

# HIGH ROAD TO WORK ORGANISATION

## Summary of the analysis of four labour-intensive enterprises in Sweden



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### **Abstract**

This paper provides an overview of four case studies of enterprises selected from a sample of labour-intensive industry and service enterprises in the ITPS FLEX-2 database. Two of the enterprises are part of larger grocery chains, *Co-op Supermarket* in Vetlanda and *ICA Kvantum* in Åkersberga. Both have been more or less forced to make changes to their work organisation due to computerisation of the purchasing and ordering systems for perishable goods and groceries. The other two enterprises are in the labour-intensive industry sector; *Fredricsons Trä* – a wholesaler and importer of wood and wood-based products and *Jonsson & Paulsson Industry AB*, an enterprise working with paint spraying and mechanical engineering. In these two cases, changes have been made to meet increasing customer demand. In turn, these customers are enterprises that work in a later stage of the chain that processes the goods and services produced by the enterprises in the study. All four cases are examples of successful enterprises working in sectors that are generally characterised by a low incidence of learning. The operations of the selected enterprises are largely based on learning strategies such as the use of IT for internal and external communications, a decentralised work organisation, on-the-job training and learning and co-operation with other parties.

# HI-RES Case Study: Summary of the analysis of four labour-intensive enterprises

## Sector

NACE 521126, NACE 515306, NACE 287590

## Key Words

Strategies for learning; organisational change; labour-intensive enterprises

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## 1. Background Information

There is a long tradition of company case studies studying the relationships between learning and the financial results of the individual enterprises. On the other hand, there are not many studies of learning that are based on representative data that take into consideration the complexity of the enterprises and the different environments they work in. However, this was the case with the earlier study, the FLEX-2 study, made by the Swedish National Board for Industrial and Technical Development, NUTEK.

The result of NUTEK's analyses of data from some 4000 enterprises confirms that learning strategies are of significance for the enterprises' financial results. The productivity of enterprises that make extensive investments in these strategies is, on average, 20 per cent higher than those that have not made any investments of this type at all.

In the FLEX-2 study, the incidence of learning strategies in the form of skills development plans for all employees, features of skills development in the daily work and the employees' participation in courses and training programmes paid for by their employers was studied. The enterprises' work organisation and use of IT was also studied. The incidence of learning strategies was then related to the financial results of the enterprises. The study shows that the knowledge-intensive service sector is the area that runs most programmes of skills development. It is also the sector that is characterised by a high proportion of employees with a university education or equivalent. The sectors characterised by a high proportion of employees with a short education, i.e. the labour-intensive industry and service sectors, were the sectors that mostly stated that they did not run any form of skills development programmes. The conclusion can thus be drawn that it is important to increase the incidence of learning in working life in Sweden.

On the basis of NUTEK's earlier studies, a summary has been made of how four enterprises in Sweden have implemented organisational changes and introduced new technologies. The data was based on information obtained from telephone interviews, questionnaires and databases. The interviews with the four enterprises were held with the management of the enterprises in October 2000. These enterprises were selected since they represent relatively small operations in the labour-intensive and service sectors, sectors that are generally characterised by a low incidence of learning. In addition, small enterprises have in general fewer contacts and less cooperation with organisers of training programmes than large enterprises. The four examples of changes to work organisations that are presented in this analysis show that strategies for learning can be designed in a constructive way, even in enterprises with few employees in labour-intensive sectors.

The first two enterprises are food stores and are part of the labour-intensive service sector. One is a co-operative store (Co-op Supermarket) (NACE 521126) and one is an ICA Kvantum store (NACE 521126). The enterprises are similar in many ways. Both have made changes to their work organisations partly as a result of the introduction of new technology. The Co-op Supermarket is owned by the co-operative movement in the form of KF Göta, which is situated in Växjö and owns a total of 70 stores in the region. Marketing, contacts with suppliers and the coordination of purchases are done centrally by KF Göta. The Co-op Supermarket has 30 employees and a turnover of approximately SEK 50 million per annum. ICA Kvantum in Åkersberga is an independent member of a food store chain, the ICA group. In exactly the same way as KF Göta, the ICA group has the overall responsibility for contacts with suppliers and the coordination of purchases. ICA Kvantum has 48 full-time employees and a turnover of approximately SEK 165 million. At the time of the interview, the Co-op Supermarket had just implemented a major process of change, while ICA Kvantum had just started the same process. The other two enterprises are part of the labour-intensive industry sector. Fredricsons Trä AB (NACE 515306) is a wholesale company within the Andersson and Sjöberg group. The enterprise specialises in wood products, for example joinery work for windows and

doors, and wooden floors. The fourth enterprise is Jonsson & Paulsson Industri AB (NACE 287590), an enterprise in the metal industry that works with paint spraying and mechanical engineering and its ambition of the enterprise is to achieve constant growth.

