries brought about through labour flexibility; job enrichment and mobility resulting from the elimination of promotion lines; selection for promotion which replaced seniority; the importance of standards and educational attainment and competence to meet those standards; and behavioural change. During this period the Company adopted a continuous education and training philosophy.

9.5.2 Vocational Education

The benchmarking programme highlighted superior educational standards in Germany. The employees who visited Germany and worked there reached a conclusion that a lot of the success of that business could be put down to the well educated workforce. Management set about emulating the German achievement. It set a target for 75% of employees to achieve a professional or vocational qualification by 1992 (Sheerness Steel - A Company To View).
The fact that most of the instructors were company employees (developing themselves) created close relationships between 'teacher and pupil'. Both had a vested interest in success and as such the learning process continued outside the formal arena. This promoted vocational education programmes and a wide range of programmes were established. The Company, to facilitate access to learning, became an approved centre for City and Guilds, National Examination Board for Supervisory Management and the Royal Society of Arts, and externally at colleges of further education.

9.5.3 Achievement of Vocational Education Target

In 1992, the management achieved its goal. 78% of the workforce achieved a vocational qualification, 3% more than planned (see Figure 9.4).

Figure 9.4

Sheerness Steel Company
Vocational Educational Qualifications

This achievement was far superior to the National Education and Training Targets which state that by 1996, "all employees should take part in training or development activities; 50% of the workforce should be aiming for NVQ's or units towards them; 50% of medium to larger organizations should be 'Investors in People'; by 2000, 50% of the workforce should be qualified to at least NVQ III (or equivalent)" (Kent TEC, 1993:1).

Further, the Company became an investor in people before the Government developed its Investors in People Programme (IIP) and was among the first twenty-seven companies in the country to achieve the Investor in People Award. Further, the company was amongst the first ten U.K. companies to be IIP re-accredited in 1994.

Many employees derived personal satisfaction from gaining additional and relevant knowledge. They, and often their families, took pride from receiving their certificates, and especially those whose previous academic achievement had been low. The personal achievement promoted peer involvement into training. Further, recognition of vocational achievement in the appraisal-performance pay programme from 1989 onwards probably acted as a further incentive.

9.5.4 Continuing Vocational Education

Even with 78% of the workforce holding a vocational education qualification, there are 27.2% of the entire workforce studying for further qualifications, as Figure 9.5 demonstrates.
Figure 9.5 Employees studying for Vocational Educational Qualifications at October 1993

CO-STEEL™ SHEERNESS

Employees Studying for Vocational Qualification Oct ’93

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>City &amp; Guilds</td>
<td>11.5%</td>
</tr>
<tr>
<td>Steelmaking, Rolling, Metallurgy, Computers</td>
<td>6.9%</td>
</tr>
<tr>
<td>NEBSM Certificate</td>
<td>2%</td>
</tr>
<tr>
<td>Open University &amp; Degrees</td>
<td>2.1%</td>
</tr>
<tr>
<td>RSA Languages</td>
<td>1.9%</td>
</tr>
<tr>
<td>Professional Qualifications</td>
<td>2%</td>
</tr>
<tr>
<td>Certificate in Management Studies</td>
<td>0.9%</td>
</tr>
<tr>
<td>Others</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Total Percentage of Workforce Studying for Vocational Qualifications 27.2%

Source: Company Records, October 1993.

9.5.5 Training – Importance and Structure

Training has been a major catalyst of change within the company. The Employment Handbook (1990:12-13) asserts this. "The company accepts that its success as a business is directly related to the competence and commitment of the people working within it. The adoption of a progressive policy of continuous training and self-development for all employees is a vital ingredient for future prosperity".
The company, to ensure training is both continuous and integrated with business need, has developed a hierarchy of training standards. At the base are the standards based training programmes and programmes such as SPC and safe working procedures (SWP), necessary for each employee to undertake his work competently. Built on that base are additional skills, management training and vocational education. Each level of training has been designed to fit with standards laid down by the National Council for Vocational Qualifications and integrate with a known and proven validator. Figure 9.6 illustrates the training hierarchy.

![Figure 9.6](image)

Source: Company Training Records.

The philosophy and structure of training within the company not only illustrates the importance the company places on training but demonstrates how integral training has been and still is to the management of change. It has focussed attention, helped change direction, motivated and supported employees through change and has been a confidence builder. Management have no doubt that training as a major part of the investor in people approach has had a significant impact on successful company performance.

9.6 Organizational Change

Company organization had remained unchanged from 1972 to 1987. When change came it was introduced to both consolidate ongoing change and point the way towards a single status Company.
The major organizational change took place in 1988 and each main operating department followed a company blueprint which had been designed largely by the Personnel Director. The blueprint had seven key requirements, namely:

1. Philosophy - standards.
2. Increased staff work ethic.
3. Replacement of promotion lines with teams.
4. Total flexibility and mobility.
5. Termination of non-committed employees.
6. Timing - a fast change programme.
7. Agreement and substantive document.

The blueprint was to lay the foundation for a far more adaptive and superior form of organization.

9.6.1 Philosophy and Standards

An operating philosophy was laid down comprising a total commitment to quality; high plant availability; high productivity and customer satisfaction. An example of standards expected and taken from the Melt Shop is shown in Figure 9.7.

**Figure 9.7**

<table>
<thead>
<tr>
<th>Key standards required</th>
<th>Standard</th>
<th>1987 Achieved</th>
<th>1988 Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>550,000 tonnes</td>
<td>Production</td>
<td></td>
<td>650,000 tonnes</td>
</tr>
<tr>
<td>3.5 minutes/heat</td>
<td>Maintenance Delays</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.25 minutes/heat</td>
<td>Mechanical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.75 minutes/heat</td>
<td>Electrical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90.2%</td>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yield</td>
<td></td>
<td>2.75 minutes/heat</td>
</tr>
</tbody>
</table>

The new philosophy was introduced to assist the company to achieve the lowest cost Melt Shop in Europe and to ensure a long term viable steelmaking operation. It would allow the company to take full advantage of the people and technical know how transfer from BSW with specific concentration on planning, quality, employee competence and commitment, employee involvement and idea generation. It laid out what was expected of individuals, groups of individuals and everyone in the department. For the first time everyone was involved as the new philosophy required changes from management and shop floor alike. The company had made a significant move away from bureaucratic instructions to a more participatory style.

9.6.2 Increased Staff Work Ethic and Team Development:

Throughout the 1980s, the management had tried to persuade hourly employees to think and respond like staff. The staff work ethic basically is: do anything as well as you can whenever the company wants, - a total commitment. The programme of the mid 1980s was that of breaking down boundaries and creating teams to share common values and goals. The organisational change programme had set the new goals. It was important to set the right structure and organisation to achieve those goals.

The easiest and most pragmatic way of increasing the staff work ethic was to have more staff. The Melt Shop reorganisation created an additional 13 staff supervisory positions (6% of total jobs) by re-classifying senior operators (lead or chargehands) into working supervisors. The 'new' positions were advertised, employees applied and had to win the new positions. Not all existing senior operators were successful. The new supervisory staff, who would no longer be paid for overtime, all sacrificed several thousands of pounds of annual pay for the prestige and recognition of staff positions. A supervisory position carried considerable kudos in the Company. Further, each new appointment was conditional upon the individual gaining a supervisory qualification within a two or three year period.
The management then appointed new senior operators to include supervisory responsibilities. While these were hourly paid employees they were expected to attend the daily management shift changeover meeting - normally 30-45 minutes without being paid. They too were expected to obtain a vocational qualification in supervisory studies. They were treated as a type of 'half-staff'. The remaining promotion lines were eliminated as discussed earlier.

9.6.3 Organization Change 1972 - 1988

Post re-organisation, the structure comprised 19% salaried, 14% 'half-staff' and 67% hourly paid. The position before the change has been illustrated in figure 7.4. At that time, only 10% of employees in steelmaking were on salaried terms. The new organization, compared to 1972 is shown in Figure 9.8.

Figure 9.8: Organization Change 1972-1988

(Steelmaking activity)

<table>
<thead>
<tr>
<th>1972</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Works Director</strong></td>
<td><strong>Steelmaking Director</strong></td>
</tr>
<tr>
<td><strong>Superintendent</strong></td>
<td><strong>Superintendent</strong></td>
</tr>
<tr>
<td><strong>General Foreman</strong></td>
<td><strong>Section Manager</strong></td>
</tr>
<tr>
<td><strong>Melting</strong></td>
<td><strong>Furnaces</strong></td>
</tr>
<tr>
<td><strong>Shift Melt Foreman</strong></td>
<td><strong>Steelmaker</strong></td>
</tr>
<tr>
<td><strong>First Melter</strong></td>
<td><strong>First Melter + EMP</strong></td>
</tr>
<tr>
<td><strong>Second Melter</strong></td>
<td><strong>Steelworker</strong></td>
</tr>
<tr>
<td><strong>Furnace Bay Helper</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Melt Shop Helper</strong></td>
<td></td>
</tr>
</tbody>
</table>
The new cohesive team, led by a staff steelmaker, supported by two senior operators, a First Melter and an EMP, and a team of steelworkers, worked as a unit effectively running the shift. The introduction of the EMP, discussed earlier, added new momentum to the flexibility programme. All management above the group were day based. The composition of the shift unit was:

- **Staff**
  - 1 Steel maker

- **Senior Operator**
  - 2 First Melters (one for each Furnace)
  - 1 EMP

- **Hourly**
  - 6 Steelworkers

The senior operators behaved and performed like staff. This new team development became the first phase of empowerment within the company - multi-disciplined work crews displaying wide skills and experiences across different areas of plant, and capable of maximising operations. It sought to build new levels of work relationship and commitment and changed employees perceptions and attitudes to work. Job enrichment and continuous training were promoting different attitudes and needs among the workforce.

### 9.6.4 Termination of Non-Committed Employees

It was not expected that all employees would cope with the change. The re-organization document stated: "Older longer serving employees unable to meet the changes needed, will be offered severance terms" (Company Records, 3rd March 1988). The initial union response suggested "There are more employees now making serious enquiries about severance than ever envisaged. They are not the older employees but younger skilled people who now feel totally demoralised" (Company Records, 1st February 1988). This did not accord with Company data. When the union presented a list of employees interested in severance, it contained details of 27 employees with an average age of 55 years and only five were aged below 50 years.
In the end eleven employees left through the severance programme at a cost to the company of £110,000. A further twenty seven employees were either demoted or were moved to a lower paying shift rota. Their pay was allowed to fall in increments over three years.

9.6.5 Timing and Agreement - A Fast Change Programme

The change was agreed in a record time of just under two months from executive approval on 12th January 1988 to a signed agreement with the unions on 3rd March 1988. Previous experience of implementing structural and cultural change, which had been lengthy, had been reversed.

The speed of change was influenced by a number of matters, including positive planning with time goals, full involvement of management and workplace representatives, and a good industrial relations climate. The senior management learnt that making major change in a predetermined and relatively short time period was sensible and rewarding and as a result short-term cycle change became standard practice.

Difficulties were experienced during the negotiations. These revolved around deep rooted union principles of seniority and selection, and job and union membership demarcations. The unions responded to the change by declaring that "In the event that management ignore the existing seniority route and LIFO system in operation within the craft unions and select who they want for shift or days, irrespective of earnings loss, all craft unions will refer the matter to full time officials" (Company Records, 12th January-3rd March 1988).

Although agreement was eventually achieved it did become clear to management that multi-skilled teams operating totally flexibly in a single status society were going to be extremely difficult, if not impossible, to achieve under the existing industrial relations framework. However, the fact that the new philosophies and working arrangements had been written down and endorsed gave new credibility and impetus to the ongoing change programme.
9.7 Incentives: Promotional and Financial

As both employee behaviour and attitude changed with job enrichment, flexibility and vocational education programmes, so did employee aspirations for recognition, both promotional and financial.

9.7.1 Promotional

With the development of teams, the elimination of job demarcations and the developing approach to continuous training and vocational education attainment, management perceived that employees felt more in control of their behaviour and performance. At the same time the company made its intentions clear - lifetime training had been declared, as had the qualifications for first line supervisor or team leader. For such a role an employee would be expected to have attained or commit to both a technical and a supervisory qualification. Employees certainly took up the challenge and there were 41 promotions to management over the period 1989-1992 (see Figure 9.9).

**Figure 9.9**

![External and Internal Promotions to Management](image)

Source: Staff Status Special, (September 1993).
9.7.2 Financial

As employees added to their responsibilities through job enrichment and flexibility programmes and improved their competence and contribution, the company sought a performance based reward programme, capable of reflecting and recognising individual achievement while enhancing company performance. Negotiations with the JRC two years earlier had failed but a working party was agreed to examine merit pay.

The working party made no progress and the issue was not raised until the next Labour Contract Negotiation in May 1988 when it was stated " ... The company would like to return to the subject of appraisal and merit pay. ... Unique proposals will be put forward which will enable overall pay to be boosted by performance and based heavily on objective measures so avoiding the 'blue eyed boy' syndrome" (Company Records, 4th May 1988).

The JRC were quick to reject merit pay: "... Merit pay leads to man -v- man and job -v- job. Despite any reassurance from management our members do not, under any circumstances, wish to be a party to a Merit Pay System " (Company Records, 10th May 1988).

The management, determined to accelerate its cultural and behavioural change programmes geared at improving plant performance and to take a further major step towards single status, insisted that the new Labour Contract should include a Performance Incentive Plan. Management persistence and a 'hard sell' of big bonuses in the future eventually persuaded the JRC. 1988 saw the introduction of performance pay for hourly paid employees. The new plan was built on to an existing 'Yield Bonus' Plan, which over the period 1983-87, paid bonuses averaging about 2.5% of average pay (Company Records, 10th June 1992). The bonus paid for the year was identical for each employee.
9.7.3 Performance Incentive Plan (PIP)

The PIP was perhaps one of the most important cultural change programmes. It linked with all the other change programmes. It broke with collectivism by allowing an hourly paid shop floor worker to directly influence, through his behaviour and performance, part of his pay.

The plan launch material stated "... By linking performance pay to an improved yield bonus system, the different contributions by individuals can be recognised and rewarded... Performance incentive pay will be made at three levels based on individual employee contribution to company performance. The value of individual contribution will be based on six factors: Safety, Discipline, Absence, Education, Attitude to Work and Job Performance" (Labour Contract, 1988-1990).

An appraisal form was developed and performance appraisal criteria were defined. These criteria are shown in Figure 9.10.

Figure 9.10

PERFORMANCE INCENTIVE PLAN

<table>
<thead>
<tr>
<th>PERFORMANCE CRITERIA</th>
<th>LEVEL 1 (One Point)</th>
<th>LEVEL 2 (Two Points)</th>
<th>LEVEL 3 (Three Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTA</td>
<td>LTA</td>
<td>Nil in 3 yrs</td>
<td>Nil in 5 yrs</td>
</tr>
<tr>
<td>DISCIPLINE</td>
<td>Disciplined</td>
<td>Nil in 2 yrs</td>
<td>Nil in 4 yrs</td>
</tr>
<tr>
<td>ABSENCE</td>
<td>More than 1 in yr</td>
<td>1 in yr</td>
<td>Nil in 2 yrs</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>SBT</td>
<td>NVQ 2</td>
<td>NVQ 3</td>
</tr>
<tr>
<td>ATTITUDE</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
<tr>
<td>PERFORMANCE</td>
<td>LOW</td>
<td>MEDIUM</td>
<td>HIGH</td>
</tr>
</tbody>
</table>

Performance Scales:  
- Level 1: 6 - 9 Points  
- Level 2: 10 - 14 Points  
- Level 3: 15 - 18 Points

Source: Labour Contract 1988-90
The appraisal and performance pay programme focussed on goal setting and achievement, training plans and on creating an environment for ongoing behavioural change. Although the differentials were small, about £130 p.a. on average between level 1 and level 3, they did enable some recognition of different levels of employee behaviour and performance.

The impact on the company can be examined in two ways, firstly on change in employee behaviour and secondly on change in more people and business related measures.

a) Changes In The Behaviour of Employees

In part, employee appraisal and performance pay conditioned employee behaviour. However, it is recognized that other factors, for example training, promotion, motivation, will also influence behavioural change.

Because a significant proportion of performance criteria were time weighted, level one performers were a mix between 'true' under performers and short service employees. High performance, equally, was a combination of average performers who gained positive weighting from long service and very high performing employees. The level two, or middle ground group of performers, related to an acceptable standard.

The first appraisal was 'soft'. The Industrial Relations Director verified every appraisal form and noted that appraisers either gave appraisees the benefit of the doubt, or raised the profile through over appraising on the subjective criteria of attitude and job performance in order to put people in 'common levels' of performance. In year two, 1990, with further training, understanding and experience, appraisal was 'tighter', almost to the extent appraisers looked to push the appraisee down. Thus there were 8% less high performers (level 3), 5% less middle level performers (level 2) and 13% more level one performers. In the third year, the performance profile improved further with level three's accounting for 28% of all employees, level two's 61% and level one's falling back to 11%.
In 1992 the highest performance behaviour profile over the four year period was achieved with 44% top performers, 50% average or acceptable performers and just 6% of underperformers. (See Figure 9.11). While the plan was all about the importance of appraisal and reward for different levels of behaviour and performance, Company management believed that PIP had a significant influence on employee behaviour.

**Figure 9.11**

*Employee Performance According to Annual Appraisal 1989 to 1992*

Source: Company Appraisal Records

However, in 1992, on the formation of a single status company, the PIP was returned to a yield bonus plan as the company would now use annual salaries to recognise different behaviour and performance.
b) Monetary Rewards

Bonuses earned in the first year were not exceeded over the next three years (see Figure 9.12). While the differentials were small between differing levels of performance, important status considerations became apparent. It became increasingly important for employees to gain level 3. The 'level 3 men' bragged about their performance. The recognition of that achievement may have been more important than the additional bonus it earned.

Figure 9.12

PIP Bonus Payments 1989-1992

<table>
<thead>
<tr>
<th>Year</th>
<th>Level 1 £ pa</th>
<th>Level 2 £ pa</th>
<th>Level 3 £ pa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>860</td>
<td>915</td>
<td>1020</td>
</tr>
<tr>
<td>1990</td>
<td>692</td>
<td>735</td>
<td>820</td>
</tr>
<tr>
<td>1991</td>
<td>561</td>
<td>597</td>
<td>665</td>
</tr>
<tr>
<td>1992</td>
<td>605</td>
<td>644</td>
<td>718</td>
</tr>
</tbody>
</table>


c) People-Business Related Change

The PIP programme measured employee performance against six criteria. The results over the period 1986 to 1992 are shown in Figure 9.13. Management considered that the overall improvements could not have been achieved without the recognition that performance pay brought.
There were, undoubtedly, other reasons which influenced these improvements. As the company continued to move towards a more unitary perspective of industrial relations, individuals may have capitalised on the new environment to enhance their performance. This, at one extreme, may have been to improve their security of employment, as the company had stated earlier that it would not operate again a LIFO system in the event of redundancies - or at the other, to improve their promotion and pay prospects for the future. Further, a wide range of other programmes were influencing business and employee performance. Included in these were technological developments, health education programmes, a wide range of safety initiatives, quality drives, using both SPC and customer orientation initiatives, and a new approach to continuous education and training which included mandatory achievement of qualifications to achieve promotion to certain positions.

The performance incentive plan had introduced a financial incentive aimed at changing individual and group behaviour as part of an integrated programme to improve business results. In fact, as the plan became established, senior management believed it consolidated a wide range of human resource initiatives introduced in the 1980s and promoted their ongoing development.
### Figure 9.13

**People-Business Change promoted by the Performance Incentive Plan**

<table>
<thead>
<tr>
<th></th>
<th>PRE PIP</th>
<th>WITH PIP</th>
<th>% Change (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All Injury Frequency Rate</strong></td>
<td>18.60  18.01  16.97</td>
<td>11.11  11.33  6.17</td>
<td>5.32</td>
</tr>
<tr>
<td><strong>Lost Time Accident Frequency Rate</strong></td>
<td>1.17  0.96  1.78</td>
<td>0.92  1.04  0.73</td>
<td>0.80</td>
</tr>
<tr>
<td><strong>Disciplinary cases, first level per 100 employees</strong></td>
<td>5  5  5</td>
<td>7  6  4  5</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Absenteeism, days lost per employee per annum</strong></td>
<td>7.8  7.5  7.5</td>
<td>6.5  6.1  5.3  6.9</td>
<td>-12%</td>
</tr>
<tr>
<td><strong>Vocational Qualifications:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Achieved</td>
<td>31  33  34</td>
<td>38  41  46  77</td>
<td>+148%</td>
</tr>
<tr>
<td>% Studying</td>
<td>3  5  9</td>
<td>15  20  28  28</td>
<td>+833%</td>
</tr>
<tr>
<td>% Achieved &amp; Studying</td>
<td>34  38  43</td>
<td>53  61  74  85(2)</td>
<td>+150%</td>
</tr>
<tr>
<td><strong>Quality : Hit Rate % (3)</strong></td>
<td>91.9  97.2  98.3</td>
<td>98.5  98.5  99.0  99.0</td>
<td>+8%</td>
</tr>
<tr>
<td><strong>Output : Billet tonnes per employee (4)</strong></td>
<td>789  845  1001</td>
<td>1035  1058  1059  1074</td>
<td>+36%</td>
</tr>
</tbody>
</table>

**Notes:**

2. Excludes employees studying for further NVQ's.
3. The company used quality performance as an outcome of attitudinal change.
4. The company used steel output as an outcome of collective job performance.

**Source:** Company Records 1986-1992.
The 32% improvement in lost time accident performance and the 71% improvement in all injury performance were recognised by ROSPA with the award of a gold medal.

Discipline remained unchanged. When PIP was introduced, those departments operating an indulgence pattern were brought into line, resulting in disciplinary cases increasing to seven cases per hundred employees. As consistency of approach was achieved, the number of disciplinary cases fell, returning to pre-PIP levels.

Absenteeism fell by 12%. A year earlier, 1991, it had fallen by 32%. As part of the formation of staff status, shop floor employees were entered into a private health insurance scheme and many took advantage of that during 1992, which was the principal reason why absenteeism increased.

Training, the catalyst to so much change in the company, has been recognised by both company and employees as of critical importance. The number of employees with a vocational qualification increased from 31% to 77%, 2% higher than the company target.

Job performance, measured in terms of labour productivity, increased by 36% to 1074 tonnes per employee per annum. The company's ability to make steel right first time improved by 8% over the period.

In conclusion, the PIP was a critical step in the harmonisation programme as it introduced performance pay. Further, it was associated with an improved employee behaviour and performance which can in part be attributed to it. Over a relatively short period, it became an established part of the reward system. Finally, employees experienced a more open two-way relationship with supervision, upon which new values, standards, and performance would be built.
Outside behavioural change, yields were improved in each department, but not all gains could be maintained. Figure 9.14 depicts the trend.

**Figure 9.14 Plant Yields (%) 1986-1992**

<table>
<thead>
<tr>
<th>Year</th>
<th>Steelplant</th>
<th>Bar Mill</th>
<th>Rod Mill</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>88.9</td>
<td>96.2</td>
<td>95.5</td>
</tr>
<tr>
<td>1987</td>
<td>90.6</td>
<td>96.1</td>
<td>95.5</td>
</tr>
<tr>
<td>1988</td>
<td>91.0</td>
<td>96.0</td>
<td>95.7</td>
</tr>
<tr>
<td>1989</td>
<td>91.2</td>
<td>96.4</td>
<td>96.2</td>
</tr>
<tr>
<td>1990</td>
<td>89.8</td>
<td>96.1</td>
<td>96.8</td>
</tr>
<tr>
<td>1991</td>
<td>89.7</td>
<td>95.6</td>
<td>96.4</td>
</tr>
<tr>
<td>1992</td>
<td>89.9</td>
<td>96.4</td>
<td>96.4</td>
</tr>
</tbody>
</table>

Source: Company Records: Yield Bonus Results 1986-92

While increases in yield achieved were quite small, it is important to note a 1% improvement in yield could save one million pounds in most steelplants.

**9.8 Harmonising Terms - Non-Clocking:**

During the mid 1980s discussions took place between the company and the trade unions over non-clocking. The management considered the withdrawal of clocking would be an important part of the culture change process. It would avoid financial penalty for lateness, build team support and demonstrate the trust and value the company placed on its employees. The unions viewed the proposals with great suspicion and considered that their members would lose out if their working time was not recorded. An agreement was reached to test non-clocking in two departments. The experiment was cancelled when employees abused the privilege by quitting the workplace early.
It was not until a joint company-JRC trip to a Canadian steel plant in 1987 that non-clocking came back on to the agenda. The visiting team were impressed with the non-clocking arrangements at that plant and it enabled both the company and the JRC to prepare the ground for change. The introduction of non-clocking was negotiated at the next Labour Contract. An extract from the Contract stated "... The removal of this irrational difference between hourly paid and staff employees is a further step towards the harmonisation of terms and conditions of employment" (Labour Contract 1988/90).

Clocking procedures were withdrawn on 1st September 1988. An information document distributed to employees made clear what would happen with procedure abuse. It stated "The system relies on implicit trust and consequently any fraud within the procedure will be treated as serious misconduct and will be dealt with accordingly. There will be no falsification of time recording by management, i.e. 'Job and Finish'" (Company Records, 18th August 1988).

The change went well. The normal monthly company-JRC meeting of 28th September 1988 reported "Overall, non-clocking was working satisfactorily and any section problems, it was agreed, should be sorted out locally" (Company Records, 28th September 1988).