## **2. Drivers for Change**

Why do the enterprises spend time and money on changes to their work organisation? This summary shows that the main driving forces for change are the demands made by the enterprises' customers and suppliers.

One common denominator is that changes to their work organisations have been made necessary as a result of growing competition and the higher demands made by customers and suppliers. One important method is to follow developments and to assimilate technology and tested methods to become cost-efficient. The overall objective of the enterprises is to improve their financial results and this can be achieved by developing their personnel so that they can meet customer requirements in the best possible way and can use technology for that purpose. The enterprises are also convinced that IT skills will be increasingly important in the future and that an increasing number of duties will be done via the computer.

One difference that should be noted is that the four enterprises are in different parts of the production chain. The changes to the work organisation at ICA Kvantum and the Co-op Supermarket are mostly a consequence of changes made by their suppliers and the groups that are part of. In both cases, the computerisation of the ordering and purchase systems at the suppliers has created new demands where the capacity and organisation of the stores are concerned. The stores can, therefore, to a certain extent be said to be supplier-driven since they are the last link in the chain, i.e. the goods are sold to the final consumers. The goods produced at Jonsson & Paulsson Industri and Fredricsons Trä are often included as components in the products of other enterprises. Therefore, their work organisation has been influenced in the first place by customer requirements, i.e. the requirements of other enterprises in respect of for example technology, quality and security in supplies. The organisational changes that have been implemented have the aim of making operations more customer-driven and thereby of increasing the satisfaction and improving the competitiveness of their customers.

The enterprises' objectives where changes in work organisation and strategies for learning are concerned can be summarised as follows:

- Improve knowledge, ability to cooperate and flexibility of the employees and to improve the working environment.
- Better meet customer requirements and improve financial results.
- Make production more efficient, reduce production costs and improve the quality of goods and services.

## **3. Characteristics and Process of Change**

One factor the four enterprises have in common is that their work organisations have the aim of improving cooperation between employees and the knowledge and understanding of the employees of each other's working duties and the different stages in the production of goods and services. Ultimately these changes have the aim of better meeting customer needs and also, in the case of the food stores, the demands made by the groups that are their suppliers. The results of the changes made to the work organisation are different in the four enterprises. One common factor of the changes is that they concern the elimination of obstacles in order to facilitate cooperation between different units and functions.

In the four enterprises, the ability to cooperate with and profit from contacts with suppliers, customers and government agencies is of importance in the processes of change. With both ICA Kvantum and the Co-op Supermarket being part of a group has resulted in advantages where benefiting from the large amount of information, courses and training programmes offered by the groups. The Co-op Supermarket and Fredricsons Trä have also applied for funding for their changes through these channels. One thing that the four enterprises share is that during the course of the process of change they participated in the EU structural fund programme, Objective 4. For most of these enterprises this has had the effect that it was possible to implement planned skills development programmes earlier than estimated.

In the Co-op Supermarket and ICA Kvantum, the work is organised on the basis of product groups where employees with different functions cooperate with each other and are also able to perform each other's working duties. The differences are fairly large despite the fact that, in principle, conditions are similar. One probable explanation is differences in leadership. At the Co-op Supermarket, the store manager has discussed every change with the employees in advance and has asked their opinion. The responsibility for purchasing and planning has been completely decentralised to the working groups. The basic idea is that the personnel have the best knowledge of how the store functions and of any possible shortcomings that must be remedied. The responsibility for planning, contacts with customers and suppliers, as well as for quality control, should rest with the personnel. The personnel have also been permitted to make their own decisions on the courses and training programmes they wish to participate in. At ICA Kvantum, management has made the decisions on changes. The personnel have not participated in decisions concerning the process of change and management expresses little confidence in the employees' skills and professional knowledge.

In the two industrial enterprises, the changes in the work organisation represent a means to improve cooperation with their customers and thereby their competitiveness. At Fredricsons Trä, a process of change was started with the aim of remedying the poor climate of cooperation that existed between the blue-collar workers in production and the white-collar workers in purchasing and sales, which complicated contacts with customers and suppliers. The result was a transition to a flow-oriented organisation. Purchasers, production and stores personnel, salesmen and transport personnel are responsible for a certain group of products and cooperate with each other in contacts with customers and suppliers. In this way the service provided to the customers has improved, as has productivity and the working environment.

In the case of Jonsson & Paulsson, customers including Ericsson have requested that the enterprise should adapt its technology in the same way as other suppliers on the market. However, organising work on the basis of the flow principle has not been possible. The work is mostly organised on the basis of functions since most of the working duties require extensive technical expertise. Focus has been placed on creating an organisation that is permeated by openness. In order to reduce the risk of misunderstanding between the different parts of production, a planning and discussion seminar is held each month in which the personnel are divided up into groups that consist of employees from each unit. This increases productivity and security in deliveries.