9.9 Cultural and Structural Change

Cultural change, according to Armstrong (1992:68) concerns "the development of attitudes, beliefs and values which will be congruent with the organization's mission, strategies, environment and technologies. The aim is to achieve significant changes in organizational climate, management style and behaviour, which positively support the achievement of the organization's objectives." To make cultural change requires the full involvement and commitment of those affected by the change and the processes involved have been discussed in chapter 4.
Structural change involves improving the effectiveness of individuals or groups of employees by re-designing or re-engineering the structure of the organization, including job requirements and/or the technology used in the manufacturing process. In making structural change the organization may adopt limited involvement of the employees, for example if change is used at the organization level to reconfigure the relationships between departments and functions (see Burnes, 1992:168-179) or if the change is made in a force majeure situation involving downsizing to reduce losses in a major recession. However, where the change takes place during normal business circumstances and impinges on individuals and their jobs, then higher levels of involvement would be required to make any changes successful.

Over the last decade or so many companies, as has Co-Steel Sheerness, sought to secure high performance through involving employees in cultural change. Often such change is forced upon companies because of the business environment. Further, the circumstances of the business environment and the internal environment (especially the receptiveness of employees to change) will determine the type of change. Both structural and cultural change may apply and one form may trigger the other.

At Co-Steel Sheerness, 1980s recession required management to introduce a programme of structural change which involved organizational change, downsizing and changes in working practices. Although the programme was carried through, it was regularly challenged by the trade unions and many employees felt they had been exploited. At this time, there was no such unity of purpose which had applied during the period of the national steel strike in 1980 and management found the 'freezing' of change to be a very difficult process.
Cultural change was introduced as a result of benchmarking when the senior management discovered how employees contributed in the more successful companies and also in an endeavour to breakdown barriers to structural change. In fact cultural change prepared the way for management to make structural change as warranted by the business environment. As a result, the company was able to benefit from the use of structural and cultural change programmes. For example, flexible working during the mid 1980s helped to create teamworking and eliminate the demarcations resulting from seniority-promotion systems. Employees, deriving satisfaction from job enrichment and greater financial rewards, shared in the teamworking vision and provided no challenge to management who in 1988 terminated the employment of a number of employees who declined organization change and teamworking. Further, cultural change had provided an environment which allowed all employees the opportunity of improving their education. This in turn placed demands on the company to satisfy new found aspirations for promotion found amongst shop floor employees. This changed behaviour supported the management, firstly when ‘senior’ hourly paid positions were turned into ‘non-union’ salaried supervisory positions and secondly when senior management introduced a requirement that all supervisors and managers should secure a management qualification.

At Co-Steel Sheerness the application of both cultural and structural change programmes was considered appropriate to maximise the amount of change. In fact, it was found that often one form of change either promoted or supported the other form, and the combination of the two forms of change provided a cumulative quality which promoted the speed at which the whole change process operated.
9.10 Conclusion

In search of ever improving business performance, the senior management chose to make the 1980s a period of considerable change. The early part was difficult and painful for most employees. However, as senior management learned from other companies how efficiency improvement could be generated from employee contribution, a step change took place in industrial relations. Almost every trade union philosophy was challenged by management. Every labour contract was re-written in terms of philosophy and substance. The whole perspective of industrial relations changed with a discernible move to a more unitary perspective.

Generating change requires a constancy of purpose, perseverance, and creativity to overcome resistance and supply the time and effort needed to manage change successfully. As a result, the change programme was varied and as success was achieved, further change was introduced. The process, at Sheerness, involved the interplay of cultural and structural approaches and regularly introduced new programmes.

Over about eight years the management undertook benchmarking and used that activity to both learn new methods of working more efficiently, and to condition change through introducing employees to new working environments.

Extensive change was achieved through educating and re-training the workforce to make it more knowledgeable and capable of working differently. This enabled employees to work more flexibly and to accept job enrichment and job mobility. As the pace of change increased, management started laying down new standards of achievement and changing the organisation to reflect changing roles and employee needs. In part to recognize change, and in part to promote further change, the company introduced incentives through performance pay. Management believed that fast moving change programmes could not be sustained unless the participants felt their contribution was recognised financially.
The management considered that the change programmes positively influenced business results and that employee relations had gone through a paradigm shift. In effect, the senior management had learned that business performance can be influenced by employee contribution, as well as by the traditional route of investing in capital.

However, these change programmes had to be managed, especially to overcome resistance and maintain momentum. The following Chapter examines the management of change, and in particular how resistance was overcome.
10.1 Introduction

Change has to be managed. Good experiences, knowledge and ideas need to be translated into acceptable programmes, which have to be implemented skillfully and maintained successfully. This entire process requires imagination, determination, perseverance, leadership and a supportive business environment.

Post recession 1980s was a helpful environment. Management and employees held clear memories of the pain of recession when they had been driven into change to secure their jobs. Further, they were well aware that hundreds of thousands of steelworkers had lost their jobs. Few employees believed the company would allow a drift back to 1970s management and workplace practices. More change was expected.

Management had to take difficult decisions about organisation and industrial relations in order to maintain the initiative. While it had been in the driving seat for a number of years, it recognized, that in bringing about more and more change and minimizing risk, it would have to re-equip its managers, re-orientate union workplace representatives and overcome resistance. Change had, therefore, to be managed.

10.2 Changing The Manager

Managing change inevitably means changing managers. As the senior management embarked on its 1980s change programme, thought was given to its capability to manage change, especially as it accelerated towards a single status company. The outcome was a decision to improve management capability by training and developing existing management and by hiring graduates from university and training them to become successful and effective managers.
10.2.1 Trainee Managers

The first graduate trainees were hired in 1982 and the company has hired graduate trainees every year since that time. The trainees were either 'operational', and entered a works supervisory role or 'commercial', who entered training programmes in Personnel, Accounting or Information Technology. Facilities were made available to enable all graduate entrants to gain membership of an appropriate professional institute. This decision improved trainee stability rates. This programme strengthened the management team considerably.

10.2.2 Developing Existing Management

All existing managers who had no management qualification were asked to obtain one of the following:

- National Examination Board for Supervisory Management - full certificate.
- Henley Certificate in Management.
- Open University Certificate in Management Studies.
- Open University Master of Business Administration Degree.

These were made available as open learning programmes with self help groups and structured tutorials.

By mid 1993, some 26% of all management and professional staff had achieved a management qualification. The highest achieving group being area or departmental management at 43%. A further 25% were currently studying for a management qualification including 50% of senior management (see Figure 10.1).
To further enhance management competence, an initiative was taken by the Personnel Director. In 1985 a group of internationally owned subsidiaries based in Kent and led by Sheerness Steel looked for a cost effective initiative that would significantly raise management skills and abilities through top level instruction and through shared experience. As a result, the Kent Management Development Programme was born, a ten day (split in three modules) intensive residential course designed for a broad range of practising managers. That programme has run regularly since 1985 and has since spread to Sussex. 33 managers from the company have attended the programme.

10.2.3 Management Strategy and Ownership of Change

The last component of the new strategy was involving management in the development and ownership of change. To effect this the company invited the top 35 managers to form a strategy group. This group was formed in 1988 and became a sounding board for new ideas and programmes. These were then translated into action programmes, 'fine-tuned' by the strategy group and then the strategy group introduced the change into the company. This was a way of introducing cultural change by overcoming management resistance.
Previous change instructions were passed down the line. Complete compliance was expected by senior management of middle and junior management. However, it was not unusual for senior management to be told by JRC representatives that lower management did not agree with the change. Such uncertain commitment to change made programmes such as the flexibility programme difficult to effect and very lengthy in implementation. The JRC strategically used such lack of management cohesion to procrastinate or resist change.

The new management strategy group overcame divisions, built cohesion and strength, and enabled change to be handled far more speedily and successfully. A very good example was where this was first used during the 1988 re-organisation. Senior and middle management worked on the change programme as a team and when it was in its final form were all committed to its introduction. Three levels comprising director, superintendent and section manager signed the new agreement, as did every shop steward in the department.

This strategy group approach was absolutely critical to the successful introduction of a single status company in 1992. That group helped significantly in overcoming management resistance from their subordinate group.

10.2.4 Resistance to Change from Junior Management, 1984-1989

Management, at the lower levels, resisted change on occasions, although it was notcatalogued through official procedures nor generally highlighted in 'event' form.
The most pronounced form of resistance by management was through an indulgency pattern of behaviour. In this form, managers and supervisors applied their own norms and standards in dealing with employee behaviour and often these contradicted higher authority and frustrated change. For example, reluctance to take on new duties or be mobile by shopfloor workers would be condoned to preserve 'cordial relations', so delaying the change process. Such an indulgence pattern probably significantly extended the time taken to implement the flexibility programme. Another manifestation of this behaviour would be when supervisors passed on instructions but told subordinates they did not agree with them, but were only doing their job. Such half-hearted instructions often resulted in half-hearted compliance. A further example of resistance was management's first approach to the PIP Scheme and appraisal. As discussed earlier, management undertook a soft appraisal to avoid hurting the feelings of their subordinates. Consequently, employees considered they were performing better than they were and hence management had hindered employee contribution.

The fact that the majority of newly promoted supervisors retained union membership was perhaps a sign of lack of confidence and an affinity that was more closely allied to the shop floor than to management, so questioning commitment. In fact, during the early 1980s, the company received a letter from ASTMS claiming significant membership of company supervisors and requesting a meeting. The senior management refused a meeting and nothing transpired.

Finally, junior management, for most of the 1980s, saw each change as 'flavour of the month'. The approach was to ignore it and it would go away. It was not perhaps until the company adopted the 'complete manager' programme and requested that junior management gain a management qualification or be demoted, that flavour of the month theory collapsed. It was at that time that senior management requested existing, and newly appointed junior management staff, to resign their union membership.
10.2.5 **Management and Trade Unionism**

The company had never recognised or accepted that management staff should need to be in trade unions and this approach has already been considered. However, a number of supervisors had retained union membership after promotion from hourly paid, principally for representational purposes in the event of a works accident.

In 1988, as the cultural change programmes were gripping all employees and the company was endeavouring to change the balance between white and blue collar workers through upgrading the lead hand role to a salaried position, the senior management asked 'staff' to resign from union membership. To offset concerns about injury compensation, the company formed a management association which, amongst other things, paid for legal representation in the event of works injury. That, coupled to prevailing attitudes, persuaded all supervisory staff to resign their union membership.

10.3 **Union Re-orientation**

To manage change effectively, the senior management not only had to change management capability and behaviour, but that of union representatives too. The attitudes of the senior stewards (the JRC) needed to become more responsive to company goals and the continuous change programme. In 1980, the company had gained the allegiance of the JRC during the national steel strike and had lost it in the early 1980s when industrial relations had returned to the more usual adversarial approach.

The management made a conscious effort to win back the JRC allegiance to common goals and values. It did this through a range of events including plant visits, special conferences and training, by changing the framework of Labour Contract Negotiations and through a general process of re-education and re-orientation.
10.3.1 Plant Visits Overseas

One of the most influential methods of changing union attitudes was through taking the JRC to visit overseas steel companies in order to:-

i) Expose the JRC to different management philosophies and industrial relations systems.

ii) 'Infect' JRC members with management attitudes through continuous exposure to a management team.

iii) Promote joint ownership of change by having management and the JRC collectively present and sell new ideas.

iv) Generate pride in the company through representation. This inherently meant setting aside philosophical differences.

v) Permit the visiting team to become a joint problem solving group.

vi) Enable behavioural conditioning through informal exchange, particularly during travel and leisure time.

Over the period 1984 to 1989, representatives of the JRC, together with selected managers, visited Badische stahlwerke (BSW) in Germany, Lake Ontario Steel Company (LASCO) in Canada, Hoogovens Groep BV in Holland, Chaparral Steel Company in the USA, and Société Acerie de Montereau (SAM) in France.

Company Management considered that the visits were valuable to the change process. The JRC was able to see at first hand different methods of organization, different working practices, and closer relationships between managers and workers, often enabling a joint involvement in meeting common goals. Further, and wherever possible, the company set specific objectives for each visit. These related to existing or planned change programmes and were useful as the visit either added impetus to ongoing change or helped pave the way for future change. In particular, the BSW visit was critical to the introduction of the flexibility programme; the SAM visit explored the adverse effects of employment legislation on industrial relations e.g. restricting earnings by statutory controls on overtime; the LASCO visit helped with the withdrawal of clocking; and the Chaparral Steel visit introduced the JRC to a non-union environment.
The secretary of the JRC, during that period, gave a view about the importance of such visits in securing change. "I believe these periods of time away from work gave everybody a better insight into attitudes, reasoning etc and helped build a respect which developed a more positive relationship for dealing with matters at work" (Hall, 1993).

10.3.2 Special Meetings to Focus on Change

The company met the JRC monthly, or as needed. It met the Kent Joint Steel Committee quarterly.

During the 1970s and early 1980s these meetings had a form and agenda which was adversarial. Little opportunity existed to discuss any form of radical change. Issues of the day were the overriding activity. To generate change, management initiated special events, meetings or conferences, with agendas focussed on new issues. The more the company could discuss change, the more it could prepare and condition employees and the JRC to make change. The following illustrations portray the outcome of a number of special meetings which were significant in generating change.

i) Special JRC Meeting - 14 March 1984

The agenda was as follows:

"Employee flexibility/plant availability
Job enrichment/team working
Keeping ahead of best practices/aim to be the best
Harmonisation progress
Length of agreements
Quality orientation" (Company Records, 14th March 1984).
The agenda was radical. The management presented a challenge to the JRC on virtually the entire framework of industrial relations. Job boundaries and demarcations, seniority, inefficient work practices, over frequent pay bargaining and divisions between hourly paid employees and salaried staff, were portrayed by senior management as matters which would weaken the company's ability to recover from the recession and compete effectively in the future. Change was presented by management as an essential ingredient for future success.

Against a recent background of job losses, less dominant trade union power and growing management power and leadership, the JRC recognised that change had to be made and agreed to co-operate in a labour flexibility programme. Despite the union's acceptance of change, it was cautious and opposed to multiple-change programmes. It was a 'suck-it-and-see' approach, enabling rejection if the taste became too bitter. This approach put increased pressure on management to succeed.

Kent Steel Committee Meeting, 14 March 1986

The senior management chose for this meeting to present a written document - 'Manpower Development - The Way Forward' (Company Records, 14th March 1986). Although positive progress was being made, the management was still swimming against the tide in terms of persuading unions and employees that all change was good for all concerned. The document recorded success with the flexibility programme, but indicated much more needed to be achieved. The senior management's intention was to terminate for ever job demarcation based on union membership, restrictive practice, custom and practice or any other restraint.
A specific set of plans was put forward which referred to the company’s recruitment plans for welders. "The company will no longer recruit specifically trained welders ... we need to put the jobs of electrician, welder, and fitter behind us" (Company Records, 14th March 1986). The GMBATU (representing welders) was quiet on the subject, either hoping nothing would happen or the company would not go ahead with its programme. In fact, the company never hired another welder.

For a number of years the company experienced a virtually non-existent relationship with the GMBATU full-time officer. This was principally because of frequent change of officer. This, coupled with the management perceived belief that the GMBATU was a strike-prone union, and one rarely willing to make change, had prompted management thoughts of securing representation of welders through the AUEW, with whom the company had a good relationship. While formal derecognition was not an issue at the time, the company’s strategy was that of derecognition by attrition in the expectation that the declining number of welders would seek transfer to the AUEW at some time in the future. In fact, the welders did not transfer membership, but did lean heavily on the AUEW for support. The other unions ISTC, EETPU and AUEW all remained impassive. The 'Bridlington Agreement' prevented any of them from taking over representation of the welders.

The plan, which was accepted, spelt out further change in all areas. It introduced the multi-skilled crafts-person; process teams; standards based training to replace time based training; and a requirement for 'senior' operators to gain supervisory skills and exercise them regularly.
To reinforce the programme, the company concluded "The greater the level of flexibility, the greater is the level of efficiency and resulting job security and commercial effectiveness of the company. To prove the point, over the period 1984-1985, our period of greatest flexibility, we have increased manpower in the company by over 10% ... that is the biggest increase since ... 1976" (Company Records, 14th March 1986).

iii) Company/JRC Conference, 13th/14th September 1989

A new approach to generating change was through holding a 'conference' involving a broader range of participants in the normal collective arrangements. The first such conference was held in 1989. "The conference aim was to promote the further contribution from all employees towards Sheerness Steel's goal of being the best steel company in Europe" (Company Records, 13th/14th September 1989).

The conference was attended by the full time officers of each of the four trade unions recognised, the JRC (nine representatives) and eight managers. Additionally, seven other management staff participated as session leaders.

The conference addressed four key issues:

1. how to beat the competition
2. performance incentive plan
3. healthy employees make healthy companies
4. the role of women in the company

The outcome was 123 suggestions for company improvement.

This in itself was a very significant culture shift in terms of joint problem solving in a common team environment. While full time officers were involved, it did indicate how much had been achieved in changing JRC and employee attitudes and how successful the company had become in promoting and introducing continuous culture change.
10.3.3 The Extent and Timing of Change

After the structurally enforced change programme of the early 1980s, the cultural change programme commenced. The JRC, initially, was very suspicious and was only prepared to go along with one change at a time. While the JRC had become more understanding of the need for change, it was not anxious to give up negotiating leverage outside normal labour contract negotiations. As a result, in the early days of change the processes and methods used were of the action research model type. They were applied to all employees and required continuous managing to ensure progress was made. For example, the first major change programme, namely employee flexibility, commenced in 1984 and was not concluded until 1988 principally because of the time it took to gain commitment from all those involved in the change. In fact in the four year period 1984 to 1988 four change programmes were launched: flexibility; team working by the elimination of promotion lines; longer term labour contracts; and the 'best company' programme.

As change programmes succeeded and the company's business health improved, employees became more participative in ongoing change programmes. In 1988, six new programmes were launched: non-clocking; appraisal; performance pay; vocational study in own time; re-organization and new working practices; and new values. By now the company was applying an HRM perspective and change, on a regular basis, had become generally accepted by employees. Since that time, the company has continued to introduce rapid change programmes all geared to improving business performance.

10.4 Paying For Change

Negotiations during the 1970s fell easily within the definition of productivity bargaining. Each side wanted to achieve as much as it could while giving as little as it could get away with. The size of the pay rise ruled. The industrial relations environment was uncompromising and not conducive to managing or agreeing change easily.
As the company commenced its cultural and structural change programmes in the 1980s it was not financially sound enough to pay for change. The early 1980s had produced substantial losses, and by 1984 what little money was available was ploughed into benchmarking visits and training, all aimed at changing the way employees contributed in the company. Partly as a result of this approach, resistance to change was quite significant during the first few years of change.

However, as the company's financial position improved, senior management were prepared to 'soften' their approach at 'pay negotiations' in order to both recognise and encourage change. From the mid 1980s profitability grew strongly and annual pay rises regularly exceeded the retail price index.

Figure 10.2

Pay Rises and Inflation
1980-1989

As cultural change gained momentum and as the staff work ethic grew and employees became more performance orientated, pay rates increased much faster than price inflation. Pay rates increased by 33% compared to inflation at 37.3% during the period 1980 to 1983. During the gathering change period, 1984 to 1989, pay rates increased by 40% while the retail price index increased by 31.8% (see trend in figure 10.2).
Two other issues need emphasising in order to explain how change was recognised. In 1985, the pay award significantly exceeded the retail price increase. This was to recognise a major change away from negotiating labour contracts annually. 1986 saw the first two year agreement. In 1988, the company introduced performance pay, through the performance incentive plan, and while the annual base pay rise was only slightly greater than the increase in the retail price index, with performance bonuses (addressed in 9.7.3), earnings would have significantly exceeded inflation.

As employee contribution increased and as company profitability grew, management took greater advantage of the scope to pay for change and hence sustain the change programme.

10.5 Resistance to Change from 'Shop Floor Workers', 1984-1989

During the process of transformation away from bureaucratic control and adversarial industrial relations, resistance from the shop floor was initially very strong, but weakened with successive and successful change. Notes of industrial relations difficulties over the period were researched to illustrate the changing form and severity of resistance and the approach management took to deal with the problem.

10.5.1 Problems with the showers

Heavy scaling problems with the showers during the first quarter of 1984 led to frustrations amongst management and employees alike. After many industrial relations meetings and still inefficient showers, the ISTC shop stewards gave the company an ultimatum "If no positive work has commenced by 0600 Monday 26th March an emergency stewards meeting will be convened to take action against the company in order to force the issue" (Company Records, 20th March 1984).
In the union view, insufficient action was taken and melting was halted on the 'B' furnace for thirty minutes with the loss of 30 tonnes of steel. While company management expressed unhappiness, the union action may have been a release valve and its response via a noticeboard statement was verging on the jocular. "Branch officials wish to apologise for the numerous management apology notices which have still failed to provide hot water in the showers when required. Perhaps if we accumulate enough paper apologies we can light a fire and heat our own water" (Company Records, 7th April 1984).

The management had failed to follow its historic method of avoiding industrial relations problems, namely to deal with matters 'immediately'. The problems in the showers had dragged on. The JRC, who had less influence over the last few years, challenged management with the ultimate sanction, a stoppage of steelmaking. That event prompted immediate action by management, and the showers were immediately put back into working order, and then fully refurbished some short time later.

10.5.2 Restrictive Practices

At the same time, management, seeking efficiency improvements, requested fitters to operate a radial drill to save time from work being taken to the Machine Shop. The 'machinists' objected to 'fitters' doing their work and as both groups were AUEW, they resisted the change. "This is to advise the management of the resolution which was imposed by the joint AUEW (Boilermakers Meeting). The radial drill can be installed but used by machinists only" (Company Records, 23rd March 1984). That problem was unresolved for three years.
The machinists who were an elitist group and located together but away from the process, were essential to the continuous operation of the rolling mills. Industrial relations with that group had never been particularly good and on a number of previous occasions the management had backed down. That, in a narrow context, is what happened again. The management, seeking plant-wide change, was intent on avoiding conflict, and as this was a relatively small item of flexibility and which would only have involved a few people, it did not want to jeopardize the overall flexibility programme which was in its infancy. The Industrial Relations Manager also considered that the registration of a failure to agree would only have resulted in continuation of the status quo. This was because the flexibility programme was only unfolding at plant level and was neither enshrined in job roles nor agreements.

Although eventually fitters came to use radial drills on a regular basis, it was more to do with their willingness as opposed to the machinists wishes. Further difficulties with machinists are addressed in 10.5.10 and 10.5.12. It took a stern approach by management coupled with shop steward alienation of the machinists to achieve support to flexibility programmes. That did not come about completely until 1989.

10.5.3 Opposition to the flexibility programme

The craft unions were considerably opposed to the company's ideas for employee flexibility to increase efficiency. They believed flexibility would lead to job losses which would be bad for their members. Their views were clearly expressed in a letter to the company. "Tradesmen have traditionally defended their trades with some jealousy. Whilst ISTC saw an incentive in team concepts, as being a means of achieving financial reward, craftsmen could not see any similar prospect of monetary gain. Strong opposition existed with respect to craft integration into production teams" (Company Records, 10th April 1984). The craft unions were reluctant participants throughout the flexibility programme. Resistance was still to be found three years after the programme was introduced.
In 1987 the electricians refused to re-set OCB breakers. A memo from the IR Officer to the EETPU confirmed this. "The current labour contract commits us all to achieving further productivity improvements through renewed emphasis on flexibility programmes ... The resetting of OCB breakers by electrical craftsmen was openly acknowledged to be well within their competence level " (Company Records, 25th September 1987). By this time all employees had accepted and applied a level of flexibility. Some were more enthusiastic than others. The electricians had always been less than enthusiastic because they considered flexibility to be a diluter of their skill. However, because the programme was working well, management felt confident to threaten disciplinary action in order to achieve compliance by the electricians.

10.5.4 Job Relieving and Pay Arrangements

During July 1984 a dispute arose over job relieving procedures and payments. A number of employees had money deducted from their wages for leaving work before being relieved. The JRC, after failing to secure reinstatement of lost pay, posted a plant wide notice. "Management have completely ignored all agreements with the Joint Unions on relieving and washing time during shut down periods - so the JRC has no alternative but to insist that showers and car parks are made available to Sheerness Steel employees only" (Company Records, July 1984).

This incident took place at a time when the plant was shut-down for major maintenance. A large contingent of contractors were engaged to help permanent employees meet a demanding schedule in a limited time. The JRC took advantage of that situation to gain maximum leverage. Contractors, without adequate parking and showers, would more than likely refuse to work, so severely disrupting the shut-down programme and causing escalating costs to the company. The JRC met with management and an agreement was reached which confirmed the management's original interpretation and application of the rules during a plant shut-down period. However, to avoid disruption to the shut-down period, the management agreed to partly compensate those employees who left early (company records, 31 July 1984).
This was a typical example of adversarial relations where differences in interpretation on wage payments had led to a conflictual situation not far short of a position which would have prevented steelmaking (or delayed a re-start). The cost of such an event would be very high and the company therefore compromised with the unions.

10.5.5 Lack of Co-operation

The order book was improving in the July/August 1984 period as a result of a strong seasonal upturn for reinforcing steel. Mill management asked furnace crews to participate in a furnace light-up shift on Saturday nights, working 10.00 pm to 6.00 am so that the Mill could roll at 6.00 am when the full shift came into work. The furnace crews declined. It would have been a shift in addition to scheduled hours and which would have attracted an additional payment. But the crews were still bitter from an earlier shift de-manning (see 7.8.4) and reacted by refusing overtime.

The company had met Mill stewards on quite a few occasions but furnace crews still refused the light-up shift. The company insisted on the application of agreements whereby senior operators should train junior operators in their work. A company-union meeting note stated "... The events of the previous week, where moves had been made to frustrate re-scheduling of the Mill, were viewed as a deliberate attempt to break a company/union agreement. Investigations would therefore be made into the source of this problem" (Company Records, 3rd September 1984). The management resolved this problem by getting furnace crews to train helpers to safely light-up the furnace. The helpers, after training, received more pay for standing in to light the furnace (temporary promotion). It was well into October 1984 before mill helpers were trained in furnace light-ups. A private ISTC union note stated:
"All helpers must be trained to assist with lighting the furnace and this training should be given greater priority than it has to date" (Company Records, 23rd October 1984).

While the management resolved the problem within the existing industrial relations framework, business was lost because of the delay in training up operators, and resentment between furnace operators and management remained.

10.5.6 Personnel Shift Changes

The year of 1984 ended on a bitter note with the EETPU. On 1st November 1984, two electricians were notified they were to change shifts to balance skills, so separating two 'weak' electricians.

The electricians resisted because of strong 'kinship' type relationships with their shifts. The union resisted the change, recalling a previous agreement secured in 1982 which stated that intershift movement could only take place "by the 'mutual consent' of the individuals concerned" (Company Records, 20 November 1984)

The matter was referred to stage 4 in the grievance procedure. It was chaired by the Personnel Director. It was heated and very emotional, especially as one electrician was told how poor he was. Eventually the individual accepted the move although the union was opposed to it happening. In reality, the company had brow beaten the electrician into the shift change, although the official records stated "... There was no wish to launch personal attacks on any individual, merely to give a candid appraisal of relative strengths and weaknesses" (Company Records, 7th December 1984).
The outcome put a strain on relations with the EETPU. This manifested itself in two ways. Firstly, the EETPU regularly challenged the flexibility programme, frustrating management and angering the other unions. Secondly, the EETPU convenor was also chairman of the JRC, and he constantly challenged the change programme. In fact his negative, behaviour became so counter productive that the management requested his union to caution him that the company could withdraw his representational rights. A joint meeting cleared the air and his behaviour improved.

Job Security-Redundancy Arrangements

Inspired by the craft unions who feared job losses from the flexibility programme, the JRC pushed the company for a Redundancy Agreement based on 'last in, first out' (LIFO). The company was adamant it would not operate a LIFO system because it considered such a system could deplete it of its younger and better qualified employees, and it could possibly denude the company of skills needed to maintain operations. As a result, management presented a counter proposal in a document titled 'An Approach to Ensuring Job Security'.

It stated "... a company has to plan for continuity ... best achieved by a combination of measures such as product development, quality improvement, capital investment, effective training, high labour utilisation, promoting and maintaining excellent industrial relations ..." (Company Records, 30th January 1985). The document spelt out strategies to adopt to minimise the impact of cut backs in manpower but it avoided selection criteria and severance pay. It was a document the unions could not agree to but it did help condition attitudes. Eventually the issue was dropped because of lack of willingness on the part of either side to compromise, and improving profitability and profit share bonuses overshadowed any lingering insecurity.
10.5.8 Promotion Policy

In November 1985 a first line supervisory position was filled by external appointment and an hourly paid employee standing in was unsuccessful. Normal practice was internal promotion. The JRC protested very strongly issuing a notice -

"The JRC wish to express their concern and disappointment that management have found it necessary to appoint a foreman from outside the department" (Company Records, November 1985).

No sanctions accompanied the statement and the company impressed upon the JRC that promotion would not be through 'dead mens shoes'. "It was reiterated that internal foremen candidates should at least have succeeded on the internal City & Guilds courses" (Company Records, 29th November 1985). The JRC had mounted a token challenge. It had accepted managements right to select its supervisors and that qualifications were becoming increasingly more important for career development.

10.5.9 Manning Levels and Co-operation

During the spring of 1986 manning levels caused major industrial relations problems. After a succession of arguments in various departments, the JRC wrote to the company stating.

"Where manning levels fall below the recognised minimum level in an area it will necessitate appropriate plant being stopped. It is also not accepted that a man be taken from one area thus reducing it to minimum manning level in order that another area reaches minimum manning and then having two areas both operating at minimum manning levels ... This is a JRC Policy Statement as per Labour Contract and Flexibility Discussions" (Company Records, 12th March 1986).
Conflict had arisen between workers, seeking to maximise earnings by preserving manning levels which maximised overtime, and management, who were seeking to minimise costs through minimising manpower and maximising employee flexibility and mobility. This conflict of interest was not an easy one for management to overcome. However, after lengthy debate with the JRC, the management issued a policy statement "Manning levels are set after joint consultation with a plant union, the JRC or during a Labour Contract negotiation. ... There are occasions, however, when even minimum manning cannot be achieved. ... In these circumstances everyone should do all they can to ensure continuity of operations although employees should not be exposed to unsafe practices. It is recognised that for these periods, which are generally quite short, normal operating performance may not be achieved" (Company Records, 19th March 1986).

However, employees became uncooperative and as a result minor disputes broke out across quite a few departments. By 21st April 1986 the JRC had produced another policy statement.

"The JRC have clear evidence that management are not applying the spirit of the agreement with regard to minimum manning. Insufficient effort is being made to maintain standard manning - minimum manning is being accepted as the norm by management. The JRC will direct all members to only work minimum manning where all attempts to maintain standard manning have failed. Where the manning level falls below the agreed numbers, all members will be instructed by the JRC to put the appropriate plant down" (Company Records, 21st April 1986).

The company was annoyed at the threat of a stoppage while the JRC was under pressure from some employees. After lengthy discussions, the management helped rebuild JRC confidence and relationships by emphasising that its own investigations had indicated that there were only a small number of disgruntled employees and that most supported the flexibility and mobility programmes. Eventually, the "JRC accepted that the company does not run at minimum manning as a policy, and were satisfied that great effort is made to avoid such a situation. The JRC stated that some of its members had misled them" (Company Records, 24th April 1986).
With normal good relations re-established, the company was able to negotiate its first long term (two years) agreement some six weeks later.

10.5.10 'Blacking'

On 30th June 1986, AUEW and GMBATU stewards wrote to the company. "From evidence given to me recent fabrication work put to outside contract has turned up on site. Also machined items have bypassed normal routes and are being channelled to outside contract. Unfortunately that leaves us with no option but to introduce blacking of all machined items and fabrication work that could have been undertaken by our members" (Company Records, 30th June 1986).

A number of local meetings took place and management decided that the machinists were endeavouring to promote more overtime. Without resolution the issue was referred to the Director of Industrial Relations who wrote to the unions.

"Our prime aim in this company is to make steel successfully and to do this effectively requires all our attention. ... We buy services on a need and cost basis for a whole range of matters. These matters should not be tossed into the cauldron ... every time overtime fluctuates in the company ... Overtime will not be allocated just to satisfy an employee's pay packet " (Company Records, 24th July 1986).

Overtime had fallen as the flexibility programme advanced. The JRC and employees generally had no sympathy with the machinists, who they believed had been elitist and isolationist for too long. Without union support, and facing a more determined and confident management, the machinists lifted the blacking.
During January 1987 the Island experienced some of the worst snow falls in history. In fact the Island was cut off for a few days and emergency food supplies were dropped by helicopter. A number of employees failed to attend work and lost pay.

The JRC sought compensation. It wrote to the company requesting "... employees who had tried to attend work and failed because of the adverse weather conditions, should in certain circumstances be compensated. People from off the Island literally found it impossible to get on the Island for two days because the police had closed the road ..." (Company Records, 21st January 1987).

The management rejected the request, responding "Without wishing to devalue the massive efforts made by many employees ... the company has shown goodwill ... in relaxing the normal rules governing holidays. Many employees managed to get in from far-flung areas in some cases passing the doors of others who did not make the effort" (Company Records, 21st January 1987).

While the outcome left a bitter taste in the mouths of some employees the management had no other alternative. If it had paid hourly employees who failed to attend, then there was a prospect that nobody would attempt to get to work during the next period of adverse weather. Further, the management would have found difficulty in unilaterally changing payment rules enshrined in collective agreements. Such an attempted change would probably have caused far greater consternation amongst employees.
10.5.12 Machinists Rejection of Flexibility

Under pressure from management to reduce overtime and work more effectively, the machinists entered into grievance with the company. The management advised machinists that "... There is a need to increase flexibility training ... to improve both the welding and electrical skills of our machinists ... However, the application of enhanced skills and new duties should not increase the hours currently worked by machinists" (Company Records, 4th April 1989).

The machinists, seeing that flexibility was reducing earnings, responded negatively. "... Using more than one machine could constitute dangerous practice ... The machinists do not feel that a satisfactory answer has been given to why the company insists on releasing work to outside contractors that could be economically tackled by its own machinists ..." (Company Records, 17th April 1989).

By this time, the Shop Stewards, increasingly alienated by the machinists' almost continuous rejection of change, dropped the grievance. An instruction from the company to the machinists gained compliance.

10.5.13 Lessons from managing resistance

The heaviest resistance to change was found at the beginning of the change process. By 1984, with the fear of redundancy declining, the JRC challenged change. In part this was a retaliation for the sweeping changes and redundancies which had occurred between 1981 and 1983, and in part it was to preserve the status quo. For the JRC, change in the normal course of events was an issue for productivity bargaining and the company was expected to pay for it.
Without the capacity to pay, the company used benchmarking as an educational tool to generate change. However, as benchmarking is expensive, including the JRC only about 10 - 12 % of employees participated in the first few years. This was sufficient to establish a critical mass to commence the change programme, but not sufficient to avoid resistance.

Overcoming resistance was a developing process. At the commencement of change the management, still in a traditional industrial relations mode, sought to overcome resistance by a process of compromise. It was often a process of two steps forward, one backwards. It was a route into uncharted waters with few navigational aids.

Any change programme needs success. Success gives management confidence and undermines the sceptics. Continued success creates a 'feel good' factor and enables a multiplicity of change programmes to run at the same time. Job enrichment, continuous training, effective communications and personal development opportunities, all help to both sustain and to promote change.

The chronology of incidents discussed in this section exemplify this view. In the early days, the management either backed down or compromised. The inherent concern about sanctions disrupting steelmaking was ever present and this created lack of confidence and compromise. But as changes became successful and as employees became generally settled and satisfied with new working arrangements, management felt far more capable of overcoming challenges from small groups of employees through detailed and persistent persuasion.
As more and more change took place successfully and management became better qualified, competent and in control, it was able to deal speedily with the fewer incidents of resistance which occurred.

Finally, the introduction of a specific reward programme in 1988 (PIP) had a positive influence on improving both employee behaviour/performance and business results. It made the effort-reward relationship more visible. While many staff expressed dissatisfaction with performance pay, none rejected it. The whole programme aided management in promoting improved employee contribution and re-indoctrination of employee attitudes and behaviour. It helped overcome collective resistance by 'correcting' individual attitudes and behaviour. This may have been achieved in a totally positive sense of accepting and working to new company values, or in a negative sense of fear of loss of bonus, or loss of job, or both.

In conclusion, management's ability to overcome resistance was found to depend on its competence, capability and confidence, the business health of the company, declining union strength and the extent of general satisfaction and success with change experienced by those involved. The more successful are the programmes, and the more that employees perceive they benefit, the less likely resistance will take place. As the trust relationship between hourly paid and salaried staff improved and the employment gap narrowed (harmonisation) a cohesiveness spread which prompted most employees to behave and work in a way which was most conducive to business success.

Company Performance during the period of change

The 1980s was a traumatic decade for the company. During the early part with world economies in major recession, the company recorded record losses and its whole viability was severely tested. By the end of the 1980s with world economies generally booming, the company experienced record profitability. Overall the 1980s was a period of sustained improvement of all key performance areas of the company with cultural change enhancing employee contribution and having a marked and positive benefit on the business.
In 1981, there was a loss per employee of £9,676. Thereafter, there were improvements every year throughout the 1980s to a record profit per employee of £24,273 in 1989 (Company Annual Reports, 1981 to 1989).

Labour productivity demonstrated a rapidly improving performance over the decade from a low of 456 tonnes per employee in 1981 to a record high of 1035 tonnes per employee in 1989. This performance was significantly achieved during the period in which fast moving cultural change took place.

Productivity was not achieved at the expense of safety. Safety performance improved almost every year with the all injury frequency rate falling from 35.2 in 1980 to a record low of 11.1 in 1989.

The application and integration of investment in both capital and human technology had positive effects on costs and quality. By 1989, costs of making steel were just 7% greater than in 1980 while quality performance had improved from make everything right first time 90.2% of the time in 1980 to 98.5% of the time in 1989.

The 1980s took the company from loss maker to a very profitable company.

10.7 Conclusion

Managing change required changing the managers. Managers were required to improve both their education and competence levels. Further, they were involved much more in the shaping of change which gained their commitment to it and enabled them to take responsibility for its implementation.
As management competence and confidence improved, their ability to overcome resistance heightened. This factor, together with a gradual re-orientation of workplace representatives' attitudes and behaviour to align with company goals, assisted the change programme. Success in one programme assisted success in the next programme, as more and more employees saw benefits coming from change. However, the management learned that change had to be continually managed. Hesitancy could have prevented progress. To overcome difficulties, a combination of cultural and structural change programmes were used. When education, effective communication of need and perseverance failed to promote a change, or where new organisation or technology was seriously challenged, management used its contractual power to threaten or use discipline or sanctions to secure the change. However, management had to gain the competence and confidence to avoid 'backing-off'. They had to overcome the threat of a cessation of steelmaking in order to manage change. That was difficult during the early period. But as change programmes demonstrated success and employees adapted to change, management created a culture of change by initiating a succession of fast moving change programmes. Many employees, through better education and concern for individual development, perceived new organisation and practices to be beneficial. This transformation, boosted by the introduction of performance pay, enabled management to overcome resistance and move towards a human resource management approach.

Management learned that major change can be managed successfully providing the following issues are recognised.

(i) The first change is the most difficult and will take a long time to achieve.
(ii) Perseverance, sound negotiation and business awareness are essential ingredients.
(iii) Early resistance will be considerable and may not be overcome without compromise. Regular success will reduce resistance.
(iv) Success breeds success and change needs to be established as a continuous programme.
(v) Relate all change to business need.
(vi) Use every known vehicle of communication.
(vii) Do not accept 'no' for an answer.

The management of constant change contributed to improved company performance. By the end of the 1980s, both labour productivity and profit per employee were at record levels. Quality output had increased to a make right first time on 98.6% of all occasions. Costs of production were just 7% higher at the end of the decade than they were in 1980.

Experiences throughout the 1980s confirmed to company management that successful change had to be managed, had to be continuous and those involved needed to share a common vision. Stronger unity of purpose, weaker trade unions and excellent employee relations developed throughout the 1980s. This helped build a solid foundation upon which to complete the transformation from an industrial relations perspective to a human resource management approach. That important management of change programme is discussed in the next chapter.
CHAPTER 11

Single Status and Union Derecognition In The Early 1990s

11.1 Introduction

In May 1990 the company successfully negotiated its last Labour Contract with the union Joint Representative Committee.

While the outside world grew ever more turbulent due to deepening world recession, inside the company employee relations had reached a position of high commitment and motivation. Performance appraisal had confirmed that nearly half of all employees were contributing at the very highest of levels and internal efficiency based on normal measures was considered by management to be excellent with records broken regularly. The process of regaining the 'hearts and minds' of employees was well advanced. Management considered the time was right to establish a 'single status' company. Although this was a bold and potentially risky step, a successful transformation to single status would provide a superior form of organization and a 'full' human resource management approach. Management expected that this new approach would markedly differentiate the company from its competitors and promote competitive advantage through greater performance.

Often a single status company is defined as one where employees receive the same terms and conditions of employment. This type of company may also be known as one which has 'harmonised' terms and conditions of employment. In such an organization, employees are differentiated either by the role they fulfill and/or the salary they receive while all other conditions of employment are identical.
Management, for some time, had recognised different work ethics between hourly paid workers and salaried staff. This has already been addressed and in particular how management had been increasing salaried staff positions at the expense of hourly paid positions. The final step, which involved offering the hourly paid employees salaried staff conditions, was much more than harmonising terms or creating a single status company in terms of the earlier definition. It was a step designed to change the hourly paid employees work ethic to a higher level. The change required management to offer greater responsibility, trust and a more secure and rewarding future in order to persuade the hourly paid employee to supply greater commitment and a changed work ethic. Management did not feel they could secure this final step without derecognising the trade unions.

Management considered at that time, that the unions were hostile to human resource management approaches which included single status and an emphasis on individuality. Further, as team development and job flexibility grew, management considered that the four unions would be constantly arguing over 'job' representational rights and that would have a destabilising effect on the excellent employee relations which had prevailed for a number of years.

This chapter looks in detail at the change to single status and union derecognition and the performance achieved over that period.

11.2 Research

The final step change to a single status non-union company was the most crucial. Management believed it had to be right first time if it was to work successfully. Research to prepare for this final step took two years and included extensive travel both within the UK and overseas.
11.2.1 Research in American Non-Union Steel Plants

In February 1990 the Personnel Director visited three top American mini-mills, all of which were non-union. All proved to have impressive performance records. The companies visited were Birmingham Steel Corporation, Chaparral Steel Company and SMI Texas. The purpose of the visit was to look at how non-union steel companies were managed, to examine innovative human resource programmes, and to compare performance. Considering performance first, the comparative data is shown in figure 11.1. Sheerness Steel compared well in clear second position in the labour productivity league, but when 'hidden manpower' in the form of regular contractors was taken into account, Sheerness Steel dropped to third in the ranking and there was effectively no real difference between second, third and fourth. The company was in the pack of second best companies.

**Figure 11.1**

**Labour Productivity including Adjustment for Contractors - 1989**

<table>
<thead>
<tr>
<th></th>
<th>Sheerness Steel</th>
<th>Chaparral Steel</th>
<th>SMI Texas</th>
<th>Birmingham Steel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billet output (tons)</td>
<td>825722</td>
<td>1389389</td>
<td>539355</td>
<td>1235330</td>
</tr>
<tr>
<td>Manpower</td>
<td>717</td>
<td>894</td>
<td>515</td>
<td>1201</td>
</tr>
<tr>
<td>Billet tons/ per</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employee</td>
<td>1152</td>
<td>1554</td>
<td>1047</td>
<td>1029</td>
</tr>
<tr>
<td>Ranking</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Contractor manpower</td>
<td>101.5</td>
<td>64</td>
<td>23</td>
<td>2</td>
</tr>
<tr>
<td>Manpower including contractor manpower</td>
<td>818.5</td>
<td>958</td>
<td>538</td>
<td>1203</td>
</tr>
<tr>
<td>Billet tons/employee adjusted for contractors</td>
<td>1009</td>
<td>1450</td>
<td>1003</td>
<td>1027</td>
</tr>
<tr>
<td>Ranking</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

The Personnel Director learned of different philosophies and employment practices which he considered could help with the programme to implement single status.

These included:

a) A complete absence of job demarcations permitting considerable employee flexibility and mobility through effective teamworking and team cohesiveness. For example, Chaparral Steel Company "focused on eliminating caste systems, artificial barriers, and resistance to change" (Chaparral Steel Company 1989:1-7).

b) Paternalistic approaches with a wide range of supportive welfarism. Family involvement through a wide range of events.

c) Salary reward systems.

d) Continuing education programmes.

e) Provision of a high level of job security.

f) Strong non-union philosophies, often publicly stated. For example, at SMI the company handbook states "...Unions create trouble and discord... interfere with the managing of the business and distract from the main effort of making the business grow..." (SMI Texas).

11.2.2 Research into Non-hierarchical Organizations - Team Emphasis

During the first quarter of 1991, the Personnel Director made visits to IBM in England and Johnsonville Sausage in Wisconsin, USA. Both organisations were non-union, and both had been given considerable exposure by Peters (1989) because of the 'involvement' of their 'people' in the running of the business. At Johnsonville, high calibre recruits were welded into strong teams through team based induction and job training. The teams were accountable for operations as there were no managers in the plant, although there were some 'experts' (in personnel, engineering and finance) who could assist, facilitate or coach as necessary.
At IBM team cohesion was promoted through 360° appraisal, which involved superiors, subordinates and peers in the review; excellent communications; and an understanding and commitment to common values. All key 'managers' had 'missions' which heavily accentuated the importance of achieving results through people.

The visits were important to Sheerness Steel as they prompted further the importance of team work and the value of getting employees more involved in decision making and contributing directly to the success of the business. These would be critical factors in the final move to a staff status company.

11.2.3 Research into Companies with Derecognition Experience

The final stage of the research was to examine companies in the United Kingdom which had been involved in forming a single status company and/or which had been involved in union derecognition.

a) Newspaper Sector

A visit was made to the Employment Affairs Division of the Newspaper Society. The newspaper industry historically had strong unions and poor industrial relations. Anti-union legislation in the 1980s and the introduction of radical new technology assisted management in a confrontational approach to derecognition. All national bargaining had been eliminated by 1991 and by that time virtually 50% of newspaper companies undertook no bargaining with unions.

To succeed in derecognition it was stressed that there must be a sound reason(s) for it, which those concerned understand and can come to terms with. In the newspaper industry the reasons revolved around elimination of conflict, appropriate rewards through performance pay and management time savings (free of constant union meetings) which could be devoted to the business. Another point of importance was effective after care to consolidate a union free environment. (Company Trip Report, 7th November 1991).
b) **Telecommunications Sector**

A visit was made to a leading telecommunications company which had derecognised unions in a newly acquired business to maintain its non-union philosophy. The derecognition involved writing to staff at their homes; distributing professionally prepared promotional material supporting a non-union company and outlining new terms; and terminating, in writing, agreements with the unions involved.

The change was successful for a number of reasons. Those involved considered they gained improved job security; performance pay was well received; benefits, especially private health insurance, were better; staff preferred the 'open door' style of management; and a well planned after care programme consolidated change (Company Trip Report, 6th November 1991).

c) **Chemical Sector**

Two companies were visited in the chemical sector both with sites about the same size as Sheerness Steel Company and both 24 hour a day, 7 day a week operations. Both had effected complete derecognition. One located in Wales, effected derecognition in order to overcome uncompetitiveness promoted by out of date and inefficient work practices. It changed work practices, eliminated overtime pay and introduced salaries, and put great emphasis on training and employee development. The company by-passed the union in its derecognition process. The company produced very professional packages, laying out the new arrangements, salary scales and conditions, and made them available to those concerned directly.
They were successful because the change was built on a climate of developing change. Important to the final change was an annual-hours approach and new salaries which took account of some previous overtime earnings (although there were winners and losers). In the immediate after care period, team briefing was introduced to enhance communications and merit reviews of salary now take place on the anniversary of individuals' start dates (well distant from any form of collectivism). Additionally, to consolidate non-union arrangements, a legal expenses scheme and an employee assistance programme have been introduced (Company Trip Report, 4th November 1991).

The second chemical company visited was situated in North Lincolnshire and the approach to derecognition was far different from other companies visited. The company worked with existing workplace representatives to achieve a form of single status and derecognition. In 1986 the management decided, because of the precarious state of the company and the industry, that it wanted improved efficiency and a dramatic change in employee behaviour. There was an ageing workforce who wanted a better pension plan, and the company saw single status as a 'negotiation'. The negotiations took place in 1987 and agreement in principle was reached on a whole new employment package with plant shop stewards. No meetings were held with full time union officials. To conclude the negotiations, an employee ballot was held. There was a 92% turnout and 75% voted for the 'new deal', which was a 'single status type' company, and the trade unions were derecognised.

The company admitted that its after care programme could have been better and limited progress has been made in harmonising the last few issues such as withdrawing overtime pay (Company Trip Report, 14th November 1991).
The overall research programme was vital to the development of the single status company at Sheerness. It gave management confidence in the knowledge that other companies had established a single status environment, and had derecognized trade unions. Further, it enabled senior management to collect a considerable knowledge of processes, tactics and strategies which had been used successfully. Many of these were introduced into the Sheerness change programme.

11.3 Reasons for Change to Single Status

While the company had endorsed, at executive director level, a move to single status in the Spring of 1990, it continued to receive both confirmation of the decision and confidence to proceed from the extensive research programme. Effectively time, knowledge, the success of ongoing change programmes, positive employee relations, a strong management team (in skill and depth), decreasing union density and a never ending desire to achieve competitive advantage drove the company to the final decision. The change strategy had been incorporated into the company's five year business plan. The human resources section of the plan concluded that "A full single status company would give us a higher skill/competent and cohesive work group with few hierarchical levels and capable of giving the company world standards of productivity and profitability" (Company Records, 18 June 1991).

The Personnel Director prepared a very detailed proposal to complete the programme - 'Staff Status: An Approach to Complete' (Company Records, 3rd December 1991). The final approach was developed on the basis that pre-conditions were favourable, coupled to the fact that the company had very good reasons for taking advantage of those favourable conditions.
11.3.1 Pre-conditions for Change

A number of very important pre-conditions existed to help secure the change.

a) External Conditions

The wide ranging anti-union legislation introduced in the 1980s had severely weakened trade union power. Representation rights were weakened, the closed shop outlawed and complex procedures for balloting before industrial action had been introduced. Other organizations had been derecognizing trade unions.

Sheerness was situated on an island, relatively isolated from steel producing areas and having no history of strong trade unionism.

b) Internal Conditions

The company had moved away from traditional organization and adversarial industrial relations. There had been no serious industrial conflict for a decade. The JRC had been re-orientated to company allegiance and had reached a new level of responsibility and co-operation. In fact the JRC shared a common vision, with management, on successful and profitable company operation. Management had established a trust relationship with workers which was both improving and developing. The continuous learning culture, the emphasis on safety, and the recognition of employee contribution through promotion and financial reward, were seen as supportive to management - worker relationships. This environment was a far cry from the traditional industrial relations period where workers' felt change in favour of management was no more than exploitation.
Further, the management team were fully committed to staff status. They had been involved in its development over a number of years, had taken ownership during the final development and planning phase and were to play a key role in its implementation.