#### **4. Obstacles to Change**

There are a number of common factors in the four enterprises. One problem given prominence by top management is that decentralisation of the work organisation can have a tendency to get stuck at middle management level. They believe that this is due to the fact that middle managers do not rely on the ability of the personnel under them to handle the various systems and that middle managers do not want or dare to give up responsibility but tend to look after their own interests and positions. Management also see that the employees do not trust their own ability and knowledge at the start of a process of change. The problems that have arisen have been largely due to the fact that

the dialogue between management and the employees has broken down. The attitudes of management towards change and staff and also their capacity to interest the staff in the development of the enterprise are of decisive importance for successful changes, but differ in the enterprises studied. It is clear that the good leadership qualities of the managers at the Co-op Supermarket and Fredricsons Trä have had a positive effect on the processes of change, while the changes in the ICA store have been sluggish since the store manager has not succeeded in making his employees feel that they are participating in the process.

Another obstacle to change that was mentioned is the low educational level of the employees, a characteristic of the labour-intensive industry and services sector. In some of the cases the processes of change would possibly have proceeded more smoothly and the objectives been achieved, if the formal levels of education among the employees had been higher, for example in the field of logistics at Fredricsons Trä. One common requirement associated with new decentralised forms of work organisations, in which the employees are given more responsibility and more working duties, is the necessity of regular skills development activities, partly for the reason that the working environment is constantly changing, for example due to the introduction of new technologies. Recurrent training is also important to facilitate an extension of the duties and responsibilities of the employees.

## **5. Risk Analysis**

What obstacles to further development can the enterprises see in the future? Implementing a major reorganisation is often a lengthy process since it is not possible to implement all the changes in a day. A process of change takes both time and resources to evolve.

Several of the enterprises fear that the pace of development and the skills development programmes will come to a standstill in the future due to booms and recessions in the economy. A reduction in demand can have the result that the enterprises cannot afford to allocate funds for skills development, while an increase in demand can have the effect that there is no time for development of this type. In the case of Jonsson & Paulsson, there are no similar industries in the region that can relieve the enterprise at times of maximum production, which limits opportunities for the employees to participate in skills development programmes. There are similar thoughts at Fredricsons Trä, where the workload is increasing at the same time as the organisation has grown by ten new employees. One dilemma for both these industrial enterprises is that skills development of their employees is necessary since a great deal of the work in production requires advanced professional skills but it is difficult to find the right skills on the labour market. In addition, it is sometimes more efficient from the time perspective to give existing personnel further education and training to perform new working duties than to instruct new employees.

One general risk associated with introducing flow organisations is that production is made too efficient. Since back-up functions at the enterprises are reduced as a result of rationalisation, there is no scope for absence. This has the effect that there is no time for skills development or sickness that in turn can create stress and an unhealthy working environment (enterprises with too few employees are usually known as anorexic enterprises). A work organisation that functions well in one enterprise does not necessarily function well in another. A work organisation based on the flow principle is not suitable for all types of activities. At Jonsson & Paulsson, many of the tasks require extensive professional skills that take a long time to learn and develop.

## **6. Benefits of Change**

A common feature of the four enterprises in the study is that they have achieved better cost efficiency in production and in their handling of products, higher rates of growth and

better cooperation between the personnel. A stronger team feeling has resulted in low personnel turnover at most of them. The enterprises regard this as evidence that they have created a good working environment. The potential of the employees has been better utilised as a consequence of the changes made to the work organisation. The introduction of strategies for skills development, combined with the delegation of more responsibilities and powers to the employees, has increased flexibility in the enterprises.

## **Conclusions**

One conclusion that can be drawn from the four case studies is that the strongest driving force for change is to meet the needs of customers and suppliers. Changes can, for example, be necessary due to requirements arising from new technologies. Another conclusion is that leadership is one of the most important factors for success in organisational change, regardless of the type of change involved. An enterprise must have the support of its employees since it is the employees that drive the enterprise forwards. The decisive factor is whether the managers and employees have confidence in each other and that the changes are accepted and supported by all involved. A third conclusion is that all work organisations do not suit all enterprises; an enterprise must, together with its personnel, find an organisation that is suitable for the conditions at the enterprise. At Jonsson & Paulsson Industri, for example, the introduction of a flow organisation is made difficult by the fact that certain duties require a great deal of experience and extensive professional skills.

Another observation refers to the importance of formal education. A high average level of education among the employees can facilitate the implementation of changes but it is also possible to make changes even when those with a low educational level are in the majority. However, the provision of supplementary skills development programmes on a regular basis is necessary in all types of organisation to enable the organisation and the employees to continue to develop. The case studies show that organisational changes and programmes of skills development are of importance, even in small enterprises in the labour-intensive industry and services sector.

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