Cultural and structural change in the 1980s had a direct effect on union density. Upgradings and promotion to staff directly reduced union membership. Re-organization, automation, information technology, labour flexibility and mobility all led to a requirement for less people and assisted in the reduction of union recognised jobs. Over the ten year period 1981 to 1991, union density fell from 84% to 61%. The most dramatic falls came within the traditional white collar area where, due to upgrading through re-organisation, white collar technical staff, who in 1977 fought through an ACAS enquiry for union recognition, resigned from union membership. Most staff hired after 1977 saw no need for union membership. Craft union density fell by 54% amongst electricians and 13% amongst mechanical craftsmen. All the figures were taken from the check-off system and it is possible that some employees were union members and paid their dues some other way, so distorting density figures, although that would have been unusual. The steelworkers retained 100% membership over the period. Figure 11.2 shows the changes.
Figure 11.2


<table>
<thead>
<tr>
<th>Employee Group</th>
<th>1981 No. of Employees</th>
<th>1981 No. in Union</th>
<th>1981 % Union Density</th>
<th>1991 No. of Employees</th>
<th>1991 No. in Union</th>
<th>1991 % Union Density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly ISTC</td>
<td>434</td>
<td>434</td>
<td>100</td>
<td>340</td>
<td>339</td>
<td>100</td>
</tr>
<tr>
<td>Hourly EEFP</td>
<td>35</td>
<td>35</td>
<td>100</td>
<td>24</td>
<td>11</td>
<td>46</td>
</tr>
<tr>
<td>Hourly OMBTU</td>
<td>23</td>
<td>23</td>
<td>100</td>
<td>79</td>
<td>69</td>
<td>87</td>
</tr>
<tr>
<td>Hourly AEU</td>
<td>96</td>
<td>96</td>
<td>100</td>
<td>28</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
<td>Hourly Apprns</td>
<td>6</td>
<td>6</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior Staff ISTC</td>
<td>50</td>
<td>35</td>
<td>70</td>
<td>41</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Junior Staff Technical</td>
<td>18</td>
<td>18</td>
<td>100</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mgt Staff ISTC</td>
<td>166</td>
<td>27</td>
<td>(6)</td>
<td>198</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mgt Staff Cnfd</td>
<td>20</td>
<td>22</td>
<td>12</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>828</td>
<td>694</td>
<td>84</td>
<td>710</td>
<td>430</td>
<td>61</td>
</tr>
</tbody>
</table>


c) Timing

A window of opportunity had appeared that enabled the company to act. Weak union power nationally; lowest recorded union density internally; excellent employee relations; strong ongoing cultural change; the impulse to act in advance of a possible change of Government; and company losses resulting from recession all contrived to give the company the leverage to effect a major change in terms of its relationships with its employees. The circumstances combined to reduce the risks associated with a major management of change programme.

11.3.2 Reasons for Change

While the pre-conditions created the environment and reduced the risk, they were supported by strong reasons for making the change.
Continuation of Cultural Change

The changes put in place during the 1980s created a momentum which required ongoing change of substance. Just as the first change is difficult to begin, continuous change is difficult to conclude. Employees came to expect change. Management continued to promote change and this created a momentum which overcame any resistance. By 1988 recognition for changes in employee behaviour and contribution had been consolidated through the introduction of performance pay.

Overcoming Growing External Union Resistance

While the plant workplace representatives had gone along with the cultural change programmes, the full-time union officials were becoming increasingly uneasy about change. This manifested itself in different ways. For example, the JRC representatives were instructed by a joint branch meeting in April 1990, under guidance from the full-time union officials, to inform the company that they "Do not accept any more transfer of senior hourly paid positions to staff status" (Company Records, 27th April 1990). This position was ignored by the management and further promotions to staff were made. The trade union officers made further protests by letter and requested a formal meeting (Company Records, 25 September 1991). However, the company declined to meet the unions, stating by letter that it "Does not believe that supervisory staff can make a full and committed contribution if they are also members of trade unions and accordingly we would expect those who are promoted from within and who have been a member of a trade union to leave it" (Company Records, 15th October 1991).
The GMB union wrote to its plant representative expressing concern about its future at Sheerness. "As you know, the company plans to restructure the workforce and their trade skills has led to reduced opportunity for our traditional core skills. In my estimation, this in turn will eventually lead to the demise of our GMB membership and recruitment possibilities" (Company Records, 8th November 1991).

The Personnel Director reported "We are in 'technical' failure to agree on both philosophy (i.e. no union member management) and structure (individuality, teamwork across boundaries and performance based reward)" (Company Records, 3rd December 1991). The company, therefore, had strong reasons to secure single status and union derecognition to avoid growing and potential union conflict with its employee change programmes.

c) Political Considerations

Towards the end of 1991 the senior management formed a view that the Conservative Government would be replaced by a Labour Administration in 1992. The trade unions, for their part, had made it known that, under a Labour Government, they would seek a repeal of anti-union legislation introduced in the 1980s. The management's view at the time was that unions would gain power under Labour and would resist the change programmes in being and planned. Any major change would have to take place before the Spring of 1992.
d) Financial Reasons

The company was seeking to cut costs. By the end of 1991 the steel industry was falling deeper into recession, prices for finished products were falling and certain subsidised European steelmakers were distorting the market. The company saw as most welcome the immediate savings, in the order of £1M in employment costs, as hourly paid employees on becoming salaried staff would no longer receive payment for overtime. Further, management believed that the elimination of potential union conflict and the freedom to deploy and motivate staff to the best of its ability would lead to higher levels of company performance. The uniqueness of such a new working environment could yield the sustainable competitive advantage the company was seeking.

The change would enable management to avoid the inherent risks of collective bargaining and its management perceived inequities of rewarding all employees with similar size pay rises, irrespective of their performance. To that end, management considered collective bargaining was 'inflationary' even though wage drift had never been a major factor. Further Labour Contract negotiations were due in the Spring of 1992 and the company expected a difficult and protracted negotiation. It may well have been put in a position of incurring higher costs than it wanted at a difficult trading time.

11.4 Commitment to the Change to Staff Status

With supportive research and strong reasons for changing to a single status company, company agreement and commitment were the next stage.
The proposal was put to the Board on 6th February 1992. The Personnel Director presented the proposal to pursue a single status company and derecognise the trade unions in order to continue with a long term programme of cultural change which had proved very beneficial in securing improvements to company performance. A saving of £1M per annum in employment costs was forecast. It was pointed out that the change would be the first of its kind in the UK steel industry but other companies in different sectors had secured such changes in the recent past.

The Board was advised that single status would harmonise a staff work ethic; promote individuality as well as teamworking; improve commitment and motivation; lift standards; and free the company from a union environment. In the latter matter, even though industrial relations were excellent, the risk of derecognition was considered justified on the basis that the long term cultural change programme needed to continue unabated and there were signs of conflict with the unions. It would facilitate a 'right size' of organisation, delayered and slim with 'self managed work teams'. It would help produce all the ingredients to achieve a level of internal efficiency which would give sustainable competitive advantage (Company Records, 24th January 1992).

The proposal was approved by the Board. It was now necessary to develop strategies to gain commitment from management, union representatives and hourly paid employees.

11.4.1 Management Commitment

A crucial test was that of 'selling' staff status to the senior management. If a staff status company was to be achieved, senior management had to believe in it, commit to it and be part of the selling team.
The company convened a series of meetings with the top thirty five managers in the company. Known as the 'management strategy' group, it met 'in secret' on a regular basis throughout February. Over that period the Executive Directors, led by the Personnel Director and strongly supported by the two Operations Directors, secured the commitment of the strategy group.

The strategy to convince them was thorough and exhaustive and comprised:

a) Emphasising the unique and pioneering spirit of the company which needed to be continued.

b) The need to seek greater efficiency to compete in ever dwindling markets against ever tougher competition.

c) To use the great strengths of a high calibre, high capability management team.

d) To tap the creative and competent workforce.

e) To continue with the successful cultural change programmes.

f) To complete an ongoing harmonisation programme. The differences between groups were fairly small, as progress to harmonisation had been ongoing for a decade. Figure 11.3 explains the key differences.

g) To avoid potentially more hostile industrial relations should union power grow under a Labour Government.

h) To achieve benefit for the company, the management and the hourly paid workers.
These meetings required tact, diplomacy and persuasion. Some of the managers had been promoted from the shop floor and in their view had 'earned' their promotion and benefits. They did not want to 'lose' what they had gained.
However, detailed discussions convinced managers it was a balanced approach and there were benefits for them which would enhance their role and influence and improve their relationship with the shop floor. It would also ensure, that in future, managers were paid more than their subordinate staff. (Prior to staff status an hourly paid employee, through working a large amount of overtime, could earn more in total pay than his manager).

The benefits for all are summarised in Figure 11.4.

**Figure 11.4**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>EXISTING MANAGEMENT</th>
<th>EXISTING HOURLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company orientation not union orientation.</td>
<td>More involved in company strategy and direction.</td>
<td>New salary bands giving higher guaranteed pay and greater pay growth from performance improvement.</td>
</tr>
<tr>
<td>Differentiates us from our competitors through greater HR contribution.</td>
<td>More influential role in Company communications.</td>
<td>Improved job security.</td>
</tr>
<tr>
<td>Savings of £1M</td>
<td>Time availability will enable more management training to promote competent, successful managers.</td>
<td>Improved 3 band PIP schemes.</td>
</tr>
<tr>
<td>New values and goals.</td>
<td>The opportunity to improve performance in company.</td>
<td>Career development.</td>
</tr>
<tr>
<td>High productivity, economically and socially homogeneous workforce.</td>
<td>Improved career enhancement and reward opportunities.</td>
<td>Private Health Insurance, including family.</td>
</tr>
<tr>
<td>Effective and equitable reward structure.</td>
<td>Management of more receptive teams.</td>
<td>Sick pay.</td>
</tr>
<tr>
<td>Better prepared to meet governmental and legislative change.</td>
<td>Proper reward differentials, including improved 3 band PIP.</td>
<td>Monthly pay.</td>
</tr>
<tr>
<td>Gain full team flexibility only possible from non multi-union company.</td>
<td>Delegation to more responsive team free up management time.</td>
<td>Improved communications.</td>
</tr>
<tr>
<td>Direct two-way communications with employees.</td>
<td>Safeguards on contribution (hours, commitment, EAP).</td>
<td>Safeguards on contribution (hours, EAP, management).</td>
</tr>
<tr>
<td>Family firm socially motivational.</td>
<td>Improved training opportunities.</td>
<td>Team arranged cover to meet planned absences so equally distributing unpaid overtime.</td>
</tr>
<tr>
<td>Better able to recruit higher calibre people.</td>
<td>No trade union interference in day-to-day management.</td>
<td>New injury compensation programme.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Participation in employee association.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Company appointed safety representatives.</td>
</tr>
</tbody>
</table>

The meetings were productive, supportive and full of advice. They were critical in the development of the final approach enabling the strategy group to fine tune issues and gain ownership. They prepared each manager to become a 'salesman' and change agent. It was the first time such a process had been undertaken on such a scale and the retention of secrecy was remarkable.

The final briefing presented managers with a 91 question and answer document which anticipated every question an employee might ask. Each manager could, therefore, respond immediately and retain the initiative. The management felt confident and the timing was pulled forward a few weeks.

11.4.2 Workplace Representatives' Commitment

Management considered it appropriate to meet the JRC away from the works to avoid premature leaks about the single status programme. The Personnel Director wrote to the JRC "You are invited to attend a conference to review company strategic vision required to overcome the current recession and to prepare the company for aggressive competition as we enter the Single European Market. Progress towards a single status company will be an intrinsic part of our new approaches ... It is essential that everybody does attend as this conference is extremely important ..." (Company Records, 5th March 1992). Senior management and the JRC met at the Royal Hotel, Deal at 3.00 pm, Sunday 8th March 1992.

Preparation was thorough and included fourteen handouts. The early part of the meeting was devoted to the economy and a review of how badly the steel industry had been hit by recession. An exhibit demonstrated that industrial output was down by 10%.

Three handouts dealt with: firstly, the National Institute of Economic and Social Research forecast of another 300,000 job losses; secondly, a Department of Employment graph showing rising unemployment and declining job vacancies over the period 1981-1991; and thirdly, an OECD chart showing annual changes in manufacturing unit labour costs which showed the UK cost picture considerably in excess of the USA, Japan, and West Germany.
A further handout stated that "German manufacturing productivity was about 22% higher than in the UK in 1987 ... the advantage was most pronounced in non-electrical engineering, vehicles and metals ... Restrictive practices in ... labour market help explain why Britain failed to even begin gaining on German productivity levels" (Financial Times, 27th February 1992).

The difficulties the steel industry was experiencing were explained in four handouts. The oversupply position which was forcing selling prices down was illustrated by output - the top 61 steel companies worldwide produced 342.7 million tonnes in 1991 just 2.5% less than in 1990, yet industrial output was considerably less. Another handout confirmed the top six US steel companies lost 2295 million dollars in 1991. Other handouts dealt with difficulties and redundancies in the UK steel industry.

The conference introduction painted a bleak view for the steel industry and illustrated the importance of securing competitive advantage. This introduction enabled management to paint a picture of where next to go to secure survival and then prosper. A new handout suggested

"More added value products
New technology (especially C furnace - an advanced new steelmaking furnace which had been under construction for a year).
Lowest cost producer.
Highest staff productivity.
Staff Status Company".

Source: (Company Records, 8th/9th March 1992).
All these items had been discussed before and worked towards, but the management put new emphasis on staff status. Staff status was presented as a way out of trouble and a logical development on top of the cultural change which had taken place over the previous ten years.

Concluding the evening session, the company tabled the benefits open to 'new staff' in a single status company. These are shown in Figure 11.5.

**Figure 11.5** BENEFITS FOR NEWLY APPOINTED STAFF
(Extract From A Document Presented To The JRC At The Deal Conference)

<table>
<thead>
<tr>
<th>PAY</th>
<th>STAFF CARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed monthly salaries</td>
<td>New environment of trust</td>
</tr>
<tr>
<td>Salary bands to provide earnings growth</td>
<td>Consistently fair management</td>
</tr>
<tr>
<td>Pay related to performance</td>
<td>Supportive teamwork</td>
</tr>
<tr>
<td>Annual salary reviews</td>
<td>Better communication</td>
</tr>
<tr>
<td>3 band PIP continued</td>
<td>Confidential counselling</td>
</tr>
<tr>
<td>Paid sick leave during first 26 weeks</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAREER DEVELOPMENT AND PROSPECTS</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved job security</td>
<td>Private Health Insurance</td>
</tr>
<tr>
<td>Better career prospects</td>
<td>Free independent legal advice and representation</td>
</tr>
<tr>
<td>Improved training opportunities</td>
<td>Improved Injury Compensation Programme</td>
</tr>
</tbody>
</table>

*Source: Company Records, March 1992*
The JRC expressed concerns. It considered that management would have to change its approach to subordinate staff if a trustworthy relationship was to be developed - no 'blue eyed boy', no heavy handedness. No payment for time worked in excess of scheduled hours caused concern (the company estimated 80% of new staff would lose pay) and the JRC looked for safeguards on hours. Additionally, the JRC asked whether its 'body' would continue and how would the company respond to unions and existing agreements.

Finally there was a detailed discussion on payment systems and arrangements, and a request, by the JRC, for the company to help new staff overcome financial difficulties arising from the change.

The majority of the Monday was taken up with detailed discussions on the salary and benefit structure and how it would impact, both immediately and in the longer term, on the hourly paid employees. The most controversial aspect of the session was timing. The company was prepared and ready and advised the JRC that the change programme would commence the following day. It would be a management programme, without JRC involvement. The programme is outlined in Figure 11.6.
The management was confident and in control. It unveiled the full scope of the staff status requirement which would involve withdrawing union recognition, cancelling check-off, cancelling all union agreements, and developing a common team and values approach. Handouts were given demonstrating the significant decline in union membership in the UK and how non-union firms enjoy pay settlements which are consistently higher than in unionised firms. This handout was supported with a range of newspaper cuttings. Additionally, and as a comfort factor, a range of newspaper cuttings were included which illustrated that derecognition was taking place in other companies.
The final session of the conference was to outline management tactics for the change. These, the company considered, would be critical to success. The tactics involved five critical issues.

i) The change was to be based on a non-conflictual approach. In the past any move to a staff position from hourly status was seen as a promotion and the individual was always invited to accept the position. The same approach was to be applied. Each hourly paid employee was to be invited to join the staff.

ii) Communications were considered by the company to be vital. Commencing at 6.00 am, 10th March, and following through each shift over the next 24 hours, executive and senior plant management would meet with all staff at shift changeover and during the shift to fully explain the changes. An invitation to join the staff would be sent to each employee at his home (the senior management considered it to be a family matter). Enclosed with the invitation would be a specially printed handbook of new benefits and arrangements to give further information. Additionally, a specially prepared edition of the house newspaper, once again detailing the reasons for the change and the new benefits would be distributed to all employees at work. Individual interviews were to be encouraged at department level and in some departments key managers would be released from normal duties so they could devote all the time needed to either explain the change to employees or answer queries.

iii) The unions, in plant and externally, would be excluded from the programme. Invitations to staff were a management matter and the JRC would be asked to remain uninvolved. The JRC in fact was to be disbanded and individuals would solely pursue their normal work activity. No communication by the company would be undertaken with full-time union representatives.

iv) A programme of employee care would become available offering special counselling, loans to accommodate the move from weekly pay to monthly pay and a hot line through to the Personnel Department to deal with any issues speedily.
v) An after care programme would be put in place with a cross slice of staff from all levels participating on a committee which would assist with problems and would help determine new values.

At the end of the conference, the JRC offered no opposition to the plan. It is likely that this lack of opposition demonstrated how effective management's preparation had been and how successful the company's change programme over the last few years had been in changing JRC attitudes and behaviour. In fact, the Personnel Director believed that some members of the JRC thought and behaved more like management than union representatives.

After the conference each JRC representative returned to his next scheduled shift and worked normally. It was their last involvement in the industrial relations process.

11.4.3 Employee Commitment

To gain the commitment of the hourly workforce, management had to make them aware of the environment in which the company was operating, explain the reasons behind the change, give details of new salaried terms, obtain acceptance of the new terms, and ensure smooth implementation of the change. To do this the management implemented one of its most thorough communications programmes.

a) Shift Meetings

At 6.00 am, the day after the union conference, senior management made presentations to the off going night shift. Further presentations were made at each shift changeover over a 36 hour period to ensure everyone understood the company position, the reasons for the change and the overall gains and losses of moving to salaried status. It was sold on the basis of a package that could not be resisted. To cover all departments, three or four meetings took place at any one time.
b) The House Newspaper

A special edition of the house newspaper confirming all that was said at the shift meetings was handed out to each person at the end of the meeting, as well as being distributed to all existing staff. A lot of thought had been put into the form and content by the Personnel Director and Personnel Officer. It needed to be a big impact document, easy to read and understand and to make the readership feel important and special.

c) Invitation to Join the Staff

On 10th March, the company sent letters to each employee's home. The letter comprised an invitation to join the staff, stating the starting salary and principal new benefits. Additionally, a specially printed booklet giving thorough details of the new salary structure and benefits was enclosed. The decision to mail to employees' homes was taken for two reasons. Firstly, it was the fastest way of communicating simultaneously to all employees, especially in a 24 hour a day plant operation. Secondly, the company hoped that employees would discuss the change with their families. The company did not want anyone to have to make such an important decision without all the facts and full support.

d) Small Group Meetings (Clinics)

Over the next week small groups of employees met with management to obtain further information. Such meetings occurred around the clock and in each department. In the early days, employees met in small groups to avoid breaking ranks. In certain areas there was a feeling that no-one wanted to be the first to sign up.
e) The Contract of Employment

One of the principal outcomes of the group discussion was the need for employees to see and understand the new contract of employment. Initially, this was a worry and rumours about contents caused concern. However, the senior management was ready and issued contracts very rapidly through department management. Again each was personalised and written in a style easy to understand. This action turned the communication and decision process to an individual activity. Each employee now felt he had to consider his own position. This was the view openly expressed as individuals now started to request meetings with their managers.

f) Individual Meetings

Many staff requested personal meetings with their manager and some, who required special advice or counselling, with Personnel Department staff.

The company viewed the opportunity of talking to employees on a one to one basis as a time to express views about the individual and to lift his perceptions of his own importance and value. Such opportunities had been denied in the company in the past because of company-union agreed procedures which placed shop stewards in the middle of two way communication. The individual meetings were confirmed by departmental management as beneficial to them as well as essential to the acceptance procedure. They assisted in re-establishing the manager's role in employee relations. It spurred managers on and many worked large periods of day and night in persuading their employees to accept the change. Plant management considered the task not just as a challenge but as a principal responsibility. Every acceptance was a success and the management and the company thrived on that success.
g) Corporate Communication

The Personnel Department was the nerve centre. Each evening the Personnel Director met with his key staff and reviewed each acceptance. Acceptance rates for each area were examined as were pockets of resistance. The unions were lobbying 'outside', endeavouring to prevent progress, and a section on union resistance is considered later.

The management view was to maintain excellent communications and to give every employee a hearing at any time, night or day, weekday or weekend. Additionally, the management staged a notice board communication programme of progress, with a new notice posted daily. Notices updated employees with the number of new staff; medical insurance arrangements; savings plans; salary advance procedures; and so on.

The Personnel Director posted a notice advising employees that the JRC had been disbanded and a committee of staff was to be appointed.

"Its principal objectives will be to help the company resolve any problems resulting from the change to a full staff status company. More importantly, the committee will bring staff views and opinions to the attention of the company and ensure that new 'workplace values' are shared and supported by all" (Company Records, 20th March 1992).

It took twenty days for all to accept (one employee declined and his employment was terminated after considerable effort to change his mind had failed). 25% accepted within a week; 50% had accepted within 10 days; and 75% had accepted within two weeks. The take-up rate is graphed in Figure 11.7
It was a significant change, in a very short time frame. Its success came from a carefully developed management strategy, good research, critical planning, tactics, especially communications and management commitment and drive. Limited union resistance had no impact.

11.5 Trade Union Resistance to Change

As part of the change plan the management decided to have no involvement with trade unions in or outside the works. The company's association with the trade unions ended with the Deal Conference on 9th March 1992, not because of any distaste for trade unionism but because there was no longer a role for them in a staff status company. The following events of union resistance are recorded as a result of conversations, correspondence and general plant talk.
While the JRC offered no resistance to the plan individual JRC members communicated with their full-time officers after the Deal Conference, and were instructed to call a joint branch meeting for 12th March. Feedback indicated that 124 employees attended the morning meeting and 229 the afternoon meeting, giving a total turnout of about 78%. Full time union officials put two questions to the meeting; firstly, did they wish to retain union membership and secondly did they wish to retain union recognition. The meeting confirmed 100% support to each question. The full time officials declared that they would arrange talks with the company.

Additionally, the ISTC official distributed a two and a half page letter, signed by the General Secretary and the Divisional Officer, commenting on the change and attacking 'loss of rights', especially collective bargaining "... the threat to collective bargaining hits at the very core of individual and collective freedom and would result in management having a free hand to implement whatever policies they choose. To raise or even lower wages as they see fit, and introduce unacceptable working conditions ..." (ISTC, 12th March 1992).

The ISTC Divisional Officer, on behalf of the Kent Steel Committee, wrote to the company requesting a meeting. "Despite the agreements that exist, we have received no communication from you concerning the major changes which have been proposed and we find such a situation quite disturbing. Equally disturbing, we do not accept your alleged comments on the matter of derecognition" (ISTC, 13th March 1992).

The Personnel Director responded stating: "The events you refer to relate to the conclusion of a long term programme of harmonisation which has been fully and regularly discussed with all trade unions through our Joint Representative Committee ... We have invited all our hourly employees to join the staff. When this change takes place, the existing company-trade union relationships will change and at that time I will make contact with you" (Company Records, 18th March 1992).
On 20th March, when over 50% of the hourly paid employees had accepted offers to join the staff, the company called the JRC together for its final meeting. A progress report was given and the company thanked the JRC members for their contribution to positive employee relations over a lengthy period. The company then discharged the JRC. The JRC advised all employees by posting a notice which stated: "Following a meeting with Mr Billot today, the JRC is no longer recognised by the company. JRC members will attend the joint meetings on Monday as union members only" (Company Records, 20th March 1992).

The company received a further letter from the trade unions referring to the fact no meeting had been offered and that this would be referred to the next branch meeting.

In the meantime, the ISTC canvassed views on industrial action and a draft ballot paper was prepared which, if conducted, would ask members if they would take industrial action up to and including a strike in pursuit of a claim for trade union recognition and collective bargaining.

The next joint branch meeting took place on 23rd March. 123 attended (27% of total membership) and a motion could not be achieved to hold a ballot or to pursue any other course of action. The full-time officers' view was that they could do nothing other than wait for the election of a Labour Government committed to change employment legislation to assist trade unions obtain recognition. That same day the General Secretary of the ISTC wrote to the company expressing concerns and enquiring about a meeting. It was less vitriolic than an earlier letter to the membership. It required no response from the company and none was given.
On 31st March 1992, with the changeover completed, the Personnel Director wrote to each of the four trade unions. That letter referred to an acceleration of the long term programme of harmonisation due to external factors and the fact that all hourly paid employees had over the last few weeks accepted staff status conditions. "As a consequence, there will no longer be a need for representation and collective bargaining arrangements with your union. We therefore consider our Recognition Agreement and other Associated Agreements with your union to have lapsed. Regarding check off, the final payments will be collected during week ending 3rd April ... This latest development has been introduced to conclude a long term cultural change programme which is vital to our future success and which recognises a totally different approach to team cohesiveness in an industrial environment" (Company Records, 31st March 1992).

Overall, there was little the trade unions could do. On this occasion the trade unions had been outmanoeuvred, just as they had outmanoeuvred the company some nineteen years earlier in 1974 when recognition was last in question.

It was of lesser concern to the craft unions who had small membership numbers. In fact no direct communication was received from either the EETPU or the GMBATU. The AEU wrote to the company on 22nd April deeply regretting the company decision to derecognise. However, it was of deep concern to the ISTC as it has always considered itself to be the principal union in the steel industry. For that reason, and because its history went back to the time the company was established, the loss of recognition at Sheerness Steel was even more of a bitter blow.
The General Secretary, in reviewing what had happened at Sheerness Steel, in its quarterly Journal spoke of 'union busting' USA style (Phoenix No. 21:4). The company was not happy with the view which it considered to be incorrect. But the ISTC took every opportunity to express its view. A lengthy statement to the ISTC National Conference stated: "This will be more akin to a battlefield communique than to a report to Conference on industrial matters" (Phoenix, No. 22:25). The communique was full of union rhetoric - union-busting, treachery, embittered employees etc. But in other parts a more reasoned concern was apparent. A Teesside steelworker stated at Conference: "The recent events at Sheerness should not just set the alarm bells ringing, they should send a shiver down the spine of every trade unionist. It could be used as a precedent by other companies in the industry and be the death-knell of our organisation and a further nail in the coffin of the wider labour movement" (Phoenix, No. 22:24).

11.6 A New Staff Status Company

From April 1992 the company consisted entirely of salaried staff with no union recognition or collective bargaining. A workforce with new values, new reward systems and the scope to develop new working arrangements had been established. The company considered a new era of staff relations had arrived. All terms and conditions of employment were harmonised. Two of the requirements of harmonisation were complex and need a little further discussion.

The first related to hours worked in excess of schedule. Before the change, hourly paid employees received payment for such hours and salaried employees working around them received an annual salary for total contribution which included working hours in excess of schedule. The first reaction of new staff when receiving an annual salary and being told they would have to work hours in excess of schedule was 'we are working extra hours for nothing'. Some could not come to terms with a new philosophy of contribution and reward. Even today there are still some employees who believe they are not being rewarded for working hours in excess of schedule.
However, management believe that there are a growing number of staff accepting the new philosophy and this has been accelerated by the second issue, namely performance pay. In part compensation for working hours in excess of schedule, the company, after computing rota pay into annual salary, increased individual's salaries by 3%, 6% or 9%. These increases related to an individual's classification at appraisal for the previous year, 3% reflecting underperformance, 6% standard performance, and 9% recognising high performance.

Immediately, new staff felt the influence of performance on pay and, of course, the higher performers generally lost least. At the time of the change, the high performers demonstrated greater support. At small group meetings or individual meetings they were the first to recognise how they could improve their salary through enhanced performance in the future.

Payroll studies indicated that 80% of the hourly paid employees who transferred to staff lost income as a result of the new contracts. The biggest losers were those who worked many hours in excess of schedule. Some incurred pay reductions of up to 28%. Some gained pay increases in the order of 10%. Nearly half the workforce achieved a 9% salary increase and in addition the new staff were placed on salary bands demonstrating the potential for considerable salary growth. Additionally, all new staff enjoyed health and legal benefits worth about 3-4% of average pay.

No-one in the company had ever experienced such a situation before and after care would be vital.
11.7 After Care Programme and Early Results from Single Status

To ensure such a major change was successful and to clearly demonstrate management's new trust and involvement with all staff, a special after care programme was developed. The programme placed emphasis on ensuring that:

i) Promises were kept.
ii) The benefits of a single status company were reaped.
iii) Re-unionization was avoided.

This programme, after nearly three years has become inextricably mixed with ongoing personnel practices and plans. A number of specific approaches merit recording.

11.7.1 Communications

New emphasis has been placed on communications. All managers are expected to meet their staff monthly for a thorough two-way exchange on all issues of importance. The management strategy group meets regularly to discuss a wide range of issues. Directors meet staff regularly at site shift meetings to discuss company performance and future plans and to hear views from staff on a wide range of issues.

An after care committee was established from a cross mix of staff. The committee was chaired by the Personnel Director. It met on eight occasions to iron out problems and help the company develop new views, ideas and values. By the middle of 1993, the committee was wound up as other communication vehicles were in place and working effectively.

Finally, in September 1993 a special staff status newspaper was distributed to all staff. The newsletter recorded details of both successes and shortcomings and presented new goals to improve company efficiency.
11.7.2 Employee Behaviour

The management expected improved behaviour and became more careful in dealing with cases of indiscipline. On occasions staff were given the benefit of the doubt in a situation where an official warning would have been made. In general the management has maintained consistency and equity, and avoided any serious return to an indulgency system. Discipline records indicate that in the first year (1992) of staff status there was no discernible change, while in the second year (1993) there has been a dramatic reduction of 54% in recorded warnings. In 1994, discipline again fell, this time by 20% over 1993. The trend is shown in Figure 11.8.

Figure 11.8

Number of Cases of Recorded Disciplinary Action

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<tr>
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</tr>
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<tbody>
<tr>
<td>Verbal warnings</td>
<td>34</td>
<td>51</td>
<td>40</td>
<td>30</td>
<td>33</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Final written warnings</td>
<td>5</td>
<td>6</td>
<td>11</td>
<td>15</td>
<td>12</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Suspensions</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dismissals</td>
<td>8</td>
<td>11</td>
<td>4</td>
<td>10</td>
<td>2</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>48</td>
<td>68</td>
<td>55</td>
<td>55</td>
<td>54</td>
<td>25</td>
<td>20</td>
</tr>
</tbody>
</table>

Source (Company Records, 1994:5).

Comparing the average of 1993 and 1994, two years of complete staff status, with the average of 1988 to 1992 (the HRM period to the year in which staff status was achieved), verbal warnings decreased by 74%, final written warnings decreased by 30% and dismissals decreased by 25%. The latter is sufficient evidence that behavioural standards are very important and have improved. And, importantly, the company not only encourages improved behaviour through a range of other programmes, especially appraisal, it is thorough in its investigation of breaches of behavioural norms and in subsequent disciplinary action.
11.7.3 *Safety*

The company went out of its way to ensure that even more effort went into safety. It maintained all established procedures and systems. It appointed company safety representatives. These representatives were to fulfill an even more exacting role than that held previously by employees appointed from trade union sources. Company safety representatives were given additional training and fully encouraged to play an active role. Workplace injuries and accidents have declined regularly since the introduction of a staff status company and 1994 was the safest year in the company's history.

11.7.4 *Employee Development and Training*

Every encouragement was given to new staff to develop further their contribution and career. This is evidenced in two key ways.

Firstly, and discussed in a previous chapter, the company has leaned heavily on internal promotions both to advance employee development opportunities and to appoint people of known capability even though their experience might have been less than the potential of an external candidate. Over the period 1989-1992, there were 51 promotions of which 42 (82%) were internal appointments. In the first year of staff status, 1992, there were 21 appointments to management of which 95% were made from internal promotion.

Secondly, by 1993, the company was employing 38 trainees, almost 6% of the workforce and the highest number in the history of the company as Figure 11.9 confirms. The number of trainees remained at 6% of the workforce in 1994.
11.7.5 Establishing New Values and Vision

The establishment of a single status company is not an end, but a means to an end (in the company's case sustainable competitive advantage). It was a change in the process of legitimising employment contracts, basically away from a 'contractual order' to a 'moral order', but time is required to make such a shift and the process is not all cultural. For example, it was not possible to throw away the rule book overnight and in fact it has taken three years to produce a new Handbook based on values and a moral order. Appraisal and performance pay have legitimised punishment and reward, and time will be necessary to create congruent attitudes and shared views even though behavioural change has been marked. Further, staff take time to adjust to a new order, especially management, whose treatment of subordinates and delegatory process have required step changes. While some have struggled with the new order, many have acclimatised quickly. Few have resigned on the basis of incompatibility (in fact in 1994, labour turnover was at an historical low).
To promote new values, consolidate the change and gain further cohesion, the company re-wrote its mission and established a vision, which highlighted the importance of its employees to the success of the business.

11.8 Early Review of Staff Status

Nearly three years into the staff status programme, an upward trend is being experienced on a wide range of human resource measures. During the period, staff relations have been conflict free and company supportive. Despite a very severe recession which damaged company profitability, staff have adapted to attitudinal change and the single status programme well. It has been a time of great change which has required the sustained commitment and contribution of the staff to overcome intense competition globally. The change and its influence on company performance has enabled the company to avoid redundancies throughout the recession.

A range of employment issues, where change has been significant, are discussed below.

11.8.1 Hours in excess of schedule

In the twelve month period immediately following the change to staff status, compared to the twelve months before, hours worked in excess of schedule fell by 76% to an average of 1.4 hours per week compared to 5.8 hours per week before. Every department at least halved its excess hours (Company Records, September 1993).

11.8.2 Absenteeism

Absenteeism increased after the staff status change and has continued to rise, although the trend may now be turning, as Figure 11.10 shows.
Figure 11.10

Days Lost to Absenteeism

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Days Lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>5588</td>
</tr>
<tr>
<td>1989</td>
<td>4646</td>
</tr>
<tr>
<td>1990</td>
<td>4455</td>
</tr>
<tr>
<td>1991</td>
<td>3715</td>
</tr>
<tr>
<td>1992</td>
<td>4659</td>
</tr>
<tr>
<td>1993</td>
<td>5234</td>
</tr>
<tr>
<td>1994</td>
<td>3368</td>
</tr>
</tbody>
</table>

In 1992 absence increased by 25% over the lowest absence recorded in 1991. In 1993 absence increased by 12%. Absence in 1994 is 36% down on 1993 and was at a record low.

There are probably two principal reasons for the increase in absence. With staff being paid for all absences, there are indications that some staff have taken time off indiscriminately - possibly an instrumental response to working hours in excess of schedule. Secondly, with staff status the company introduced private health insurance and quite a number of staff used the scheme and that increased absence. The latter is expected to translate into a future pay back as a healthier workforce should result in lower absence levels, and 1994 is a positive sign.

11.8.3 Job Security

The flexibility adopted as a result of 'new' staff attitudes has enabled company management to change shift patterns, re-deploy staff to areas of need and generally to obtain the most flexible contribution. This approach contributed to the avoidance of redundancies. The company has now operated for eleven years without having to apply an enforced redundancy programme.
11.8.4 Working Parties/Task Groups

There has been no let up in the number of task groups and membership of new groups has generally been at higher levels than in the past and is a further sign of participation and commitment.

11.8.5 Training and Employee Development

34% of staff were pursuing vocational qualifications, in their own time, at the end of 1994, a demonstration of positive commitment.

11.8.6 Staff Turnover

There had been no crisis after the staff status company was formed. Other than the one person who declined to accept a new contract, and who was terminated, only two or three staff at their exit interviews have expressed dissatisfaction with staff status and confirmed that it had contributed to their resignation. In fact, discounting staff who took special early retirement, staff turnover has fallen each year since the change, and in 1994 is running at the lowest level recorded. The trend is shown in Figure 11.11.

Figure 11.11

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>%</td>
<td>7.8%</td>
<td>7.6%</td>
<td>7.8%</td>
<td>5.8%</td>
<td>5.3%</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

Source: Personnel Department Records.
11.8.7 Cost Containment

A big factor in the move to staff status was a saving of £1 million per year by not paying hours in excess of schedule. In real terms the combination of many inter-related changes had more than doubled the company return. Employment cost per tonne fell by 11% between 1992 and 1993, yielding a saving of £2.1 million after sweeteners in terms of salary increases, performance pay and new benefits. In addition, industrial injury claims dropped off dramatically which will lead to further substantial savings in insurance premium.

11.8.8 Performance Pay

Full performance pay was introduced as the single status company was established in April 1992. From that time, annual salaries are adjusted based on the contribution and performance of the individual. This approach has heightened the effort-reward-relationship and emphasised the importance of performance. Figure 11.12 illustrates the distribution of pay rises and the increasingly diversified nature of pay awards.

The first review in June 1992 was cautious and no staff received less than the cost of living over the previous twelve months. In 1993, 13% of staff received a nil salary adjustment or an adjustment not exceeding 1.5%. The majority (60%) of staff received increases in the range 2 to 3.5%, while 27% (high performers) received adjustments up to 6% or nearly twice the cost of living. By 1994, 72% of staff received a salary adjustment below 2.25% which was below the cost of living. 28% (the high performers) received a salary adjustment of up to 5%, which at the top end, was twice the cost of living. Salary adjustments were low in 1994 because management decided to introduce a new gainsharing bonus plan on 1st January 1995. Management anticipated that the new plan (although not designed at the time) would bring opportunities for staff to enhance earnings by up to 10% after a year or two. This change in reward strategy was as a result of a determination by management to move towards a reward structure where variable pay would take on greater significance, both as a promoter of improved business performance and as a recognition of staff contribution.
Since 1992, the management has become more discerning in adjusting pay and salaries have become far more varied amongst team members so reflecting different individual performance achievement. Not all staff have adjusted to performance pay. A few have used the grievance procedure to seek a review over a small salary adjustment. A growing number of staff recognise that salary growth may be considerable for high performance and a small number of staff have secured 20-30% pay rises since the change while a few have achieved no more than 10-12%.

Finally, to further promote individualism and to move away from the often collective emotion of a common pay review date (as some staff compare pay rises) the company has introduced personal anniversary dates for appraisal and salary adjustment. From June 1994, staff will have salaries adjusted at different times throughout the year.

**Figure 11.12**

**Pay Rise Spread and Proportion of Staff Affected**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Under Performers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Staff affected %)</td>
<td>3%</td>
<td>4.1%</td>
<td>0 to 1.5%</td>
<td>0 to 0.75%</td>
</tr>
<tr>
<td>(Staff affected)</td>
<td>(11)</td>
<td>(4)</td>
<td>(13)</td>
<td>(15)</td>
</tr>
<tr>
<td><strong>Standard Performers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Staff affected %)</td>
<td>6%</td>
<td>4.2% to 6.9%</td>
<td>2 to 3.5%</td>
<td>0.8 to 2.25%</td>
</tr>
<tr>
<td>(Staff affected)</td>
<td>(61)</td>
<td>(85)</td>
<td>(60)</td>
<td>(57)</td>
</tr>
<tr>
<td><strong>High Performers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Staff affected %)</td>
<td>9%</td>
<td>7 to 10%</td>
<td>3 to 6%</td>
<td>2.3 to 5%</td>
</tr>
<tr>
<td>(Staff affected)</td>
<td>(28)</td>
<td>(11)</td>
<td>(27)</td>
<td>(28)</td>
</tr>
<tr>
<td><strong>RPI (12 months)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.1%</td>
<td>3.3%</td>
<td>2.4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Personnel Department Records: 1994
11.9 Pay and Inflation

In May 1990, the company secured its last Labour Contract with the Joint Representative Committee which was effective 27th May 1990 to run for two years. The agreement contained significant support for continued attitudinal change, involved job grade structure rationalisation, further improvements to performance pay through the Performance Incentive Plan and included labour productivity targets (Labour Contract, 1990-1992). The contract increased pay rates by 10% for the first year and 8% for the second year. Pay exceeded the retail price index on average by 1.2% per annum.

Subsequently, as a single status company, pay adjustments have taken place on 1st April and 1st June 1992, 1st June 1993 and 1st June 1994 when anniversary pay was introduced (see 11.8.8).

Over the company pay review years 1990 to 1993, average company pay increases aggregated to 26.8% compared to an aggregated retail price increase of 20.7%. As a result the average employee experienced a real increase in living standards of 6.1%. Figure 11.13 shows the position year by year.

Figure 11.13

Pay Rises and Inflation 1990 to 1993

<table>
<thead>
<tr>
<th>Year</th>
<th>UK RPI Increase</th>
<th>Company average pay increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>9.8</td>
<td>10</td>
</tr>
<tr>
<td>1991</td>
<td>5.8</td>
<td>8</td>
</tr>
<tr>
<td>1992</td>
<td>3.9</td>
<td>5.5</td>
</tr>
<tr>
<td>1993</td>
<td>1.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>
Over the period 1990-92 where collective bargaining took place, real living standards increased by 1.2% per annum. Since moving to single status and full performance pay, namely 1992 and 1993 real living standards increased by 1.9% per annum. In fact in 1993 average pay rises exceeded the retail price index by 175%, a considerable improvement in real income.

It is too short a period to assess the real impact of staff status and performance pay but early signs corroborate research (Ingram, 1991 and Gregg and Machin, 1992) that non-union companies afford greater pay growth than unionized companies.

11.10 Company Performance

While the 1980s saw recession and boom, the 1990s have yielded recession. The recession has been particularly harsh for European Steelmakers where supply significantly exceeded demand, resulting in severe competition. All companies, and in particular Co-Steel Sheerness, have sought improvements in internal efficiency to survive. The cultural change programmes of the 1980s, culminating in staff status in early 1992, have introduced a new dimension into the company - the staff work ethic which has significantly influenced internal efficiency, so enhancing competitiveness. The following key measures confirm the efficiency improvements.

Costs of production, after rising in 1991, fell in both 1992 and 1993. In 1993 they were only 5% above the 1991 level. The UK retail price index increased by 19.4% over the period December 1989 to December 1993.

Record improvements in quality were achieved. The 'make right first time' rate improved from 98.5% in 1990 to 99.4% of occasions in 1993.
Labour productivity increased substantially. A 22.5% increase was recorded, from 1058 tonnes per employee in 1990 to a record high of 1296 tonnes per employee in 1993. In that period, manpower was reduced by 14.4% through natural wastage and an early retirement programme, while steel production increased by 7.9%. The new staff work ethic and working practices had encouraged greater employee contribution and performance.

Production and productivity increases had not been at the expense of safety. Safety performance improved each year. All injuries reduced by 72% to a record low of 47 in 1993.

Concerning profitability, two events should be noted. Co-Steel Inc. took over the banking aspects of the business during the period and reconstructed the balance sheet which affected interest charges on loans. Further, in January 1991, the raw materials division was merged with another company to form a major scrap processing business.

Co-Steel Sheerness owns 60% of the new business and its interests have appeared in the accounts since that time. Because of the nature of the two businesses, the reconstruction of accounts and the economy, it is too complicated to validate specific influences. Suffice is to say the method of calculating profit or loss has been consistent throughout.

The company sustained losses only in 1991 and 1992, even though the recession ran over three to four years. Profits were restored in 1993, even though much of the UK was in recession. Employment philosophy changes and the new single status environment have contributed to profitability, as a result of cost containment and more effective employee performance.
11.11 Conclusion

In 1992 the company made a paradigm shift in establishing a single status company which involved derecognising the trade unions. With single status, all staff are employed on identical conditions, with the exception of salary which varies with role and performance. Staff have personal contracts, are paid on performance, receive no additional payment for overtime, work to values and are motivated to contribute at a maximum level in any activity in which they are competent to perform. These developments had been the final step in a fast moving and complex cultural change programme which had taken place over a ten year period.

The change, which was based on extensive research and planning, involved a sophisticated programme which was executed with intensity and pace, and overcame any remaining resistance from some employees and trade unions. In fact it took the trade union officers by surprise. They had little time to mount a rearguard action; lacked supportive employment legislation; and more importantly had lost the support of many of their members whose continued membership was more a matter of 'post entry closed shop arrangements' than ideological affinity. Many of those employees were now far more concerned with their individual wellbeing than with the continuation of union recognition at Sheerness. Additionally, the union officers, over a number of years, had become detached from 'their members' at Sheerness. This may have been because industrial relations had been good and their involvement was infrequent or it may have been because the change programmes were too radical for them and they felt more comfortable at a distance. Concerning the ISTC, there was still a strain which had lingered on since the 1980 national steel strike. For whatever the reason the 'detachment' had helped the management to build a stronger bond with their staff than the union could with its members. Management were leading change and the employees were following by accepting the change. Further, the management took advantage of both favourable pre-conditions, genuine business reasons and an incremental approach to upgrading employees to staff positions.
Despite the company suffering from the ravages of recession since 1991, its performance from a people input has been very significant with record performances in safety, quality, manpower productivity, employee behaviour, staff turnover and cost containment.

The development of staff status brought the final refinements to the human resource management approach introduced in 1988. It created an environment in which individualism could prosper free of the constraints of collectivity. Only in such an unfettered way can employees achieve an optimisation of their contribution, a vital ingredient to any organization seeking sustainable competitive advantage.
CHAPTER 12

HUMAN RESOURCE MANAGEMENT AND THE SCOPE FOR HIGH PERFORMANCE

12.1 Introduction

Human resource management is a business-oriented philosophy concerning the management of people, and, in particular, how managers and workers pursue more closely-related goals in order to achieve competitive advantage for the business. In effect the human resource management approach is adopted to improve business performance, or in fact to assist in the development of high performance. It is that belief that has undoubtedly persuaded many companies to effect change programmes aimed at making labour more productive and business more efficient. That belief was certainly central to the management of change from industrial relations to human resource management at Co-Steel Sheerness.

The aim of this chapter is to consider the impact of human resource management on performance and advance the discussion of HRM, which has not been systematically linked to performance by the principal researchers, and in particular by the Warwick Studies (Storey, 1992). Those studies are regarded by some (see Tyson, 1995:33) to be the most thorough analysis of HRM so far. In so doing, the chapter will address two key issues. Firstly, it will assess whether HRM at Co-Steel Sheerness is an exemplar of HRM by comparison to the 'Warwick Studies Model'. Secondly, it will assess the impact of HRM on performance at Co-Steel Sheerness.

12.2 The Co-Steel Sheerness Approach - An Exemplar of HRM

As discussed in chapter 4 there are different models or forms of HRM. These differences in the meaning of HRM may be seen along a continuum. They range from one extreme, where HRM is seen as synonymous with personnel and industrial relations management to the other extreme, where HRM is defined as a distinctive managerial ideology aimed at harnessing the full potential of all employees to achieve the strategic objectives of the business.
12.2.1 The Warwick Studies of HRM

One of the most elaborate models of the differences between industrial relations and HRM has resulted from research at Warwick University's Industrial Relations Research Unit (Storey 1992A:1-47 and 1992B:28-31). Storey (1992A:35), from these findings, constructed a model of the differences between HRM and what he termed the 'personnel and industrial relations paradigm', (see figure 4.2). This model presented criteria under four main headings: prevailing beliefs and assumptions; strategic aspects; line management; and key levers.

1) Beliefs and Assumptions

In HRM, the Warwick Studies suggest that beliefs and assumptions revolve around business need determining the action needed. Procedures, rules and contractual arrangements are seen as impediments to effective performance. The approach is definitely unitarist. The research found a dual system of pluralist and unitary practices.

11) Strategic Aspects

In this dimension, the Warwick model suggests that the corporate plan is central; decision-making should be fast; a strong customer orientation present; the promotion of initiatives aimed at driving the business.

The Warwick research found that HRM is not a 'coherent integrated phenomenon' and that companies would 'pick-and-mix' various parts of new initiatives. This in itself suggested that HRM may be a 'symbolic label'.

iii) Line Management

The Warwick research highlighted the emergence of business managers and line managers playing a key role in employment issues. The managers were 'devising, driving and delivering new initiatives'. (Storey, 1992 B: 31)

iv) Key Levers

This fourth dimension comprises a wide range of transformative changes or levers such as harmonization/single status, performance related pay etc. The research found considerable unevenness in the take up of these levers.

This "model" resulted from investigation in 40 organisations during the late 1980s. Some 15 organisations were treated as 'core' studies and examined in greater detail. The findings showed that there had been a significant take up of HRM.

12.2.2 Co-Steel Sheerness: An HRM Exemplar

It was useful to compare progress at Co-Steel Sheerness to the fifteen core companies in the Warwick studies for two reasons. Firstly, change from IR to HRM was taking place in all of the companies at about the same time. Secondly, the Warwick study criteria were the most elaborate and were researched in more detail than other available data. Figure 12.1 makes the comparison of Co-Steel Sheerness in transition: in 1980 (IR approach); in 1988 (commencing HRM approach); and in 1992 (extensive HRM approach) to the fifteen core companies in the Warwick study.
Interestingly, of the fifteen major companies included in the research only one has harmonised terms (a visit to that company by Co-Steel Sheerness concluded that harmonisation was a long way short of effective single status). Perhaps it takes 'full harmonisation' or 'effective single status' to ensure strategic integration, as at Co-Steel Sheerness.

Co-Steel Sheerness now meets each of the 25 criteria. Its application lends itself to the "hard" form of HRM on a range of the variables, and the trade unions were derecognised. In 1988 Co-Steel Sheerness, compared favourably with those companies which had made most progress to the HRM model. In fact the company was in compliance with 68% of the criteria and only 12% of the main companies achieved compliance in 58% or more of the criteria. In 1980, the compliance level was just 4%. No other company met the full criteria of HRM as Co-Steel Sheerness did in 1992. On this evidence it is reasonable to state that Co-Steel Sheerness is an exemplar of HRM.

12.2.3 Limitations of The Warwick Studies

There is no doubt that the Warwick Studies have added value to the HRM debate. However, the Sheerness research suggests some shortcomings or limitations to the Warwick Studies. In particular, this relates firstly, to the criteria used to assess the HRM model and secondly, to the failure of the study to attempt to link the operation of an HRM approach to changes in business performance.
Concerning model criteria, this case study confirms the importance of beliefs and assumptions, especially in terms of action taken to meet business needs. This was clearly apparent in 1992 when the company implemented single status and 80% of employees immediately lost pay. But that act, and subsequent strategy, emphasise the need to continually re-motivate and reward superior contribution. As such, there is a time-scale associated with the input and output of labour change and contribution in the same way as the investment process with capital. Thus, on occasions, it may be necessary to, say, increase wage/salary costs at a rate greater than the business would like at that time in order to reap a gain at a later time. Business success cannot be at the expense of the employees, it has to be as a result of employee actions. Both business and employees have needs which require to be met. This may not always be at the same time. The Warwick studies failed to bring out the time frame and the requirements for all stakeholders to benefit in the long term.

Experience at Co-Steel Sheerness would support the elimination of a 'rule book' but two important points should be noted. In changing from the IR perspective to HRM, a company cannot toss the rule book out of the window. Dealing with people requires some compliance with accepted practice or norms. Furthermore, an organisation cannot function without some rules. The communication, acceptance and application of rules that embody new norms and values will introduce realism and legality to the 'beyond contract' employment relationship. Such changes will take time for both manager and managed to adjust.
The experience at Co-Steel Sheerness was positive on all 25 variables listed in the HEM model. Management at Co-Steel Sheerness believed an important transformation had taken place. While there is nothing invalid about introducing parts of the model on a pragmatic or developing basis if they benefit the organization, it was disappointing to note that no delineation had been made as to what type of profile would indicate that a new perspective existed. Neither was there any statement as to what criteria should form the essential cornerstone of HRM. While in many types of change a critical mass is normally required to succeed it may well be that in the change from IR to HRM, the new perspective may only be achieved if a significant number of the criteria are met. While it is recognised there may be no defined and idealised position at the end of the 'HRM continuum', the personnel practitioner may find advantage from understanding a profile or definition which would indicate the degree of transformation likely to improve business performance.

No account was taken of the calibre of management, say, by assessing educational attainment. Nor of its strengths, say in number, as a proportion to the workforce. Neither was there mention of the managers’ role in organizations moving towards self directed work groups or empowered teams. For example, were managers found to be resisting HRM on the basis that it would lessen their job security? Or were managers enjoying more freedom to coach, facilitate and lead, as empowered teams dealt with day to day issues?

Co-Steel Sheerness experienced conflicts along these lines. Rarely did business managers or line managers devise or request new employment initiatives. Their focus of attention was geared almost exclusively to technical-operational issues and they would put up with an industrial relations perspective as opposed to promoting HRM. Additionally, experience indicated that line management was unwilling to take up issues that would lead to conflict such as discipline or changing working arrangements, much preferring an indulgency pattern. This situation has recently been confirmed in an IMS Report (Financial Times, 26th April 1994) which emphasised the reluctance of line managers to become involved in personnel and HRM work.
The case study at Sheerness shows the need for a pro-active and business oriented and expert human resource team supported by senior management. Storey asked the question should personnel specialists 'give human resource management away' to line or business manager? At Sheerness the answer was an emphatic 'no'. A strong pro-active central human resource department led the company to single status and an HRM perspective. At the same time, business performance and employee performance have improved and this is discussed shortly.

Some additional criteria could be added to the model including correct and appropriate differentials between supervisor and supervised; trust; labour performance and contribution; idea generation; educational attainments; self-development; and performance measurement. An advanced model of HRM, built up from the 'Warwick model' and the Sheerness experience, is discussed in the conclusion to this study. Even with the limited range of criteria used, the research indicated a wide disparity in actual take-up, and concluded that personnel and industrial relations management is 'lacking in strategic integration and falling far short of textbook prescription'.

The Warwick studies stopped short of assessing change in business performance as a result of the transformation to HRM. As a result those studies could not reach any conclusion as to the superiority of the HRM model. This research provides an idea of the scope for improving business performance, resulting from the change to an HRM approach in a steel company, and this is now considered.
12.3 The Impact of Human Resource Management on Performance

In 1993, Co-Steel Sheerness, a company operating in an industry deeply in recession, reported a profit. The company broke many production records, and recorded its highest ever labour productivity, its highest ever quality performance, and its best safety experience. Employment costs per unit of output, after adjusting for inflation, were at an all time low. This high performance was achieved in the sixth year of application of a human resource management approach.

The performance trends in this study link with the organizational form and industrial relations perspective adopted and chart the company's endeavours to achieve competitive advantage from high performance. They not only illustrate the lifetime performance of the company but specifically measure the two distinct periods, firstly of industrial relations from 1975 to 1980 and secondly of human resource management from 1988 to 1993.

The management at Co-Steel Sheerness believe that the employee contribution, through a HRM approach, is a critical factor to a company seeking a sustainable competitive advantage. It is recognized that capital investment in new technology may be an important factor in achieving competitiveness. The Company, by the very nature of its technology, will need to regularly invest in capital to replace worn out equipment or to introduce modern technology or to respond to market needs as a result of product diversification. In so doing, it will automatically seek to improve productivity and performance. Today, however, there are few major equipment designers and manufacturers and as a consequence it is normal to find similar equipment at different steel plants throughout the world. At Co-Steel Sheerness, the view is held that to achieve superior performance over competing companies with similar equipment, the 'people' contribution is the deciding factor.
In most companies it is very difficult to distinguish between the contribution of capital, and that of labour, to the improvement of productivity. In order to give broader understanding to the employee contribution to performance this section is introduced by a brief analysis and interpretation of capital investment throughout the lifetime of the Company.

12.3.1 Capital Investment

Manufacturing plant is expensive to purchase, maintain and repair. Further, it has an effective lifespan after which it requires either major refurbishment or replacement. In effect, all manufacturing businesses have an ongoing need for capital investment.

In terms of making decisions about such matters as design capability of equipment, refurbishment versus replacement, productivity versus quality etc., the senior management will look at the return on the investment and prioritise their decisions based on market factors and on the availability of profit earned. It is also normal business practice to seek increased performance (output) and lower costs from new investment. Capital expenditure has been a regular event at Co-Steel Sheerness. (see figure 12.2)
Figure 12.2

Co-Steel Sheerness: Capital Investment 1972-93

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Assets £000s</th>
<th>Capital Expenditure £000s</th>
<th>Capital Expenditure To Net Assets %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>7583</td>
<td>1452</td>
<td>19.1</td>
</tr>
<tr>
<td>1973</td>
<td>9603</td>
<td>1242</td>
<td>12.9</td>
</tr>
<tr>
<td>1974</td>
<td>16759</td>
<td>5323</td>
<td>31.8</td>
</tr>
<tr>
<td>1975</td>
<td>21902</td>
<td>4591</td>
<td>21.0</td>
</tr>
<tr>
<td>1976</td>
<td>24501</td>
<td>3453</td>
<td>14.1</td>
</tr>
<tr>
<td>1977</td>
<td>23645</td>
<td>1966</td>
<td>8.3</td>
</tr>
<tr>
<td>1978</td>
<td>25742</td>
<td>2071</td>
<td>8.0</td>
</tr>
<tr>
<td>1979</td>
<td>34537</td>
<td>10028</td>
<td>29.0</td>
</tr>
<tr>
<td>1980</td>
<td>35550</td>
<td>6659</td>
<td>18.7</td>
</tr>
<tr>
<td>1981</td>
<td>30929</td>
<td>1553</td>
<td>5.0</td>
</tr>
<tr>
<td>1982</td>
<td>31492</td>
<td>535</td>
<td>1.7</td>
</tr>
<tr>
<td>1983</td>
<td>33629</td>
<td>954</td>
<td>2.8</td>
</tr>
<tr>
<td>1984</td>
<td>36247</td>
<td>3288</td>
<td>9.1</td>
</tr>
<tr>
<td>1985</td>
<td>35996</td>
<td>1730</td>
<td>4.8</td>
</tr>
<tr>
<td>1986</td>
<td>37027</td>
<td>2782</td>
<td>7.5</td>
</tr>
<tr>
<td>1987</td>
<td>42489</td>
<td>3924</td>
<td>9.2</td>
</tr>
<tr>
<td>1988</td>
<td>50836</td>
<td>6766</td>
<td>13.3</td>
</tr>
<tr>
<td>1989</td>
<td>53630</td>
<td>10782</td>
<td>20.1</td>
</tr>
<tr>
<td>1990</td>
<td>59743</td>
<td>9461</td>
<td>15.8</td>
</tr>
<tr>
<td>1991</td>
<td>78140</td>
<td>10529</td>
<td>13.5</td>
</tr>
<tr>
<td>1992</td>
<td>76256</td>
<td>7262</td>
<td>9.5</td>
</tr>
<tr>
<td>1993</td>
<td>94077</td>
<td>9832</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Figure 12.2 demonstrates the scale of capital investment both in absolute terms and by expressing it as a proportion of net assets. Net assets illustrate the size of the business and its growth in part is reflected by new capital investment. This is a sound business relationship on which to assess capital investment over time.

During the period 1972-76 the plant was commissioned and a major expansion programme took place. Capital expenditure in that period, as a proportion of net assets, averaged 19.8% per annum. It then fell back to a lower level for the next few years. During 1979-80 capital expenditure averaged 23.9% per annum of net assets and reflected a period when investment was aimed at product quality developments. Recession over the period 1981-1984 reduced capital investment to 4.7% per annum. During the period 1988 to 1991 there was major refurbishment of the rolling mills and a new steelmaking furnace was built and commissioned. Capital investment to net assets averaged 15.7% per annum in that period.
Explanations are offered to suggest that capital investment performance showed no marked difference between the periods where different industrial relations perspectives applied. So for example, capital investment to net assets averaged 12.7% per annum during the broad industrial relations period 1972 to 1987 (or 9.4% if the building and commissioning period, 1972-76 is excluded), and 13.8% per year during the HRM period 1988 to 1993 (or 9.8% if £24M is excluded and which covered expenditure on major worn out equipment which was originally constructed in 1972-76).

This analysis clearly confirms the Company's inability to invest in capital in the early 1980s, the time when the management determined to commence investment in people. It shows a sustained lower level of investment during the 1980s at a time the company was introducing significant change in working practices and employee behaviour and when labour productivity increased significantly (see 12.3.2). Finally, it confirms senior management confidence to invest at a reasonably high level through the 1990s recession, and through the whole of the HRM period. Investment during that period fell into two main categories - replacing worn out equipment or introducing new equipment to assist product diversification. Such investment was of a very technologically advanced state and management certainly needed high standards of education, competence, commitment and motivation amongst the workforce to both commission it effectively and operate it to levels exceeding design specification. Operating successes were achieved and labour productivity has grown and at a faster rate than during the last major investment period 1972-76.

Capital investment has played its part in improving productivity and performance during the life time of the company and more so as the people contribution has grown. This research now examines, in some detail, the performance contribution of company employees.
12.3.2 Labour Productivity

Labour productivity improvement generally results from the more efficient use of labour, as well as from investing in new plant aimed at increasing output. It is recognized that the latter form of investment will have contributed to increased labour productivity.

In 1993 the company recorded its highest ever labour productivity as Figure 12.3 shows. In fact, the trend shows two distinct performances. From 1972 to 1983, a period of typical adversarial industrial relations, labour productivity fluctuated and growth was unsustainable after the initial commissioning and expansion phase.

The best year in that period, namely 1982 at 614 steel tonnes per man year, was only 6% up on the performance in 1975. During the defined industrial relations period 1975 - 1980, no labour productivity growth was achieved. Output per head averaged 523 tonnes.

**Figure 12.3**

**CO-STEEL SHEERNESS: MANPOWER PRODUCTIVITY 1972 - 1993**

<table>
<thead>
<tr>
<th>Year</th>
<th>Steel Tonnes Per Man Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>220</td>
</tr>
<tr>
<td>1973</td>
<td>430</td>
</tr>
<tr>
<td>1974</td>
<td>378</td>
</tr>
<tr>
<td>1975</td>
<td>577</td>
</tr>
<tr>
<td>1976</td>
<td>490</td>
</tr>
<tr>
<td>1977</td>
<td>461</td>
</tr>
<tr>
<td>1978</td>
<td>527</td>
</tr>
<tr>
<td>1979</td>
<td>526</td>
</tr>
<tr>
<td>1980</td>
<td>557</td>
</tr>
<tr>
<td>1981</td>
<td>456</td>
</tr>
<tr>
<td>1982</td>
<td>614</td>
</tr>
<tr>
<td>1983</td>
<td>591</td>
</tr>
<tr>
<td>1984</td>
<td>690</td>
</tr>
<tr>
<td>1985</td>
<td>784</td>
</tr>
<tr>
<td>1986</td>
<td>789</td>
</tr>
<tr>
<td>1987</td>
<td>845</td>
</tr>
<tr>
<td>1988</td>
<td>1,001</td>
</tr>
<tr>
<td>1989</td>
<td>1,036</td>
</tr>
<tr>
<td>1990</td>
<td>1,058</td>
</tr>
<tr>
<td>1991</td>
<td>1,095</td>
</tr>
<tr>
<td>1992</td>
<td>1,105</td>
</tr>
<tr>
<td>1993</td>
<td>1,206</td>
</tr>
</tbody>
</table>
It was a period when little investment in people (training) took place, the quality and educational attainment of employees were low and productivity bargaining was used to secure improvements in efficiency.

In 1983, structural and cultural change programmes commenced, and by 1988 the company was operating an HRM perspective. From 1983 to 1993 labour productivity grew by 119% and further has improved every year. This is in marked contrast to the static period of the 1970s. Changing workplace practices, better education and training, changing attitudes, performance pay and a wide range of other changes in employment philosophy have significantly contributed to improved performance. Major improvements were achieved in 1988 (18%), the year performance pay was introduced and in 1993 (17%), the first full year of staff status. The defined HRM period 1988 to 1993 saw a 29% improvement in labour productivity and an average output per head of 1092 tonnes, some 10% greater than the IR period.

12.3.3 International Labour Productivity Study

The author undertook an international study over the eleven year period 1983-1993 to determine how Co-Steel Sheerness was progressing. The companies were all 'mini-mills' using similar technology and producing a broadly similar range of products. Five companies in four countries were involved. It was not an easy task persuading the companies to participate.

The companies involved were:

Co-Steel Sheerness England
Co-Steel LASCO Canada
Co-Steel RARITAN USA
Chaparral Steel Company USA
Badische Stahlwerke (BSW) Germany
All the companies are mini or market mills producing long products. All the companies are regarded highly in world steel. All have pioneered new technology and are innovative in the human resource field. Co-Steel LASCO and Badische Stahlwerke have always been unionised (single union plants). Co-Steel RARITAN and Chaparral Steel Company have always been non union. The results, based on a measurement of steel tons (US short tons) per employee, were most interesting.

In 1983 Co-Steel RARITAN achieved the highest levels of labour productivity at 873 tons per man year. That company was constructed and commissioned in 1980 and was the most modern. It was closely followed by Chaparral Steel (791 tons per man year) and BSW at 783 tons per man year. Co-Steel Sheerness was fourth at 650 tons per man year and Co-Steel LASCO in fifth position at 555 tons per man year.

In 1993 BSW had moved into top position at 1619 tons per man year followed by Chaparral Steel at 1519 tons per man year. Co-Steel Sheerness had moved up to third position at 1426 tons per man year while Co-Steel RARITAN had fallen from top position to fourth position at 1256 tons per man year. Co-Steel LASCO remained fifth at 969 tons per man year. In fact the Canadian company probably has the toughest industrial relations climate and has experienced difficulty in making significant and sustainable behavioural change. The results year by year, and note that all 1993 figures are extrapolated at annual rate from the actual half year performance, are shown in figure 12.4.
International Labour Productivity Study
Steel Tons Per Employee Per Annum 1983-1993
International Labour Productivity Study
Labour Productivity: Relative Change 1983-1993

INDEX

Co-Steel Lasco  Chaparral Steel  Co-Steel Raritan
BSW  Co-Steel Sheerness

INDEX = 100 in 1983
Another way of analysing these data is in terms of percentage increases in productivity from 1983 as a base. In these terms it is clear that Co-Steel Sheerness has shown by far the biggest gain. The increases in labour productivity over the period were:

<table>
<thead>
<tr>
<th>Company</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-Steel Sheerness</td>
<td>119%</td>
</tr>
<tr>
<td>Badische Stahlwerke (BSW)</td>
<td>107%</td>
</tr>
<tr>
<td>Chaparral Steel Company</td>
<td>92%</td>
</tr>
<tr>
<td>Co-Steel LASCO</td>
<td>75%</td>
</tr>
<tr>
<td>Co-Steel RARITAN</td>
<td>48%</td>
</tr>
</tbody>
</table>

The full details of change over the period are shown in Figure 12.5.

In conclusion, Co-Steel Sheerness has improved its labour productivity at a much faster rate than the other companies. Although, it is still behind both BSW and Chaparral Steel Company, the gap has closed significantly to 94% of the Chaparral Steel labour productivity level (82% in 1983) and 88% of BSW (83% in 1983).

Discussions with representatives of all the plants concerned suggest that all have invested heavily in new plant and technology. Further Co-Steel Sheerness and BSW had invested more in people and had used cultural change programmes to effect permanent and positive changes in employee behaviour.

In conclusion, while it is recognised that productivity is clearly not related solely to changes in personnel management and international variations in productivity cannot simply be explained in terms of personnel policy, these comparative data are certainly consistent with the notion that changes in personnel policy at Sheerness contributed to improved labour productivity.
12.3.4 Safety

Measuring all injury performance, the company experienced a record low in 1993 as illustrated in Figure 12.6.

Figure 12.6

ALL INJURY FREQUENCY 1972 - 1993

In order to make direct comparisons over the full period, the all injury frequency rate has been calculated and compared over the 1970s, 1980s and 1990s. The different performances are shown in Figure 12.7.
During the 1970s safety performance was poor with an average annual all injury frequency rate of 61. During 1972-75 both steelmaking and plant construction took place as the company expanded. During the entire period the company operated a traditional industrial relations perspective. Safety was a regular union issue and often a lever in productivity bargaining. During the industrial relations period 1975 to 1980 the all injury frequency rate averaged 62.4. Performance in that period improved from 97.14 in 1975 to 35.18 in 1980 or by 63.8%.

The 1980s saw a dramatic improvement in safety (a 60% improvement over the 1970s) with an average annual frequency rate of 24, and a major improving trend from 35.2 in 1980 to 11.1 in 1989.
The improvement coincided with a period of growing professional safety advice and improving educational achievement by the workforce. Additionally, management accepted that safety was of equal importance to production. Finally, it was a time when employee relations were regularly improving and safety was only infrequently the subject of industrial relations differences.

The 1990s have shown a further improvement with the frequency declining from 11.3 in 1990 to 3.3 in 1993 and an average of 6.5 (73% better than the 1980s).

During the HRM period, 1988 to 1993, the all injury frequency rate averaged 9.0, some 86% better than during the IR period. The HRM period saw the greatest overall improvements in company history, namely 81%.

12.3.5 Employment costs per manufacturing unit

The employment cost per manufacturing unit has been determined by reference to statistics included in the company annual reports. Employment costs relate to all wages and salaries, bonuses, national insurance and employer's pension fund contributions. Manufacturing output is the addition of crude steel produced and of raw material (scrap metal) processed by the scrap division/subsidiary company. This is a useful measure of the effectiveness of labour contribution, over the long term. Figure 12.8 shows the trend in both actual costs, and in costs inflation adjusted at 1993 prices.

There is no doubt that the combination of new technology, as a result of capital investment, new working practices resulting in the more efficient use of labour and non-inflationary pay rises have regularly reduced employment costs per unit of output. At 1993 prices, over the whole period, unit costs have fallen from £51.71 in 1972 to £18.89 in 1993 or by 63.5%. If the period 1972 to 1975 is disregarded, as the plant had not been fully constructed, a reduction in unit cost of 44.2% was achieved. This will have contributed to the company's competitive position, especially in the late 1980s and early 1990s.
Figure 12.8 paints two clear pictures: fairly stable costs in the 1970s, after disregarding the working/constructing period; and falling costs in the 1980s and 1990s. During the defined IR period, 1975 - 1980, employment cost per unit of output averaged £32.87, at 1993 prices, with a range between £31.20 and £34.57. During the HRM period, 1988 to 1993, employment cost per unit of output averaged £22.23 at 1993 prices, some 32.4% better than the IR period. Unit costs fell from £24.93 in 1988 to £18.89 in 1993 or by 24.2% during the HRM period.

The significant reduction in employment costs per manufacturing unit achieved during the HRM period assisted the company to a more competitive position during the 1990s recession. This performance demonstrates the benefits of maximising the economic use of labour through flexibility and mobility on the one hand, and creativity and continuous improvement on the other.

Figure 12.8

MANUFACTURING UNIT EMPLOYMENT COSTS - 1972-1993

Source: Company Annual Reports
12.3.6 Employment Cost to Sales Turnover

Employment cost to sales turnover is another measure of performance. While this measure is very dependent on market conditions it was considered useful to this study because of its value in making international comparisons.

The lower employment costs are to sales turnover the greater is the competitive ability of the organization. This is a real measure which does not require inflation proofing, as it is a ratio between two financial measures. It is also a measure that is used for international comparisons.

The full trend is shown in Figure 12.9.

Figure 12.9

Employment Cost as a Percentage of Sales Turnover

![Employment Cost as a Percentage of Sales Turnover](image-url)
After the plant commissioning period, employment costs grew regularly from 1976 at 9.3% of sales turnover to 17% in 1982. During the period of cultural change, employment costs stabilised at a lower level and averaged 13.5% over the period 1983 to 1992. A pronounced drop of 20% took place in the first full year of staff status. In that year, 1993, employment costs amounted to 12.2% of sales, giving the company a much stronger competitive position than it had experienced for some time. During the defined IR period, 1975 to 1980, employment cost to sales turnover averaged 11.1%. Employment costs also grew from 9.3% in 1975 to 13.1% in 1980, an increase of 40%. In the HRM period, 1988 to 1993, employment costs to sales averaged 13.4%, some 20.7% greater than during the IR period. Some explanation for the increase may be found in the fact that recession compressed selling prices. The other interesting feature is that employment costs to sales revenue only increased by 2.5% during the HRM period compared to 40.8% in the IR period.

12.3.7 International Labour Cost to Sales Study

Recently Marcus and Kirsis, (1993: 3-42) steel financial analysts at Paine Webber, produced a detailed report which compared labour cost to sales in 57 steel companies worldwide. They were predominantly integrated iron and steel makers but included were some important market or mini mills. Further, many integrated plants are converting to mini mill technology in order to reduce costs. A comparison of Co-Steel Sheerness performance to that analysis was considered appropriate in making judgements of performance.

The Paine Webber Study included:

10 companies from the Developing World
e.g. India, Mexico, Taiwan (Dev World)
8 companies from Japan
14 companies from the USA
9 companies from the rest of the industrial Western World
e.g. Canada, Australia, Scandinavia)
16 companies from the EEC

The results are summarised in Figure 12.10.
Figure 12.10

**Labour Cost to Sales Ratio 1992**

Across the total study, the lowest ratio at 7.2% was returned in South Korea and the highest at 42.1% in Canada. The average for the industrial western world was 23.0% and the average for the developing world was 13.4%. Co-Steel Sheerness at 15.3% stood well against the western world average of 23.0% and very well against the EEC average of 28.6%. This cost position at Sheerness has assisted its competitiveness in the European market, and at times of recession, when it has made selective sales in Third World markets.

12.3.8 **Quality**

During the first half of the 1980s the company lacked consistency with quality, experiencing a particularly poor performance in 1984. At that time morale was low after an extended period of company losses and redundancies. The situation was not made any easier as customers with 'recessionary clout' regularly demanded not just keen prices but higher quality.
Quality demands have grown from that time and the company, obliged to respond to maintain existing customers and develop new ones, has moved to a very high performance level of making everything right first time on 99.4% of occasions. Two other issues are relevant. The trend (see Figure 12.11) commenced to improve as the company introduced a quality first programme and SPC techniques. Both benefitted from the ongoing education and training programmes. Further, since the company established a human resource perspective in 1988, quality has remained high.

Figure 12.11

Heats made to specification first time - 1980–1993

Source: Company Monthly Accounts
12.3.9 Investment in People (Training)

For this particular investigation the financial aspect of investment in people is equated to the full cost of training. This cost, which has been estimated, is based on the actual cost of training each year (extracted from monthly accounts) which includes course fees, travel, apprentice and trainee salaries, refreshments, training materials - plus an estimated employment cost of training department staff. No allowance has been made for the cost of trainees time or the replacement cost of trainees leaving their workplace.

It was only possible to estimate for two years in the IR period, namely 1978 and 1979. All figures are inflation adjusted to 1993 prices. Training spend per employee was four times greater in the HRM period, 1988 to 1993, than in the years 1978 and 1979. The company spent an average £753 per head in the HRM period compared to £175 per head in these two years of the IR period.

Further, while the spend was fairly similar in 1978 and 1979, it was almost doubled in the HRM period from £457 per head in 1988 to £826 per head in 1993. The company became an investor in people towards the mid 1980s and much of the strategy was aimed at improving labour productivity and overall employee competence.

The employment of trainees became a more important and substantial activity as the company moved towards HRM. Trainees are either graduates or apprentices. These trainees, while growing in competence throughout that training, are classified as continuing trainees until an apprentice completes a programme to NVQ III or its equivalent and a graduate completes a programme leading to membership of a professional institute or is appointed to a managerial position.
Trainees accounted for 0.6% of the workforce in the industrial relations period. The proportion had increased sevenfold to an average of 4.1% in the HRM period. In 1993, the company experienced a record number of trainees at 6.1% of all employees. Unfettered from union demarcations, the company has radically increased the size and importance of traineeships to accelerate its multi-skilling programmes.

12.3.10 Educational Attainment

This study emphasised the importance the company placed on enhancing the education and quality of its workforce. It believed that a well educated workforce promoted high productivity. Its quest was the best educated workforce in its northern European Steelmarket. While it has not been possible to make direct comparisons with other companies, the trend in vocational education attainment within the company is interesting. In the industrial relations period, 1975 to 1980, the proportion of employees holding vocational qualifications was assessed at less than 20%. During the HRM period 1988 to 1993, the proportion of employees holding vocational qualifications grew from 37% to 79%.

The company's achievement by 1993 was viewed by management as influential in promoting improvements to safety, labour productivity, quality and cost.

12.3.11 Labour Turnover

Labour turnover figures have been extracted from Personnel Department records. Labour turnover during the HRM period was 31% lower than in the industrial relations period, improving from 12.1% pa over 1975-1980 to 8.4% pa over 1988-1993. Labour turnover at 5.8% in 1992, the year the staff status company was established, was the lowest ever recorded.
12.3.12 Discipline

In any study of disciplinary figures, changes may indicate either change of behaviour or change of enforcement or both. As discussed earlier (see 11.7.2) the introduction of HRM brought stronger and more consistent disciplinary action as higher standards of behaviour were expected. Over twice as many staff were disciplined in the HRM period as in the industrial relations period. As early research has shown, a classical indulgency pattern was found within the company in the industrial relations period.

In the HRM period, appraisal, performance pay and employment law necessitated a consistent application of discipline. During that period, on average, 7.7% of all employees were disciplined annually. It may be noted though that in the first full year of staff status disciplinary action fell by 54%, and has continued to fall in subsequent years. Senior management believe that this trend is attributable to improving employee behaviour.

During the IR period, 1975 to 1980, disciplinary action was at a lower level. On average 2.9% of all employees were disciplined annually. An indulgency pattern of behaviour, discussed earlier, may in part be an explanation for the small number of employees disciplined.

12.3.13 Pay Rises and Inflation

One of the major concerns of employers is wage drift or unit employment costs of manufacture rising faster than inflation. To avoid this and seek competitiveness, employers endeavour to keep pay rises close to the rate of inflation and seek output increases in order to lower unit costs. Success with this approach generally assists competitiveness. Pay rises have been compared to inflation each year from 1975 onwards and the trend is plotted in Figure 12.12.
During the traditional industrial relations period 1975-80, pay rises peaked at 24.9% in 1975 at a time the RPI recorded an increase of 22.6%. Even though that was a period of productivity bargaining and high inflation, cumulative pay rises at 94.8% matched precisely the cumulative increases in RPI of 94.8%, giving employees no improvement to their living standards. But then labour productivity was generally static. Experience under IR found employees give as little as they can in order to maximise leverage under productivity bargaining.

The period 1980-89 commenced with deep recession and was followed by structural and cultural change programmes and the replacement of IR with HRM around 1988. The period saw the only pay freeze in company history in 1983. Cumulative pay rises amounted to 73% while the cumulative increase in the RPI was 69.1%. Therefore, in the period of change from IR to HRM, employees saw a real improvement in living standards which equated to an annual average improvement of 0.4%. During this period, employees began to contribute far more as cultural and structural programmes took place. Contribution was further accelerated through the introduction of performance pay in 1988.
While companies endeavour to keep wage rises at the lowest level when business productivity and performance is falling or static, a different approach can take place when performance is improving. In such circumstances, wage rises can exceed inflation so recognizing greater employee contribution providing it enhances performance so as to avoid an escalation in unit costs of output. This is illustrated well at Sheerness.

During the HRM period, 1988 to 1993, cumulative pay rises amounted to 38.8% while the cumulative increase in the RPI was 33.6%. Employees on average enjoyed improvements in living standards of 0.9% per annum and performed at the highest levels recorded. Greater labour productivity resulted in declining employment costs per unit of output, so assisting the company to achieve competitiveness.

It should, however, be noted that many staff lost pay when the staff status company was formed and some staff who perform at lower levels, receive lower pay rises than higher performers (see 10.8.8). An HRM perspective does permit the company to recognise individual employee performance through pay.

12.3.14 Benefits

Few benefits applied during the IR period and their value in relation to average pay was assessed at 0.5%. The approach taken was to increase hourly rates of pay and conditions relating directly to the wage packet. Benefits were considered very much as of secondary importance. The benefit package applying under HRM (such as private health insurance, legal expenses, paid sickness, improved holiday pay etc) was over eight times greater than in the industrial relations period, at 4.25% of employment costs.
This in effect emphasises both the difference in view between hourly and salaried employees concerning the importance of benefits and changing perceptions of shop floor workers within the company, for example private health insurance was considered by shop floor employees to be of great value. In the 12 months to 31 October 1993, 579 private health treatments took place, and a further 463 treatments took place in the 12 months to 31 October 1994.

12.3.15 Profit per Employee

To complete the performance review, one final performance indicator is used, namely profit before tax per employee. While corporate performance is generally measured by return on capital employed, profit per employee is regarded as the most important HR performance indicator (Howes and Foley 1993:62).

The company was profitable in 15 years of its 22 year history. Outside the year it commenced operations, it was unprofitable for the period 1980-1984, a period of world recession. It was unprofitable, again in recession, in 1991-1992. However, this was a major achievement as the 1990s cyclical recession was a much more prolonged recession than that of the 1980s. Further, the extent of losses in the 1990s has been much less severe than in the 1980s. The efficiencies gained from the cultural change programme in the 1980s and the major savings achieved from the establishment of single status in 1992, all significantly contributed to this latest achievement. The profit per employee trend, in actual figures, and inflation adjusted to 1993 prices, is shown in figure 12.13.

Profit per employee in the IR period, 1975 to 1980, averaged £10,275 at 1993 prices. The equivalent figure for the HRM period, 1988 to 1993 was £12,076, or 17.5% better. That improvement was significant as the HRM period included recession years, during two of which the company achieved no profit.
While the importance of capital investment to performance and profitability has been emphasised, external factors such as raw material prices, selling prices, energy costs, freight rates, etc are also very important. Management at Sheerness believes also that safety, labour productivity, quality and cost significantly impact on profitability. Further, the company management has believed that higher educational attainment and effective training also have an impact. In real terms they promote labour productivity which in a cyclical industry has to improve continually if unprofitable operations are to be eliminated or minimised. At Co-Steel Sheerness ever increasing labour productivity has helped minimise losses and has, therefore, contributed to higher performance.
12.3.16 Co-Steel Sheerness - High Performance Achieved

Co-Steel Sheerness has achieved high performance. Its competitive position had been strengthened during the period of HRM and this has contributed to the company's improving performance and in particular to its early return to profitability in 1993. Few steel companies in Europe increased sales and output at a time of major recession as Co-Steel Sheerness did. Equally, from the people perspective, few companies avoided enforced redundancy, short-time working or pay freezes to the extent Co-Steel Sheerness did. Further, its labour productivity measured globally through the international study confirmed the company's competitiveness on the labour front. The trend information over the company's lifetime also confirms continuing performance improvement. The company's performance on many measures has been taken to record levels while its employees enjoy a significant and improving reward and benefit package.

While other industrial relations studies (see 2.2) have not been able to demonstrate that HRM improves performance this study enables comparison to be made, on a wide range of performance indicators, between a period of traditional industrial relations and a period of human resource management. The comparison is detailed in figure 12.14.
### Figure 12.14

**INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT**

**AN EXAMINATION OF PERFORMANCE IN EACH MODEL AT CO-STEEL SHEERNESS**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Company Profitability Profit per employee pa</td>
<td>£10275</td>
<td>£12076</td>
<td>+17.5%</td>
</tr>
<tr>
<td>Company Performance Labour Productivity</td>
<td>523 tonnes per man year</td>
<td>1092 tonnes per man year</td>
<td>+109%</td>
</tr>
<tr>
<td>Safety Performance Injury rate per annum</td>
<td>62.4 injury frequency rate</td>
<td>9.0 injury frequency rate</td>
<td>-86%</td>
</tr>
<tr>
<td>Employment cost per manufacturing unit</td>
<td>£32.87</td>
<td>£22.23</td>
<td>-32%</td>
</tr>
<tr>
<td>Investment in people Training spend per employee p.a.</td>
<td>£175*</td>
<td>£753</td>
<td>+330%</td>
</tr>
<tr>
<td>Key People Measures Labour turnover p.a.</td>
<td>12.1%</td>
<td>8.4%</td>
<td>-31%</td>
</tr>
<tr>
<td>Employee educational attainment</td>
<td>Less than 20% with vocational education qualifications</td>
<td>79% with vocational education qualifications</td>
<td>+205%</td>
</tr>
<tr>
<td>Trainees as proportion of workforce</td>
<td>0.6%</td>
<td>4.1%</td>
<td>+583%</td>
</tr>
<tr>
<td>Real increase in living standards (amount annual pay rise exceeds RPI)</td>
<td>Nil</td>
<td>0.9% pa</td>
<td></td>
</tr>
<tr>
<td>Value of benefits to pay</td>
<td>0.5%</td>
<td>4.25%</td>
<td>+750%</td>
</tr>
<tr>
<td>Discipline Proportion of workforce formally disciplined</td>
<td>2.0%</td>
<td>7.7%</td>
<td>+166%</td>
</tr>
</tbody>
</table>

Notes: * Based on 1978 and 1979
All monetary values are inflation adjusted to 1993 prices
In reference to the IR-HRM performance comparison, suffice is to say that performance was superior in HRM. Profit per employee was better; all the company performance data showed improvements; and all the key people measures showed positive improvement, with the exception of the number of disciplinary cases, which was markedly greater. This increase in the number of disciplinary cases resulted from a stricter and more consistent approach (necessitated by legislation to ensure fairness) than that taken during the industrial relations period where an indulgence pattern of behaviour applied (see 11.7.2 and 12.3.12). However, there was a dramatic fall in the amount of disciplinary action after the formation of the full staff status company.

The formation of a single status company and the accompanying union derecognition took the human resource management approach to full strategic integration with the business. Referred to by Boxall (1994:32) as the bridge to competitive success, the management of people is a strategic issue for any business and the full contribution of those people can only be fully achieved with shared visions, full involvement and effective leadership. The single status company provided the scope to cross the bridge. HRM was not the only vehicle for change but a consolidating aspect of a whole range of strategic, cultural and structural changes aimed at securing competitive advantage. A recent report (Fernie, Metcalf and Woodland, 1994) has suggested that 'employee involvement, contingent payment systems, single status and organisational flexibility all contribute to a superior productivity performance in HRM workplaces than the average across the whole sample'. This research at Co-Steel Sheerness confirms that the HRM perspective provided the scope to enable the company to achieve high performance.
12.4 Conclusion

The 1970s, with limited change, saw generally static performance. Minor labour efficiency improvements were secured through productivity bargaining. The 1980s saw the commencement and later acceleration of a fast moving, and complex, management of change programme. Along with this programme came sharp improvements in employee behaviour and business performance. By 1988, the company had replaced its traditional industrial relations approach with a human resource management perspective. Business performance and people behaviour continued to improve. In 1992, the company formed a single status environment and derecognized the trade unions. By the end of 1993, the company was reporting record levels of employee behaviour and high levels of business performance. At Co-Steel Sheerness, HRM has provided the scope for high performance.
CHAPTER 13

CONCLUSION

13.1 Introduction

This industrial relations case study in a steel company deals with the entire history of a company from project feasibility, through construction and commissioning, expansion and into maturity. At the same time, it includes a detailed review of changing industrial relations perspectives from traditional pluralism to a unitary system, which came about from continuous change programmes. These included both a re-engineering of organisation and a derecognition of the trade unions. In essence it is a study of the management of change in a company seeking sustainable competitive advantage. That change was made more achievable by the dismantling of corporalist structures and by a continuous decline in the labour movement.

However, it should be noted that a considerable number of British companies have adopted a 'dual system' of industrial relations. They have retained pluralist relations while adopting human resource management initiatives, on a 'pick-and-mix' basis, in an endeavour to improve productivity and business performance. Additionally, the German 'social market economy' provides a further example of an industrial relations system where management and union have generally worked in partnership in increasing productivity and performance while at the same time providing a higher standard of living for the employees. Similarly, the enterprise union system in Japan, which has avoided the traditional British horizontal social divisions based on occupation or class, has encouraged unions towards a close identification with management. This arrangement has led to a wide range of employment practices which have promoted business performance while at the same time recognising employee contribution.

Because of the complexity of the study and the lengthy time frame it involved, this conclusion is introduced by a brief historical resume of events.
13.2 Historical Resume of Events

Co-Steel Sheerness (formerly Sheerness Steel Company) was put together during the late 1960s and constructed and commissioned during the early 1970s. At the same time, a public debate was taking place on management and industrial relations in British businesses.

The Royal Commission on Trade Unions and Employers Associations reported on substantial disorder in workplace relations. Productivity bargaining was used by management to buy out disorder through eliminating restrictive practices and excessive overtime (Flanders, 1964). At that time new management theories were reaching the UK, including McGregor's (1966) theory X and theory Y and Herzberg's (1968) theories on motivation. However, the company was generally oblivious to these issues and established traditional classical organization and introduced the traditional UK industrial relations arrangements, with the one exception of a single union agreement. This was in one respect advanced thinking for the UK, but on the other hand was probably more to do with the transfer of a North American industrial relations philosophy. The latter was not significantly different from the UK, other than for operation via a single union.

In the absence of a specific industrial relations strategy, and lacking the capability to build on a single union arrangement, the company was dragged into the industrial relations disorder of the day. In 1974, two years after commissioning the plant, steelmaking was halted by a six week union recognition strike. At the end of it, the company was obliged to recognize and negotiate with four trade unions. The remainder of the 1970s saw adversarial industrial relations, little improvement in company competitiveness resulting from employee contribution, but, with the management applying a tough approach to productivity bargaining, inflationary pay settlements were avoided.
The 1980s was a period of substantial and continuing change in industrial relations, both in the UK and in Co-Steel Sheerness. Recession in the early years; a frontal attack by the government on trade union power through a plethora of legislation; technological advances; and the adoption of a wide range of new management practices and Japanese manufacturing techniques; all contributed to a change in industrial relations practices towards human resource management. The changes in the company were substantial and by 1988 an HRM approach was being applied. But the 1980s were only a foretaste of things to come.

In the 1990s, business leaders faced with never ending demands to meet constant change - prompted by rapidly changing political, economic and social affairs - generally appreciate that competitive advantage is achieved through their employees. They have been influenced by modern management writers whose theories of organization and management thrive on the uncertainty and turbulence of today's world.

These theories have been replacing those principles of organization in such matters as unitary command, span of control and bureaucracy, that were propounded by the classical organization theorists. These principles, generally known as the 'one best way', may have been appropriate to bureaucratic and mechanistic organizations, or organizations operating in stable conditions, but they no longer fit today's business environment. In the organizational theory more appropriate to the time power is conceived as constantly shifting and co-ordination and control are achieved through the informal communication and interaction of competent workers. Empowerment of workers is a key element in such organizations.

Co-Steel Sheerness exemplifies this well and today its organization structure and culture confirms many of the propositions advocated by the modern management writers.
The Company has rejected bureaucratic approaches in favour of establishing new relationships with employees through the creation of a single status Company. This has presented the company with the scope for synergy and stakeholder partnerships as advocated by Kanter (1989). Such a significant change required a major re-education of the entire workforce. Today, management believe much of the company's success in making change can be put down to continuous training and self development, advocated so strongly by Handy (1989) as an essential feature of the emerging future Company. Co-Steel Sheerness, like other emerging companies has been constantly involved with change, confirming strongly the views expressed by Peters (1988) Waterman (1994) and Barney (1991). Further, and to reinforce the elimination of adversarial relationships within a single status society, the company derecognised the trade unions.

The industrial relations perspective applying today typifies the 'harder' form of human resource management propounded by Storey (1992). During the HRM period, generally 1988 - 1994, the management have considered human performance and company results to be good despite a recession forcing the Company into two unprofitable years. However, overall business performance and people contribution have reached record highs on a wide range of measures during the HRM period.

These dramatic changes in the company have required a significant management of change programme. This conclusion highlights the key features of that programme of change.

13.3 Reasons for Change

During the middle years covered by this study, 1981-83, a battle for survival was waged. Deep recession, the European Steel Survival Plan of production and sales quotas, inflexible organization and traditional work practices combined to push the company into deep losses. Many steel companies that were similarly organised and managed were closing their doors. It was a period of dramatic decline for manufacturing in general in the UK. Change was necessary for the very survival of the business.
Without capital to spend on new technology - the classical way of working out of a crisis - the company took a new approach. It became involved in benchmarking and learnt very quickly that the more successful businesses invested regularly in people, and sought high performance through involvement and competent contribution. In essence the management challenged the existing organization and system of industrial relations. This was at the time that Peters and Waterman, (1982) from their research in some of America's best run companies, had challenged the organisational theory propounded by earlier schools.

From 1983, the company commenced a management of change programme to assist a return to profitability and business success. This programme was heavily dependent upon the employees contributing in improved and profoundly different ways.

13.4 Management of Change

Change became incessant and progressed at a much faster pace than the management and employees of the company had ever envisaged. The programme, as it developed, energized the company and that energy generated further change whereas more stable companies failed to make progress (Steinburg 1992).
The company made no reference to the work of change management scholars who propounded such schools of thought as the Individual Perspective School, the Groups Dynamics School, and the Open Systems School and are dealt with ably by Burnes (1993). Neither did the company explore models of organizational change and change strategies such as Lippitt (1958), Cummings and Huse (1989) or Bullock and Batten (1985). Nor did the company, during the early change period, turn to Japanese manufacturing and employment approaches as a guide to change [see Oliver and Wilkinson (1992); Womack et al (1990); Ackroyd (1988); Briggs (1988); Schonberger (1982) and McKenna (1988)]. In fact it was not until ten years of change had elapsed that the company introduced, after research, a change model out of the text book, and that was in 1994 when the company introduced Flude’s (1992) Ambassadors for Change Model. This model was easily introduced into a single status environment as the approach ignores hierarchy and promotes ownership of the change process amongst all involved irrespective of role or position in the company. Experience to date confirms this approach to be a very strong change model.

This lack of understanding and/or use of well researched change strategies suggests there is still a big divide between the business and the academic world. It may well be that the academics are underselling themselves and they, and business leaders, are missing out on important knowledge and often proven experience. Or, it may be that business leaders still believe that the academic world is too theoretical and remote to business need. The author certainly believes that much has to be done to bring together both the thinking and the experiences of practitioners and academics in the HR field if substantial progress is to be made in influencing the contribution of people to improve business competitiveness.
This research should add to the knowledge pool concerning change strategies. Those proponents of change models often underestimate resistance to change and often strong resistance can sabotage a change programme. The first major change programme at Sheerness, namely the flexibility programme, took almost five years to gain universal acceptance. Over that period a range of structural and cultural devices were applied to maintain and accelerate the programme. The change models discussed in the literature review did not emphasise the benefits to be gained from accumulated change or a succession of fast moving change programmes, as applied at Sheerness. At Sheerness, the sheer weight of change often overcame resistance, but experience of successful change breeding further change was often a greater catalyst to change than any other strategy, as it is difficult to resist success. Finally, this research has suggested both the methodology and management processes for making change quickly, a feature that the literature did not address.

The company's approach to change was initiated through 'traditional' avenues but with modern methodology, namely benchmarking. The company undertook a benchmarking approach in the steel industry. It was exploratory, pragmatic and cautious. The industry, while diverse and global, has had a well established tradition of technical exchange both in a commercial and in a friendly (unpaid) way. It contacted steel companies in other parts of the world which had known levels of high performance. It was to those companies that Co-Steel Sheerness turned in order to determine what changes it could make to overcome its difficult operating and financial circumstances. The benchmarking activity highlighted the fact that the more successful steel companies not only invested in technology but invested in people and, that people investment led to contribution levels and plant performances considerably greater than those achieved at Sheerness.
Benchmarking became successful for the company because the senior management were prepared to make change, and in so doing take risks including the acceptance that there would be failures. Further, senior management ensured that employees involved in change were part of the benchmarking process.

Benchmarking, as at Co-Steel Sheerness, has to result in immediate change. In effect, it is akin to a capital project where a pay back is expected within a specified period of time.

The Company has been an exemplar of benchmarking for over ten years, applying the approach on both a large and small scale basis. It was very important to the change to a single status company and also was used regularly to influence change to an HRM perspective. Earlier in this research, the Sheerness benchmarking model was suggested as a valuable approach for general application.

13.5 Investing in People

In the early 1980s there was little serious talk of investing in people. In reality there was considerable action to disinvest in people. In fact the UK steel industry shed over 50,000 people over the period 1980 to 1984, some 45% of all employees (ISSB, 1991). At that time, there were massive cut backs in the number of employees engaged in manufacturing industry throughout the UK. Co-Steel Sheerness was no exception and between 1980-83 the workforce was reduced by 26% and training expenditure (investment in people) virtually eliminated.

However the company, after sustaining heavy losses and with no prospect of improving performance through traditional means (capital expenditure), decided to put into practice what it had learned from benchmarking. It became an investor in people, incidentally some five years or more before the Government introduced formally into the UK an Investor in People Programme. Effectively, the management realised that its employees were significantly under-educated, under-trained and under-utilised with the consequent effect that they made less of a contribution to business performance than better qualified and more involved employees would do.
Management have been of a clear opinion that the major changes, in both technology and working practices, could not have been achieved without educating the employees to high standards. Today, Co-Steel Sheerness has a highly educated and trained workforce, which has been recognised nationally with Investor In People Awards in both 1991 and 1994 – one of only a handful of companies to succeed twice with such an award. Management also believe that the company’s strong competitive position, as evidenced by its rapid return to profitability from the 1990s recession, has been strongly influenced by its workforce. In fact, today, Co-Steel Sheerness is one of the remaining four principal steelmakers in the UK. There were thirty in 1960 (Iron and Steel Board, 1961).

13.6 Structural Change

To improve business performance the company developed a structured and organized programme of change which revolved around breaking down job demarcations and re-skilling employees to make them more flexible and more mobile. Training became the vehicle or catalyst for change and self-preservation or job security became the driver. After the pain of recession, redundancy and substantial losses, the company was not in the mood for compromise or hesitation.

The management, which had established the organization structure and work hierarchy, and which had negotiated union agreements and workplace practices, was now challenging its past activity. Through benchmarking it had seen a better way and was prepared for change, although the existing industrial relations system put up barriers to slow the change process.
The management promoted change in a number of ways. Through a voluntary approach it encouraged all employees to pursue vocational education programmes, principally in technical subjects such as steelmaking, metallurgy etc. But the company sought change in more forceful ways. It commenced a multi-skilling programme. While the company undertook full consultation with the trade unions, there was little union support and there was formal resistance, especially in the craft union area. The multi-skilling programme, which comprised the transfer and application of engineering skills amongst craftspeople and the transfer of 'anybody' engineering skills to process workers, was boosted by a major benchmarking exercise whereby about 20% of the steelmaking department were sent to work in a German steelplant. That exercise dispelled any lingering doubts about management honesty concerning what better plants were doing and increased the motivation and change activity of those employees who made the visit.

These structural approaches were holistic. They needed to be in order to gain union acceptability, since one exempt or non compliant group could have disrupted or even prevented the change. However, they put the company under enormous pressure and time difficulties, as all employees had to be re-trained, whereas each department could have functioned very effectively by selecting a limited number for initial skill development. It was also a more complex process to manage and costly in terms of both time and resource. Experience has proved that structural change applied holistically throughout the workforce is both wasteful of scarce resources and costly. Structural change is more relevant on a needs basis.

Further, the company attacked traditional seniority and the promotion line system. The promotion line system thrived on bureaucratic organisation principles [Weber (1952 and 1964), Merton (1940), Blau (1955)]. Each job was broken down into smaller components and placed in a hierarchy based on complexity and responsibility with the simplest job at the bottom building to the most complex and responsible job at the top. The work design was undertaken to make the organization less dependent upon the whims of individuals by controlling their behaviour (Taylor, 1947).
Further, it was assumed that the more complex the process, the greater will be the executive hierarchy (Woodward, 1958 and 1965).

The Company attacked these bureaucratic dysfunctions, firstly, by eliminating bottom or helper type work and re-allocating it amongst workers at a higher level and secondly, by replacing the promotion line with a multi-skilled team, totally interchangeable and with all members paid the same. It did this on a non-cost basis by paying all the team at the pre-team highest job rate but offset the extra cost by demanning because of greater flexibility and mobility. Many workers liked the change as they gained more pay but 'lead hands', who gained nothing, opposed it as they considered that they lost status. The union opposed it, as it saw a treasured gain (secure lifetime promotion) lost.

Finally, the company commenced a structured approach to re-educating work-place representatives to think like managers. This occurred through a range of measures including plant visits overseas with management, special futuristic industrial relations conferences and involvement in a continuous positive change environment. Little is written about re-orientating attitudes of workplace representatives, especially in terms of transferring allegiance from union to company. The findings in this study should, therefore, interest both practitioner and researcher. Additionally, some quite specific employment events helped condition behaviour, such as the withdrawal of time clocks freeing employees from clocking in and out. Premia pay and call-out pay were eliminated and sick pay was improved. These were clear signs of harmonisation.

Over a four to five year period, employee behaviour started to show signs of significant change. Employees became more receptive to change, more flexible and more interested in how their behaviour impacted upon company performance, and in turn how improved company performance impacted on the employee. The experiences at Sheerness strongly support the literature on the evolution of empowerment, (Ripley and Ripley 1993) and adds to it with a wide range of examples demonstrating delayering, team development and job enrichment.
Cultural Change

By 1988 significant progress had been made. The management of the company were sold on the general idea, even though the perceived benefits of continuous change were no more specific than 'betterment', i.e. more efficient tomorrow than today.

Employees were going along with it, induced by instrumental considerations such as job security and enhanced pay, while better training, improved career development, and more enriched and satisfying work, all assisted the change process.

To maintain the momentum, company management increased the complexity, range of change and speed of change. The change was becoming cultural (Burnes, 1993). In 1988 the company introduced a radical change programme in order to change company culture in pursuit of major improvements in performance. Sustainable competitive advantage required everyone in the company to change their behaviour for the better. The corporate capacity for continuous change had to increase dramatically (Peters, 1989).

Nearly every aspect of the employment relationship changed in 1988 as the company adopted a human resource management approach. Supervisors and middle managers were required to gain a formal management qualification or stand down (be demoted to the team). Employees were expected to do work they had been trained to do, not specifically work associated with their prime role. Employee appraisal and performance pay were introduced through the introduction of a performance incentive plan. A much flatter organization was introduced and the last remnants of the promotion line and seniority system were eliminated. Senior hourly paid operator jobs were eliminated and new staff working supervisory roles were introduced, so significantly weakening union membership (new supervisors were requested to resign union membership). A new two year labour contract was secured which confirmed much of the structural and cultural change in a new jointly shared modern employment philosophy.
Although appraisal and performance pay are frequently written about with disdain, experience at Sheerness would suggest that while all employees may not welcome them, they have been influential in improving employee behaviour. These behavioural improvements have continued despite significant volatility in performance bonuses and, later, salary adjustments (from 1992). Those improvements, which have been addressed in chapters 11 and 12, have contributed to business success. This research should, at the very least, supply a counter argument to those who would abandon appraisal and performance pay tomorrow.

The company had moved a long way from an adversarial industrial relations climate and was now starting to display a human resource management environment. It was practising a more contingent theory of organisation (Lawrence and Lorsch, 1967) in as much as the company was moving away from the one best way; running structural and cultural change together to suit internal needs, conditioned by the business environment.

13.8 The Dynamics of Change - A Model Developed from the Co-Steel Sheerness Experience

Business failures and the less successful companies struggle to manage change. The process is far from easy and even those companies emerging through the turbulent 1990s have had to apply every management skill to research, implement and sustain change. No less was the case at Co-Steel Sheerness. Over a decade or more, the company learnt a great deal about managing change and how dynamic the process needed to be. From that experience a detailed model is suggested which has applicability to a wide range of organisations, from those contemplating change to those successfully managing change programmes.
It should be noted that while companies need to generate the conditions under which change can take place, some conditions may present themselves either because of external reasons, such as socio-economic change, or internal reasons, such as the outcome of an extensive education programme or major technological change. Wherever possible, management should take advantage of 'given conditions' to initiate, support, maintain, or accelerate the change process.

Much of the literature concerning the need for change concentrates on process and ideology. For example Argyris (1970) concentrates on collecting valid information, giving employees choices and commitment through involvement, while the key proponents of change models such as Lippitt (1958), Cummings and Huse (1989) and Bullock and Batten (1985) emphasise planning and the methods to move an organization from one state to another. The literature, however, fails to present a 'comprehensive' model i.e. a detailed guide to managers as to how to proceed. This research builds on the literature and tested methodology at Sheerness and suggests an in depth model of change for general application.

13.8.1 Understanding the Need to Change

The start point is the recognition that change is necessary. Organizations may recognize that technology is becoming obsolete, or that employee behaviour and contribution are inadequate, or that the business environment is changing. Organizations often fail because they recognize the need to change too late.

There are many ways to establish the need for change. Those recommended include:

(a) Benchmarking
(b) Research, desk and field within the industry and wider, if appropriate.
(c) Internal audits of practice and performance measurement.
(d) External audits, such as BS5750 and Investors in People, often provide invaluable data on where the organization stood.
(e) Continuous improvement, simply to do better tomorrow than today. (A record breaking philosophy). This is a form of internal benchmarking.

(f) Appraisal programmes present excellent opportunities to establish new understanding for the need to change and to set change programmes.

More than anything Japanisation has created the concept of continuous improvement. Experience at Co-Steel Sheerness suggests employees need a more tangible approach. This has been achieved through constantly measuring performance and promoting its improvement, much like Schaffer and Thomson's (1992) 'results driven model of change'. This research builds on that model by suggesting that the way to generate a 'record breaking' philosophy is to operate effective appraisal, so setting and agreeing improvement programmes and goals, and rewarding results through performance pay. Converting understanding into reality, in order to improve performance, requires an understanding that all parties to the change will gain benefit at some future time.

13.8.2 Creating Vision

Vision is the organization's strategic intent. It is a way of sharing senior executive plans with the workforce. It is a way of seeking support and common ownership. It is a way of involving everyone.

Vision may be very short-term, for example, 'all our attention must be focussed on returning to profitability'. The vision is clear, the way forward may be unclear. Often that is the case with change. It is management of uncertainty. Today's vision is inappropriate tomorrow. It may be simple or complex. It may be short-term or long term. The importance is that it is understood, shared and being worked towards.

Certainly experience at Sheerness confirmed the 'master paradox' proposal of Peters (1989) stipulating clear thinking and risk taking. Often companies fail because they are not prepared to take risks.
13.8.3 Developing Comprehensive Strategies

Strategies and plans should cover each area of organization activity where change is needed. These are very important, as successful completion of the changes will enable the organization to achieve its vision.

These strategies and plans should

(a) Be built on successful research.
(b) Be clear and well thought out.
(c) Involve those affected, or where that is not possible, those who are involved in managing the change.
(d) Anticipate resistance and specify methods for overcoming it.
(e) Detail a total communication programme from start to successful conclusion.
(f) Specify timing.
(g) Highlight benefits for all parties, e.g. the organization, the employees, the customer etc.
(h) Spell out the change in writing, if complex.
(i) Specify the risks involved for all parties.
(j) Use HRM as a catalyst to change.
(k) Determine after-care programmes to consolidate the change.

The literature seldom addresses the duration of change, normally concentrating on timing only as a critical factor. This research adds to the literature in terms of duration of change. Change is generally lengthy when commencing major change for the first time, such as the flexibility programme at Sheerness. However, major change can take place very speedily, as in the case of the formation of the single status company. In fact, management at Sheerness suggest effecting change speedily and following it up with detailed after-care arrangements as the most effective approach.

The other issue to add to the body of knowledge on change is that at Sheerness much of the change was led by the HR practitioner. That approach proved successful and is recommended.
13.8.4 Cultural and Structural Implications

There is a need to create a culture which thrives on teamwork, flexibility and job enrichment, which stimulates a continuous change environment. Additionally, there is a need to promote an environment where change is inspired 'bottom up' and where the 'top' recognises it and facilitates it. However, where culture is not strong enough or where resistance is marked, the use of structural determinants, such as delayering or re-organising role and work, maybe a useful way to maintain progress.

In fact, structural changes (the elimination of hourly paid lead hands in 1988 and the establishment of a working salaried supervisor helped change the collective work ethic, weakened union membership and strengthened the management team) reinforce the continuous persuasion approach, often so essential to initiate change in traditional and stable organisations or add momentum to change in more proactive organisations. The most effective ongoing change programmes require an interaction between cultural and structural forces, and a programme of continuous education and development to equip employees with the understanding, enthusiasm and motivation to participate fully.

13.8.5 Implementing Change

A good plan may flounder from poor execution. Implementation programmes are vital to the change process. The following activities are suggested:

(a) Set-up a change management team including, wherever possible, some of those people affected.

(b) Plan a commitment programme to secure support from all those needed.

(c) Plan a timetable and strictly follow it.
(d) Monitor progress at all times.

(e) Ensure there are sufficient change agents to sell the change and that the change agents are properly briefed.

(f) Plan the communications programme. Involve the family if useful; encourage peer group exchange of view meetings; answer every question; use noticeboards, letters, newspapers to answer queries and build confidence and above all report progress.

(g) Establish 'After-Care' arrangements to consolidate the changes.

(h) Always take advantage of fortuitous events.

13.8.6 Involvement and Ownership of Change

Successful change requires those affected to be involved in it and accept ownership of change. Investigative teams (benchmarkers) should comprise organizational members from all grades who should work as a team and take responsibility for implementing change. While it is recognized that change has to be managed, the more catalysts and ambassadors, the easier it is to change.

13.8.7 After-Care

Change needs consolidation. After-Care Programmes should be a critical part of the process and should recognize failures and successes and supply appropriate action. Change has to be managed. Also use Ambassadors of Change, change agents and performance reporting to maintain momentum.
13.8.8 Changing Managers to Manage Change

To manage change successfully requires competent and supportive managers. This may require:

(a) Management Training. It may be a good idea to require all managers to gain a recognised management qualification.

(b) Improving management skills.

(c) Involving managers in the change management team.

(d) Converting the company to a learning organization.

(e) Terminating managers unprepared to make change.

(f) Inspiring leadership throughout the management team.

At Sheerness, the requirement for all managers to obtain a management qualification was influential in the successful management of change. The literature review on this subject indicated less specific requirements for managers.

13.9 Single Status Company

For many organizations, a unitary perspective on industrial relations (Reddish, 1975, Fox, 1966) is a step too far. Certainly in the manufacturing sector in the United Kingdom a pluralistic perspective on industrial relations has been more prevalent and realistic (Fox, 1966 McCarthy, 1986 and Clegg, 1975). The unitary perspective requires an integrated and harmonious workforce sharing in a common purpose and hence there cannot be 'two sides' in a company.
In 1992 the company sought and secured a single status company through inviting all hourly employees to accept salaried staff positions, individual contracts of employment and the same general employment package that applied to existing management staff. This included terms such as full performance pay, an annual salary for a total contribution irrespective of hours worked, and a range of working conditions or ethics/values far removed from the prevailing framework of rules and regulations. At the same time the company derecognised the four trade unions which had been recognised since 1974.

This was the biggest industrial relations step the company had taken in its history. It had managed continuous change in employee behaviour for a decade, and for a large part of that period had no firm goals in sight for 'end of play'. Internal and external circumstances clarified management thinking and strategy in the early nineties, and the management used all its experience of successful change and employee motivation to secure a single status company. It was a paradigm shift without parallel in the company's history. It was both an offensive and defensive move. It reduced cost and added to efficient operation at the time the company was experiencing considerable difficulty from recession. It established a new organization, a new level of employee performance and a new human resource base upon which to establish a competitive position.

The formation of the single status company was a major change by a company seeking sustainable competitive advantage. It included those ingredients Barney (1991) considered essential. It was valuable as it took £1M out of costs and promoted significant performance improvements. It was a change seldom experienced in the UK, for example the Warwick Studies, indicated an accelerating take up of HRM, but found 'little evidence of any forthright move to abandon pluralism'. Literature reviews and benchmarking visits by Co-Steel Sheerness employees have seldom found a fully single status company in the manufacturing sector and operating a unitary perspective. Management and many staff at Sheerness believe that single status has improved company competitiveness.
In fact there is an absence of research into single status companies and their ability to perform differently. This case study provides new knowledge and may promote further research. The new position confirms that Kanter's (1989) post entrepreneurial organisation is not just another fad but is achievable. However, few of the modern day writers address the issue of how difficult it is to make the organisational changes needed to secure competitive advantage, and the model just presented may help companies manage change successfully.

13.10 Union Derecognition

The derecognition process was less cataclysmic than the management considered it would be. This was probably because recent legislation had severely weakened union leverage; continuous structural and cultural change over time within the company had changed employee orientation closer to that of the company than the trade union; a younger workforce was more individualistic and instrumental in its approach to work and rewards; union membership had declined in the plant; the economic climate nationally and locally was heavily influenced by job insecurity and ongoing redundancy. Additionally, derecognition was a growing phenomenon in the UK (Labour Research, 1992, Millward, 1992).

This study suggests that union derecognition is likely to occur under the following conditions.

13.10.1 When the trade union movement is low in membership (Claydon, 1989) and weak in influence. Such occasions may be found; during recession where companies are likely to close (Disney, 1990; Kelly, 1990); when structural and occupational change lead to a reduction in traditionally unionised work; when legislation and State intervention curbs trade union power; when the number of shop stewards decline (Millward, 1992). Union density in the company had declined from 84% in 1981 to 61% in 1991. The company derecognized the unions in April 1992.
13.10.2 Where the composition of the workforce moves away from hourly paid to salaried employment (Coleman 1985). Co-Steel Sheerness, from the commencement of HRM in 1988 had been regularly transferring workers from hourly paid to salaried terms.

13.10.3 Where pay and labour productivity improvements have been secured on a regular basis, while at the same time demonstrating improved safety performance. In such circumstances, trade unions have no agenda to undermine successful operation or secure allegiance through negotiating inflationary pay rises or encouraging compensation settlements for industrial injuries.

13.10.4 Where job involvement is taken a further step. In the flatter organization the work is broader and more enriched. Empowerment is the current term for such work. In such organisations, the allegiance of workers to management and the company is likely to be very strong and the conditions are amenable to derecognition.

13.10.5 When international competition increases at a time of significantly increased competition in product markets. Such influences put pressure on companies to reduce or control employment costs, exploit new technology and encourage maximum flexibility and mobility of labour in the search to minimise losses, return to profitability, maintain profitability or increase profitability. Such efficiency changes are traditionally resisted by trade unions. Co-Steel Sheerness sought competitive advantage from union derecognition through cost savings and improved employee performance.
13.10.6 Where ownership change of the business may well provide the appropriate conditions for derecognition. Research (Milner and Richards, 1991 and Financial Times, 13 October, 1987) has indicated that foreign ownership of a business in the UK is more likely to lead to non-recognition or derecognition than home owned businesses. This could be because of company policy or because the company environment facilitates a less sympathetic view by workers to unionisation. Co-Steel Sheerness is a Canadian owned company.

13.10.7 Where personnel policies and practices such as harmonisation, personal contracts, performance pay, cultural change programmes, quality circles, etc, become more integrative to business objectives. For many years Co-Steel Sheerness had been introducing these practices which were aimed at making the human resource contribution an important and discernible influence on company profitability. In these circumstances common terms and collective bargaining take on diminishing importance.

13.10.8 Where there is a limited tradition or history of trade unionism within a company nonrecognition or derecognition is more likely to take place. At Co-Steel Sheerness there was a limited history of trade unionism, the majority of employees had not experienced unionism before and only joined unions in the company because of the post-entry closed shop arrangement.

13.10.9 Where the quality, education and continuous training of the workforce generates an individualistic ideology which challenges collectivism.
The establishment of the single status company and union derecognition were two of the major change programmes undertaken by the Company. The decision to make such changes involved not only very good planning and precise execution but involved considerable risk. Leadership too was vital to persuade employee doubters, although most employees through re-education and behavioural change programmes were ready to change. The change did much to eliminate the remaining 'them' and 'us' environment. It brought a 'full' HRM perspective including an environment of shared visions.

The new environment has brought a new work ethic, namely all staff working together as stakeholders in the company. There are no job barriers, no work demarcations, no constraints to personal pay growth, and no restrictions to career development. Continuous education and training, continuous improvement, and a 'record breaking' work approach are all endemic and essential to the new environment. This 'full' human resource management approach is fulfilling its business oriented philosophy of obtaining added value from the employees as an integral part of the process of achieving competitive advantage. And the process has involved the application of all of the dimensions stated in the 'Warwick' model of HRM, and more. This situation would suggest that the company is at a more advanced position than most in the application of an HRM approach. Senior management believe such an advanced form of HRM is needed to both sustain and promote competitive advantage.
Co-Steel Sheerness has developed advanced thinking about the HRM approach and has moved on considerably since single status was established in 1992. But then, so many companies are now endeavouring to improve business performance through the application of HRM approaches. In order to once more add substance to the reality and value of HRM and its importance to business seeking improved performance, this section aims to bring the reader up to date with HRM advances in the company together with a brief update of new research supporting the HRM - performance relationship. Finally, in the light of experience within the company, a new model of HRM, developed from the 'Warwick' model, is offered to practitioners and researchers who wish to both understand and work with advanced HRM approaches.

The following changes have been made, or are planned, since the single status company was established in 1992.

Concerning organization and management issues: the structure has been delayered to four levels; managers are developing empowerment by job rotating with shop-floor staff; management protocols have been established and training given to ensure everyone manages consistently and fairly; the 'Ambassadors of change' programme has been strengthened and developed; and a new initiative, total productive maintenance, has been introduced to improve plant performance through empowered teamworking. Senior management are currently developing programmes to create an organization where all staff perform a management role. Further, a programme to achieve accident free operation is also under development.
Concerning beliefs and plans: vision and mission have been re-written, and new operating principles established which focus heavily on people as assets to be continually developed; new values and expectations have been incorporated in a new Staff Handbook, which took three years to develop, and was issued to everyone; the five year HRM plan, which is central to the business plan, has been re-developed on a ten year horizon to improve manpower planning and staff development; new plans have been discussed, and are being developed, to ensure all staff are committed to programmes which will enable the company to be profitable in recession.

These programmes of continuous change will require even better educated and trained staff. To that end, the senior management have set minimum levels of competence for the key staff groups, namely managers to achieve NVQ 4 in management and shop-floor staff to achieve a relevant NVQ 3 qualification. A ten year apprenticeship is being investigated which would include a NVQ 4 in management and chartered Institute status in order to mould young people into high performers. Finally, a 'Master Steelmaker' programme is at an embryonic stage and will reward staff achieving five vocational educational qualifications and who perform at an exceptional level. This final initiative is to both create and promote the most effective twenty-first century 'steelworker'.
People performance and behaviour need continuous measurement. Existing appraisal programmes are regularly refined and re-developed, and used to set plans and goals, review behaviour and to promote continuous improvement. External assessments have always been encouraged and will figure in future plans. In 1994 the company was amongst the first ten companies in the UK to be re-accredited an 'Investor in People' and it learnt a lot about prevailing attitudes from the process. It will continue to seek re-accreditation every three years. It will seek other awards in the fields of safety, quality, training and performance which will provide an external view on a wide range of performance variables and promote further internal contribution and change by its staff. Additionally, the company plans a major independent attitude survey to provide a detailed understanding of prevailing attitudes in a single status company of some four years standing. The results will help set HRM initiatives for the future.

Finally, superior staff performance requires superior reward that will not undermine competitiveness. To that end the company introduced a new gainshare plan in 1995 which allocates a share of savings made from improvements to a wide range of important business performance criteria. Early results appear very encouraging. This bonus scheme, together with profit sharing, and performance related salaries, which are reviewed annually but on a personal date to the individual, has helped all staff enjoy increases in earnings well ahead of inflation.
Many Personnel practitioners now openly acknowledge that HRM brings improved business performance and competitive advantage. While researchers in the 1980s were easily put off attempting to assess the impact of HRM on business performance many later researchers have strongly related HRM to business performance. Howes and Foley (1993:60), from a case study in an Australian company, confirmed that "strategic human resource management is an integral part of its competitive advantage". Yeung and Brockbank (1994:13), from interviews with senior human resource executives in a study of 25 corporations worldwide, state "The human resource function can add substantial value to a business if it can help manage change through well-planned strategies and processes". The research suggested a 'change agenda' which included such key issues as facilitating organizational change, developing self-managed teams, re-engineering HR processes, and HR experts working as strategic partners with line management.

There is a growing body of hard evidence that HRM does improve business performance. Ichniowski and Shaw (1994), in a major study of North American Steel companies, found that new approaches to HRM generate not only 'the highest levels of productivity' but also produce the 'highest product quality'. They suggest that 'high performance systems' of HRM produce the high performance results. Such 'systems' include regular off-the-job training, job flexibility, high staff selection standards, teamworking, regular and effective communications, incentive pay and job security pledges. In the UK, Guest and Hoque (1994:1-14) in a study of 120 non-union companies, demonstrate that those companies utilising clear HRM strategies reported better productivity and quality performance and performance in recession, than companies which did not have a planned HR strategy.
Finally, a new report from Cranfield School of Management and the HOST consultancy (Management Training, 1996) reveals that 'organisations which adopt best practice in human resource management out-perform those who don't'. The report revealed ten key HR factors which lead to improved business performance. Some of these key factors included empowerment, continuous learning, effective and regular communications, greater management commitment to develop employees, HRM as central to the business plan, and line managers taking responsibility for HRM.


As the earlier literature review suggested, HRM may mean many things to many people. It may be an emerging philosophy; re-cycled industrial relations; an ideological guise for working without unions; or a new and important approach to the management of employment relationships. This study has pointed to sufficient evidence, both in Co-Steel Sheerness and in other research, to suggest that HRM is new, is real and is being taken up by more companies. While it is recognised that there is considerable diversity of HR practice, both in the UK and throughout the world, there is an acknowledgement that companies, worldwide, are taking their human resources more seriously. For those companies, the challenges are considerable. For the HR experts and business managers, knowledge and understanding of HRM approaches and change strategies and processes will be of critical importance. It is hoped that this study will assist those responsible for making such changes. But to assist further, a new model of HRM is suggested. It builds on the 'Warwick Model' and addresses the limitations discussed in chapter 12. It is an advanced form of HRM referred to as 'Human Resource Performance' (HRP) to reflect the growing significance of self-management now and in the future. HRP is an approach which aligns both organisational needs and individual needs in pursuit of maximum business performance. It facilitates success for the stakeholders through continuous growth. In effect, it is a business philosophy in which employees create and sustain compliant patterns of behaviour aimed at satisfaction in the workplace and success for the business. This model of HRP is illustrated in figure 13.1.
Figure 13.1

### 21st Century Model of Human Resource Performance (HRP)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Warwick HRM Model</th>
<th>Shearness HRP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A Beliefs and Assumptions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Contract</td>
<td>Aim to go 'beyond contract'</td>
<td>Aim to go 'beyond contract'</td>
</tr>
<tr>
<td>2. Rules</td>
<td>'Can-do' outlook; impatience with 'rules'</td>
<td>Maintaining rules and promoting values</td>
</tr>
<tr>
<td>5. Management task vis-à-vis labour</td>
<td>Nurturing</td>
<td>Nurturing and developing performance</td>
</tr>
<tr>
<td>6. Nature of relations</td>
<td>Unitarian</td>
<td>Unitarian</td>
</tr>
<tr>
<td>7. Conflict</td>
<td>De-emphasised</td>
<td>De-emphasised</td>
</tr>
<tr>
<td>8. Employee commitment</td>
<td>Shared concern for individual and company well-being</td>
<td></td>
</tr>
<tr>
<td>9. People (employees)</td>
<td>Collaborative with synergy and trust</td>
<td></td>
</tr>
<tr>
<td>10. Employee contribution</td>
<td>Encouraged contribution</td>
<td></td>
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<tr>
<td><strong>B Strategic Aspects</strong></td>
<td></td>
<td></td>
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<tr>
<td>11. Key relations</td>
<td>Customer</td>
<td>Business customer</td>
</tr>
<tr>
<td>12. Initiatives</td>
<td>Integrated</td>
<td>Integrated</td>
</tr>
<tr>
<td>13. Corporate Plan</td>
<td>Central to</td>
<td>Central to</td>
</tr>
<tr>
<td>14. Speed of decision</td>
<td>Fast</td>
<td>Fast</td>
</tr>
<tr>
<td>15. Performance of labour</td>
<td>Measured on wide range of criteria and critical to competitiveness</td>
<td></td>
</tr>
<tr>
<td>16. Sub goal setting for individuals</td>
<td>Essential or central to</td>
<td></td>
</tr>
<tr>
<td><strong>C Line Management</strong></td>
<td></td>
<td></td>
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<tr>
<td>17. Management role</td>
<td>Transformational Leadership</td>
<td>Transformational Leadership</td>
</tr>
<tr>
<td>18. Key Managers</td>
<td>General/business/line managers</td>
<td>General/Busines Manager (BM)</td>
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<tr>
<td>19. Communication</td>
<td>Direct</td>
<td>Direct and networked</td>
</tr>
<tr>
<td>20. Job Design</td>
<td>Teamwork</td>
<td>Teamwork</td>
</tr>
<tr>
<td>21. Job grades/bands</td>
<td>Few</td>
<td>Few/broad</td>
</tr>
<tr>
<td>22. Pay (fixed)</td>
<td>Performance related</td>
<td>Performance related</td>
</tr>
<tr>
<td>23. Pay (variable)</td>
<td>Groupshare, Profit Share</td>
<td></td>
</tr>
<tr>
<td>24. Conditions</td>
<td>Single Share</td>
<td>Single Share</td>
</tr>
<tr>
<td>25. Conflict handling</td>
<td>Manage climate and culture</td>
<td>Manage culture, structure and climate</td>
</tr>
<tr>
<td>26. Selection</td>
<td>Integrated, key task</td>
<td>Integrated, key task (hiring tomorrow's employees)</td>
</tr>
<tr>
<td>27. Training &amp; Development</td>
<td>Learning company</td>
<td>Continuous development (learning company)</td>
</tr>
<tr>
<td>28. Educational attainment</td>
<td>Required and prescribed</td>
<td></td>
</tr>
<tr>
<td>29. Analytical appraisal of performance</td>
<td>Central to</td>
<td>Central to</td>
</tr>
<tr>
<td>30. Communication</td>
<td>Increased flow</td>
<td>Increased flow</td>
</tr>
</tbody>
</table>

* Criteria additional to Warwick Model.

Considered essential by Co-Steel Shearness Senior Management for HRM to be classified as a new approach.
The advanced model (HRP) adds eleven new variables to the 'Warwick Model' and fine-tunes some of the 'Warwick' terminology. Under 'Beliefs and Assumptions', four new variables are added - commitment, trust, people value and people contribution. These new beliefs were of importance to transformation at Co-Steel Sheerness and, are now featured more frequently in recent research. Under 'Strategic Aspects' two new variables have been added - individual goal setting and employee performance measurement. These were critical to the change process at Sheerness. Under 'Line Management', two new variables were added - education requirements (a somewhat radical approach suggesting that managers need a management qualification to demonstrate competence in an HRP environment) and the ratio of manager to managed which effectively illustrates the extent of real empowerment. Finally, under 'Key Levers', three new variables are added - variable pay, which reflects the need under HRP to reward outstanding performance through gainsharing or profit sharing in order to avoid pay drift; educational attainment to set minimum levels of competence; and analytical appraisal of performance, in order to assess behaviour and contribution equitably and set individual goals and growth plans.
At an earlier stage in the study, a question was posed as to how a practitioner would know when an HRM approach had been adopted or how far a company would have to go before it could be sure it had transformed into an HRM approach. To help answer this question, the management strategy group at Co-Steel Sheerness was asked to rate the variables of the new model on a scale of importance, namely low, medium, high and essential. Grouping together high and essential as significant, it was determined by the 'group' that where 75% of them considered a variable significant, that variable would be judged as a fundamental requirement of the new HRP model. Twenty-one fundamental variables in the HRP model were considered significant. These are shown, hatched grey, in figure 13.1. Eight were 'beliefs', three were 'strategic aspects', four were 'line management' issues and six were 'key levers'. The results produced a broad spread throughout the variables although it was interesting to note that it confirmed 64% of the new variables as being of fundamental importance.

The purpose of this investigation has been to illustrate the 'imperative variables' of HRP as determined by senior management at Sheerness. It therefore, provides an additional insight into issues which HR practitioners involved in transformation, may concentrate on. This model may therefore be of value to all those managers and HR experts who plan change, firstly because it suggests a wide range of change issues, and secondly, because it gives an idea of the extent of change which may need to be made to confirm a new approach to employee relations has been adopted.
This study of change has attempted to add clarity to the debate as to whether HRM is real or rhetorical. It has shown that at Sheerness the company has transformed its industrial relations approach into human resource management. It has confirmed that the company is an exemplar of HRM and that HRM is real and does influence business performance. Further, the study has offered new approaches to managing change and hopefully encouragement and guidance to those who plan change. In the latter respect, it suggests a new model of HRM and goes one step further by suggesting essential variables which would indicate the fundamental criteria of HRM. Finally, this concluding section has included a brief update from current HR research to indicate that companies, globally, are seeking, as Co-Steel Sheerness has done, competitive advantage through managing their people differently.
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